COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 0 0 0 0 0 0 3 1 1 6 8

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)
2,088	Any day of June	12/31

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 Subsdivision, 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.

Parent Company Financial Statements
As of and for the Year Ended December 31, 2018
(With Comparative Figures for 2017)

and

Independent Auditor's Report

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A member firm of Ernst & Young Global Limited

A BROWN COMPANY, INC.

April 12, 2019

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.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 consolidated 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 consolidated 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

APR 22 2019

SUBSCRIBED AND SWORN to before me this ____ 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

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 106 (2018-2019)
Pasig City, Pateros and San Juan City
Attorney's Roll No. 46377
IBP LRN 02459; O.R. No. 535886; 06-21-2001
MCLE No. V-0012276; 04-13-16
PTR No. 5174505; 01-03-19; Pasig City
4F Goldloop Towers A, Escriva Drive
Ortigas Center, Pasig City

Doc. No. 77
Page No. 17
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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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 Stockholders and the Board of Directors
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, 2018 and 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, 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.

Other Matter

The financial statements of the Parent Company as at and for the year ended December 31, 2017 presented for comparative purposes, were audited by other auditors whose report dated April 5, 2018, expressed an unqualified opinion on those statements. As part of our audit of the 2018 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to amend the December 31, 2017 and January 1, 2017 statements of financial position as well as the statement of cash flows for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements taken as a whole.

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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.

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- 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.

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 the Parent Company. 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.

The engagement partner on the audit resulting in this auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332628, January 3, 2019, Makati City

April 12, 2019

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A BROWN COMPANY, INC.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

(With Comparative Figures as of December 31, 2017 and January 1, 2017)

	2018	2017 (As restated - see Note 2)	January 1, 2017 (As restated - see Note 2)
ASSETS			
Current Assets			
Cash (Note 4)	**₱37,690,616**	₱90,234,913	₱45,679,338
Current portion contract assets and receivables (Note 5)	**317,500,145**	271,621,176	231,463,993
Real estate held for sale (Note 6)	**1,643,837,296**	1,415,900,121	1,381,640,620
Advances to a related party (Note 15)	**86,664,446**	116,896,516	32,595,252
Equity instruments at fair value through profit or loss (EIFVPL) (Note 8)	**233,170,738**	–	–
Prepayments and other current assets (Note 7)	**242,872,547**	234,766,390	217,358,984
Total Current Assets	**2,561,735,788**	2,129,419,116	1,908,738,187
Noncurrent Assets			
Noncurrent portion of contract assets and receivables (Note 5)	**157,248,292**	135,906,229	206,969,988
Deposit for future stock subscription (Note 15)	**1,504,318,710**	1,413,721,341	1,344,231,625
Available-for-sale (AFS) investments (Note 8)	**–**	457,014,387	1,192,502,297
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 8)	**168,647,685**	–	–
Investment in associate (Note 9)	**110,000,000**	110,000,000	110,000,000
Investment in subsidiaries (Note 10)	**610,899,495**	610,899,495	585,899,495
Investment properties (Note 11)	**103,513,635**	169,677,958	182,081,438
Property, plant and equipment (Note 12)	**64,083,199**	58,021,775	51,560,916
Other noncurrent assets	**27,713,121**	30,462,873	18,003,821
Total Noncurrent Assets	**2,746,424,137**	2,985,704,058	3,691,249,580
TOTAL ASSETS	**₱5,308,159,925**	₱5,115,123,174	₱5,599,987,767
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 13)	**₱413,166,451**	₱269,198,342	₱371,922,226
Short-term debt (Note 16)	**679,048,719**	557,345,275	856,871,604
Current portion of long-term debt (Note 16)	**288,725,831**	358,541,029	275,018,351
Contract liabilities and deposits from customers (Note 14)	**65,873,402**	53,413,923	37,052,627
Total Current Liabilities	**1,446,814,403**	1,238,498,569	1,540,864,808
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 16)	**202,126,906**	390,163,006	659,458,589
Deferred tax liabilities - net (Note 20)	**68,765,305**	57,898,090	60,229,013
Retirement benefit obligation (Note 19)	**29,944,496**	23,383,562	19,170,825
Total Noncurrent Liabilities	**300,836,707**	471,444,658	738,858,427
Total Liabilities	**1,747,651,110**	1,709,943,229	2,279,723,235

(Forward)

	2018	2017 (As restated - see Note 2)	January 1, 2017 (As restated - see Note 2)
Equity			
Capital stock (Note 17)	**₱2,477,668,925**	₱2,477,668,925	₱1,732,866,536
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859	586,198,947
Stock dividend distributable	**–**	–	346,573,104
Retained earnings	**718,687,754**	492,009,400	242,071,800
Cumulative net change in fair value of EIFVOCI and AFS Investments	**(265,423,108)**	(189,358,491)	424,459,419
Other components of equity	**(8,393,615)**	(13,108,748)	(11,905,274)
Total Equity	**3,560,508,815**	3,405,179,945	3,320,264,532
TOTAL LIABILITIES AND EQUITY	**₱5,308,159,925**	₱5,115,123,174	₱5,599,987,767

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017)

	2018	2017
REVENUES		
Real estate sales	**₱740,061,089**	₱470,355,294
Water service income	**20,441,816**	18,244,766
	760,502,905	488,600,060
COST AND EXPENSES		
Cost of real estate sales (Note 6)	**311,472,270**	235,023,561
Cost of water service income	**9,625,079**	7,642,510
	321,097,349	242,666,071
GROSS PROFIT	**439,405,555**	245,933,989
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**267,507,531**	199,523,349
OTHER INCOME (EXPENSES)		
Gain on sale of EIFVPL investments (Note 8)	**50,039,440**	265,837,561
Unrealized foreign exchange gain	**598,392**	234,915
Unrealized loss on EIFVPL (Note 8)	**(23,267,631)**	–
Interest expense (Note 16)	**(77,795,924)**	(76,005,080)
Other income (Note 22)	**46,725,093**	18,693,635
	(3,700,629)	208,761,031
INCOME BEFORE INCOME TAX	**168,197,395**	255,151,671
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)		
Current	**23,897,784**	7,029,219
Deferred	**17,401,221**	(1,815,148)
	41,299,005	5,214,071
NET INCOME	**126,898,390**	249,937,600
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	**4,715,133**	(1,203,475)
Net change in fair value of AFS investments and EIFVOCI (Note 8)	**28,900,000**	(613,817,909)
	33,615,133	(615,021,384)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱160,513,523**	(₱365,083,784)

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY INC.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018
(Wit Comparative Figures for 2017)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Net Change in Fair Value	Stock Dividend Distributable	Other Componentsof Equity	Total
At January 1, 2018, as previously reported	**₱2,477,668,925**	**₱637,968,859**	**₱492,009,400**	**(₱189,358,491)**	**₱–**	**(₱13,108,748)**	**₱3,405,179,946**
Effect of adoption of new accounting standards (Note 2)	–	–	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	–	–	126,898,390	–	–	–	126,898,390
Other comprehensive income	–	–	–	28,900,000	–	4,715,133	33,615,133
At December 31, 2018	**₱2,477,668,925**	**₱637,968,859**	**₱718,687,754**	**(₱265,423,108)**	**₱–**	**(₱8,393,615)**	**₱3,560,508,815**
At January 1, 2017	₱1,732,866,536	₱586,198,947	₱242,071,800	₱424,459,419	₱346,573,104	(₱11,905,274)	₱3,320,264,533
Issuance of capital stock (Note 17)	744,802,389	51,769,912	–	–	(346,573,104)	–	449,999,197
Net income	–	–	249,937,600	–	–	–	249,937,600
Other comprehensive loss	–	–	–	(613,817,909)	–	(1,203,475)	(615,021,384)
At December 31, 2017	₱2,477,668,925	₱637,968,859	₱492,009,400	(₱189,358,491)	₱–	(₱13,108,748)	₱3,405,179,946

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY INC.

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017)

	2018	2017 (As restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱168,197,396**	₱255,151,671
Adjustments for:		
Loss or gain on sale of:		
AFS investment and EIFVOCI (Note 8)	**(50,039,440)**	(265,837,561)
Property and equipment (Notes 12 and 22)	**(2,561,309)**	–
Interest and other financing charges (Note 16)	**77,795,924**	76,005,079
Depreciation and amortization (Note 11, 12 and 18)	**5,955,668**	5,085,830
Unrealized loss on EIFVPL (Note 8)	**23,267,632**	–
Interest income (Notes 5 and 22)	**(1,966,164)**	(6,398,980)
Retirement benefit expense (Note 19)	**11,911,558**	3,493,487
Unrealized foreign exchange gain	**(598,392)**	(234,915)
Operating income before working capital changes:	**231,962,873**	62,495,113
Decrease (increase) in:		
Receivables and contract assets	**(115,017,670)**	30,906,576
Prepayments and other current assets	**1,369,026**	(35,407,406)
Real estate held for sale	**(123,289,656)**	(16,380,338)
Due from related parties	**30,232,070**	(320,005,866)
Increase (decrease) in:		
Accounts and other payables	**141,076,895**	(186,238,926)
Deposits from customers and contract liabilities	**12,459,479**	21,131,514
Net cash from (used in) operations	**178,793,017**	(443,499,333)
Income tax paid (Note 20)	**(23,897,784)**	(7,029,219)
Interest received (Notes 4, 5 and 22)	**1,966,164**	6,398,980
Contributions to plan assets	–	(1,000,000)
Net cash from (used in) operating activities	**156,861,397**	(445,129,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
EIFVPL (Note 8)	**122,755,440**	–
AFS investments (Note 8)	–	387,507,562
Property, plant and equipment (Note 12)	**2,891,319**	–
Noncurrent assets	–	5,470,948
Additions to:		
Property and equipment (Note 12)	**(18,750,662)**	(16,776,498)
Deposit for future stock subscription (Note 15)	**(90,597,369)**	–
Investment in subsidiaries (Note 10)	–	(25,000,000)
Noncurrent assets	**(15,250,248)**	–
Investment properties (Note 11)	–	(175,874)
Net cash from investing activities	**1,048,480**	351,026,138

(Forward)

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	2018	2017 (As restated - see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term debt	**₱548,653,519**	₱238,146,500
Long-term debt	**108,815,298**	95,142,640
Payments of:		
Short-term debt	**(426,950,075)**	(287,672,829)
Long term debt	**(366,666,596)**	(280,915,506)
Receipts from issuance of share capital	**–**	449,999,197
Finance costs paid	**(74,904,712)**	(76,275,188)
Net cash from (used in) financing activities	**(211,052,566)**	138,424,814
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**598,392**	234,195
NET INCREASE (DECREASE) IN CASH	**(52,544,297)**	44,555,575
CASH AT BEGINNING OF YEAR(Note 4)	**90,234,913**	45,679,338
CASH AT END OF YEAR (Note 4)	**₱37,690,616**	₱90,234,913

See accompanying Notes to Parent Company Financial Statements.

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A BROWN COMPANY INC. AND SUBSIDIARIES
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. On October 1, 1992, ABCI amended its articles of incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 9, 1994, ABCI was listed in the Philippine Stock Exchange.

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, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2019.

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, EIFVPL and AFS investments. 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.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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, 2018. 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 standards and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The Parent Company does not have any share-based transactions. Therefore, these amendments do not have any impact on the Parent Company's financial statements.

- PFRS 9, *Financial Instruments*
  The Parent Company has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Parent Company chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
  - The Parent Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other comprehensive income (OCI), as appropriate.
  - As comparative information is not restated, the Parent Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

  Classification and measurement
  Except for certain receivables, under PFRS 9, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

  Under PFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

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

  In summary, upon adoption of PFRS 9, the Parent Company had the following required or elected reclassifications as at January 1, 2018 (see Notes 4, 7, 8, and 15):

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	FVPL	Amortized cost	FVOCI
Loans and receivables:				
Cash	₱90,234,913	₱–	₱90,234,913	₱–
Receivables	407,527,405	–	407,527,405	–
Advances to a related party	116,896,516	–	116,896,516	–
Available-for-sale financial assets	457,014,387	329,154,369	–	127,860,018
Refundable deposits	4,171,690	–	4,171,690	–
	₱1,075,844,911	₱329,154,369	₱618,830,524	₱127,860,018

The adoption of PFRS 9 affected the Parent Company's classification and subsequent measurement of its quoted and unquoted equity securities previously classified as AFS investments, whose fair value re-measurements are recognized in other comprehensive income (OCI). In compliance with PFRS 9, fair value re-measurements from EIFVPL will be recognized in the profit or loss, and fair value re-measurements from EIFVOCI will be recognized in OCI. The adoption of PFRS 9 increased the Parent Company's retained earnings by ₱116.85 million arising from the reclassification of the re-measurement gain of the EIFVPL to retained earnings, decreased AFS investments by ₱457.01 million and decreased OCI by ₱104.96 million as of January 1, 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 9. The first column shows what the amounts would have been had PFRS 9 not been adopted and the third column shows amounts prepared under PFRS 9:

Statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
AFS investments	₱401,818,423	(₱401,818,423)	₱–
EIFVPL	–	233,170,738	233,170,738
EIFVOCI	–	168,647,685	168,647,685
OCI	(212,632,802)	(52,790,306)	(265,423,108)
Retained earnings	625,106,542	93,581,212	718,687,754

Statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Net income	₱150,166,021	(₱23,267,631)	₱126,898,390
OCI	(23,270,002)	52,170,002	28,900,000

The adoption of PFRS 9 did not have a material impact on the parent company statement of comprehensive income and statement of cash flows.

There are no changes in classification and measurement of the Parent Company's financial liabilities.

Impairment of Financial Instruments
Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of the ECL requirements of PFRS 9 did not result in an adjustment to the impairment allowances of the Parent Company's debt financial assets.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  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 for real estate sales transactions.

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

The 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.

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 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 in the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (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, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the 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.

The Parent Company elected to apply the modified retrospective method to all contracts at the date of initial application which is January 1, 2018.

Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Parent Company elected to apply the standard to those contracts not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 affected the Parent Company’s recognition of revenue and cost of real estate sales. In compliance with PFRS 15, costs that relate to satisfied (or partially satisfied) performance obligations should be expensed as incurred. These costs are allocated to the saleable units, with the portion allocable to the sold units being recognized as costs of sales while the portion allocable to the unsold units being recognized as part of real estate inventories. In compliance with PFRS 15, revenue is recognized when control of the goods or services are transferred to the customer at an amount the reflects the consideration to which the Company expects to be entitled in exchange for the goods or services. The pattern of recognition is made overtime. The adoption of PFRS 15 affected the Parent Company’s retained earnings by

₱17.07 million, receivables by ₱47.79 million, real estate held for sale by ₱23.55 million and deferred tax liabilities by ₱7.17 million as of January 1, 2018.

Presentation and disclosure requirements
As required for the parent company financial statements, the Parent Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Parent Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the Company's adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the parent company statement of cash flows for 2018.

The following are the effects on the parent company financial statements for 2018. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
Installment contracts receivable (ICR)	₱353,224,669	(₱310,834,34	₱42,390,321
Contract assets	–	310,834,348	310,834,348
Customer's deposits	65,873,402	(65,873,402)	–
Contract liabilities	–	65,873,402	65,873,402
Real estate held for sale	1,670,957,632	(27,120,336)	1,643,837,296
Deferred tax liability - net	76,895,717	(8,130,412)	68,765,305
Retained earnings	737,672,742	(18,984,988)	718,687,754

Statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
Cost of real estate sales	₱307,775,920	₱3,696,350	₱311,472,270
Provision for tax	42,407,910	(1,108,905)	41,299,005
Net income	129,445,835	(2,547,445)	126,898,390

- The Parent Company has determined that there is only one performance obligation in the contract to sell. The Parent Company has determined that each of its contracts to sell covering subdivision land and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Output method was used for the measure of progress.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*
  On March 14, 2018 the PIC issued PIC Q&A 2018-11 which provides guidance on the correct classification of land owned by a real estate developer in accordance with PAS 2, *Inventories*, PAS 40, *Investment Property or* PAS 16, *Property Plant and Equipment.*

  The Parent Company adopted PIC Q&A 2018-11 and complied with the classification requirement of its land in accordance with the interpretation in the parent company financial statements and correspondingly, the Parent Company reclassified its land amounting to ₱648.75 million and ₱639.15 million to real estate held for sale as of December 31, 2017 and January 1, 2017.

  The following are the restatements of the prior year's parent company financial statements resulting from the adoption of new accounting standards:

  Statement of financial position

	As of December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Land held for future development	₱648,752,617	₱–	₱648,752,617
PIC Q&A 2018-11	–	(648,752,617)	(648,752,617)
Total	₱648,752,617	(₱648,752,617)	₱–
Real estate held for sale	₱767,147,504	₱–	₱767,147,504
PIC Q&A 2018-11	–	648,752,617	648,752,617
Total	₱767,147,504	₱648,752,617	₱1,415,900,121

	As of January 1, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Land held for future development	₱639,152,617	₱–	₱639,152,617
PIC Q&A 2018-11	–	(639,152,617)	(639,152,617)
Total	₱648,752,617	(₱648,752,617)	₱–
Real estate held for sale	₱742,488,003	₱–	₱742,488,003
PIC Q&A 2018-11	–	639,152,617	639,152,617
Total	₱742,488,003	₱639,152,617	₱1,381,640,620

  Statement of cash flows

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows used in operating activities	(₱444,971,899)	₱–	(₱444,971,899)
PIC Q&A 2018-11	–	(157,673)	(157,673)
Total	(₱444,971,899)	(₱157,673)	(₱445,129,572)

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Parent Company's current practice is in line with the clarifications issued, the amendment does not have a significant effect on the parent company financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Future Changes in Accounting Policies
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 parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019
- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  Adoption of the standard will affect the Parent Company's operating lease agreements through the recognition of a right-of-use asset and lease liability with corresponding depreciation and amortization, respectively.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Parent Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Parent Company is currently assessing the impact of adopting the amendments.

- 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,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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

The Parent Company is currently assessing the impact of adopting the amendments

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

<u>Current versus Noncurrent Classification</u>
The Parent Company presents assets and liabilities in the parent company statement 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.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)
Initial recognition
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivable. The Parent Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Parent Company determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2017, the parent company financial instruments are of the nature of loans and receivables, AFS investments and other financial liabilities.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL.

After initial measurement, loans and receivables are measured at amortized cost using the EIR, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss.

This accounting policy relates to the parent company statement of financial position captions “Cash”, “Receivables” and “Advances to a related party”.

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the parent company statement of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in statement of comprehensive income.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Parent Company's "Accounts and other payables" (except statutory payables), "Short-term debt" and "Long-term debt".

Impairment of Financial Assets
The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Parent Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on historical loss experience is based and to remove the effects of conditions in the historical period that do not which the exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

Financial Instruments - Initial Recognition, Subsequent Measurement and Reclassification (upon adoption of PFRS 9)

Initial recognition

The Parent Company classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

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. Except for 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 fair value through profit or loss, 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 determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent commits to purchase or sell the asset.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost

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

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

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the EIR method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Parent Company's "Cash", "Receivables" and "Advances to a related party".

Financial assets at FVOCI
The Parent Company made an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its unquoted equity investments under this category (see Note 8).

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

Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of comprehensive income.

This accounting policy applies to the Parent Company's quoted equity instruments.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

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.

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 EIR. 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 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 ICR, the Parent Company uses a vintage analysis that is based on its historical credit loss experience. Both are further adjusted for forward-looking factors specific to the debtors and the economic environment.

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 a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The 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.

The Parent Company's "Cash " and "Advances from related party" are graded to be low credit risk investment based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

Write-off of Financial Assets
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.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Financial liabilities
A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or has expired.

Offsetting Financial Instruments (prior to and upon adoption of PFRS 9)
Financial assets and financial liabilities are offset and the net amount reported in the parent company statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the 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.

Fair Value Measurement
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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset is its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date 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 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 each reporting date.

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.

Real Estate Held for Sale
Real estate held for sale are initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes real estate held for sale and property, plant and equipment, 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 Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale in the future. The Parent Company normally makes deposits before a CTS (contract to sell) is executed between the Parent Company and the land owner. These are recognized at cost.

Investment in Associates
Investment in shares of stock where the Parent Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is classified as investment in associate and is accounted for under the cost method of accounting.

Under the cost method, investments are carried in the parent company statement 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.

Investment Properties
Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and 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.

Property, Plant and Equipment
Property, plant and equipment are carried at acquisition cost or construction cost less accumulated depreciation and amortization, and impairment in value, if any. The initial cost of property, plant, and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to expense as incurred. In situation 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, plant and equipment.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in statements of comprehensive income for the period.

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	2 - 9
Machineries and equipment	2 - 10
Transportation equipment	2 - 5
Tools and other equipment	2 - 5
Other equipment	1 - 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, plant and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

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

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 parent company statements of comprehensive income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the parent company 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.

Creditable Withholding Tax (CWT)

CWTs, which are included under "Prepayments and other current assets" account in the parent company statements of financial position, is recognized for income taxes withheld by customers. 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.

Value-added Tax (VAT)

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable and is included as part of the "Accounts and other payables" account in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and is included as part of the "Prepayments and other current assets" account in the parent company statement of financial position to the extent of the recoverable amount.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets such as prepayments and other current assets, investments in associates, investment properties, property plants and equipment, and leasehold are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

Equity

Capital stock and additional paid-in capital

The Parent Company records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share.

Retained earnings (deficit)

Retained earnings (deficit) 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.

Revenue and Cost Recognition (prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the amount of revenue can be reliably measured. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal on its real estate sales transactions. The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales

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

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any revenue in excess of collections that are unconditional are recognized as "ICR".

Any excess of collections over the recognized receivables and any deposits from customers not meeting the revenue recognition criteria are classified as "Deposits from customers" in the parent company statements of financial position.

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied of land and housing units sold before the completion of the development is determined on the acquisition cost of the land plus its full development costs, which include estimated future development works, as determined by the Parent Company's engineers.

Revenue and Cost Recognition (Upon adoption of PFRS 15)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is the principal in its 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, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

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

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as ICR, under trade receivables, is included in the "Contract asset" account in the asset section of the parent company statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets is included in the "Contract liabilities" account in the liabilities section of the parent company 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 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 units being recognized as cost of sales while the portion allocable to the unsold units being recognized as part of real estate inventories.

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

Cost to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as "Prepaid commission" under Prepayments and other current assets 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 parent company statement of comprehensive income.

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

A capitalized cost 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.

<u>Contract Balances</u>
Receivables
A receivable 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 asset is recognized for the earned consideration that is conditional.

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 the payment is 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.

<u>Revenue Recognition (prior to and upon adoption of PFRS 15)</u>
Income from forfeited deposits
Income from forfeited collections recorded under "Interest and other income" 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.

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

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

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.

General Administrative and Selling Expenses
General administrative expenses constitute costs of administering the business while selling expenses constitutes commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding commission on real estate sales) are recognized as incurred.

Retirement Benefit Obligation
Retirement benefit asset or liability, as presented in the parent company statements of financial position, is the aggregate of the present value of the retirement benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the 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 retirement benefit plan are determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement 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 retirement benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between return on plan assets and interest income (calculated as part of the net interest) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income 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).

Operating Lease - Parent Company as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

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.

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.

Existence of a contract and buyer's equity
The Parent Company's primary document for a contract with a customer is a signed CTS and it contains all the criteria to qualify as contract with the customer under PFRS 15

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

Revenue recognition method and measure of progress
The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

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

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.

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 borrower 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 borrower 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
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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.

Management's Use of Estimates and Assumptions

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

Revenue and cost recognition on real estate projects

The Parent Company's revenue and cost recognition require management to make use of the POC that may affect the reported amounts of revenues under PAS 18 and PFRS 15 and cost under PAS 18. POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

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 25% would demonstrate the buyer's commitment to pay. The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱353.22 million and ₱332.74 million as of December 31, 2018 and 2017, respectively (see Note 5).

Evaluation of impairment of financial assets under PFRS 9

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

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2018, the allowance for expected credit losses on contract assets and receivables of the Parent Company amounted to ₱0.42 million (see Note 5) and the carrying values of the related financial assets are as follows:

	2018
Cash (Note 4)	₱37,690,616
Receivables (Note 5)	474,748,437
Advances to a related party (Note 15)	86,664,446
Refundable deposits (Note 7)	551,467

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 ₱1,643.84 million and ₱1,415.90 million as of December 31, 2018 and 2017, respectively (see Note 6).

Impairment of nonfinancial assets
The Parent Company assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in associates) 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.

The carrying values of the nonfinancial assets follow:

	2018	2017
Investment in associate (Note 9)	**₱110,000,000**	₱110,000,000
Investment in subsidiaries (Note 10)	**610,899,495**	610,899,495
Prepayments and other current assets* (Note 7)	**242,321,080**	230,594,700
Property, plant and equipment (Note 12)	**64,083,199**	58,021,775
Investment properties (Note 11)	**103,513,635**	169,677,958
Other noncurrent assets	**27,713,121**	30,462,873

**Excluding refundable deposits amounting to ₱0.55 million and ₱4.17 million as of December 31, 2018 and 2017, respectively.*

No impairment was recognized for the Parent Company's nonfinancial assets as of December 31, 2018 and 2017.

Recognition of deferred tax assets
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts 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 assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Parent Company assessed its projected performance in determining the sufficiency of the future taxable income. The carrying values of these assets amounted to ₱6.15 million and ₱4.16 million as of December 31, 2018 and 2017, respectively (see Note 20).

Estimating retirement benefit obligation
The determination of the Parent Company's retirement benefit obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the parent company financial statements and include among others, discount rates and salary increase rates. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Parent Company 's retirement obligation amounted to ₱29.94 million and ₱23.38 million as of December 31, 2018 and 2017, respectively (see Note 19).

4. Cash

This account consists of:

	2018	2017
Cash on hand	**₱629,738**	₱603,041
Cash in banks	**37,060,878**	89,631,872
	₱37,690,616	₱90,234,913

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 ₱0.10 million and ₱ 0.14 million in 2018 and 2017, respectively.

5. **Contract Assets and Receivables**

This account consists of:

	2018	2017
Contract asset	**₱310,834,348**	₱–
ICR	**42,390,321**	332,736,812
Trade receivables	**43,298,107**	3,062,748
Other receivables	**78,647,124**	72,149,308
	475,169,900	407,948,868
Allowance for credit losses	**(421,463)**	(421,463)
	474,748,437	407,527,405
Noncurrent portion of contract asset	**157,248,292**	135,906,229
	₱317,500,145	₱271,621,176

ICR and contract assets are collectible in monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2018 and 2017. 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 contract assets and ICR amounted to ₱1.87 million and ₱6.26 million in 2018 and 2017, respectively.

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

Other receivables which are interest-free include receivables from various companies for the sale of equity securities and various advances to suppliers and contractors. These receivables are noninterest-bearing and are normally on 30-day term.

6. **Real Estate Held for Sale**

This account consists of:

	2018	December 31, 2017 (As restated - see Note 2)
Land	**₱465,807,642**	₱443,230,370
Development costs and materials	**1,178,029,654**	972,669,751
	₱1,643,837,296	₱1,415,900,121

The roll forward of this account follows:

	2018	2017 (As restated - see Note 2)
Balance at beginning of the year, as previously reported	**₱1,415,900,121**	₱692,910,637
Effect of adoption of PFRS 15 (Note 2)	**23,554,821**	–
Balance at beginning of the year, as restated	**1,439,454,942**	692,910,637
Reclassification of land held for future development (Note 2)	–	648,752,617
Construction costs incurred	**207,642,772**	154,231,352
Purchase of raw land	**227,119,154**	110,885,306
Transfers from investment properties (Note 11)	**66,164,323**	12,113,961
Transfer from deposits for purchased land	**8,524,817**	–
Depreciation expense capitalized (Note 12)	**6,403,558**	5,279,809
Borrowing costs capitalized (Note 16)	–	26,750,000
Cost of real estate sales	**(311,472,270)**	(235,023,561)
	₱1,643,837,296	₱1,415,900,121

In 2018, the Parent Company transferred deposits for land acquisitions to inventories since the related sales contract has already been executed.

Real estate held for sale with carrying value of ₱352.14 million and ₱736.00 million as of December 31, 2018 and 2017, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 16).

7. **Prepayments and Other Current Assets**

This account consists of:

	2018	2017
Deposits for land acquisition	**₱98,233,487**	₱106,758,303
CWTs	**96,550,911**	85,609,180
Prepaid expenses	**19,484,816**	16,999,972
Input taxes	**12,537,861**	8,782,808
Prepaid commission	**12,217,593**	9,337,411
Advances to officers and employees	**2,880,114**	2,787,194
Refundable deposits	**551,467**	4,171,690
Others	**416,299**	319,832
	₱242,872,547	₱234,766,390

Deposits for land acquisition 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 land acquisition amounting to ₱8.52 million were transferred in 2018 to real estate held for sale when the related sales contracts were executed (see Note 6).

Prepaid expenses include prepaid commission related to the sale of real estate, supplies, insurance and taxes and licenses which are applicable in the future period.

Prepaid commissions pertain to commissions paid to brokers and marketing agents on the fulfilled sales of real estate projects. These capitalized costs are charged to expense as “Commission” in the “General, administrative and selling expenses” account in the period in which the construction begins and the related revenue is recognized.

"Others” pertain to payments made by the Parent Company in connection with its engagement of a third party to look for joint venture partners for acceptable agricultural and real estate development projects. Such payments will also be used to pay for Parent Company out-of-pocket expenses to be incurred in relation to the engagement.

8. EIFVPL, EIFVOCI and AFS investments

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 are AFS investments. AFS investments amounting to ₱457.01 million were reclassified to EIFVPL and EIFVOCI as at January 1, 2018, following the adoption of PFRS 9.

The Parent Company’s EIFVPL consist of marketable equity securities that are traded in the stock exchange and stated at fair value. The fair values have been determined directly by reference to published prices in an active market. Changes in the fair value are recognized in profit and loss.

Fair value of the Parent Company’s EIFVOCI is 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). Changes in fair value are recognized are recognized directly in equity.

The rollforward analysis of investments in EIFVOCI and EIFVPL in 2018 follows:

	December 31, 2018		
	FVPL	**FVOCI**	**AFS**
Balances at beginning of year, as previously reported	**₱–**	**₱–**	**₱457,014,387**
Impact of PFRS 9 adoption:			
Reclassification	**329,154,369**	**127,860,018**	**(457,014,387)**
Fair value adjustment	**–**	**11,887,667**	**–**
Balances at beginning of year, as restated	**329,154,369**	**139,747,685**	**–**
Disposal	**(72,716,000)**	**–**	**–**
Fair value adjustment (Note 22)	**(23,267,631)**	**28,900,000**	**–**
Balances at end of year	**₱233,170,738**	**₱168,647,685**	**₱–**

The rollforward analysis of AFS investments in 2017 follows:

	2017
Balances at beginning of year	₱1,192,502,297
Cost of sold AFS investment	(121,670,001)
Fair value adjustment	(613,817,909)
Balances at end of year	₱457,014,387

The related subscriptions payable on the above investments amounted to ₱0.16 million as of December 31, 2018 and 2017. In 2018, the Parent Company sold its 72,716,000 shares of Apex Mining Corporation (AMC) for ₱122.76 million. In 2017, the Parent Company sold its 176,236,000 shares and 278,469,784 shares of AMC and Philippine Realty and Holdings Corporation (PRHC) for a total of ₱940.00 million. Total gain recognized was ₱50.04 million and ₱265.84 million in 2018 and 2017, respectively.

As of December 31, 2017, the investments are accounted for as available-for-sale financial assets in the audited parent company statement of financial position. As of December 31, 2018, the quoted investments are classified as EIFVPL in line with the adoption of PFRS 9.

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, 2018 and 2017. The primary place of business and office address of the associate is 3rd Floor Joy-Nostalg Center, ADB Avenue, Ortigas Center, Pasig City.

As of December 31, 2018 and 2017, the carrying value of the investment is equal to its cost amounting to ₱110.00 million.

On November 23, 2018, PEI declared cash dividend amounting to ₱13.00 million. On December 10, 2018, the Parent Company was able to collect the said dividend.

10. Investment in Subsidiaries

This account includes investments in the following subsidiaries:

	Percentage of ownership	Cost of investments
A Brown Energy and Resources Development, Inc. (ABERDI)	100	₱449,999,995
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	100	109,000,000
Blaze Capital Limited (BCL)*	100	25,000,000
Hydro Link Projects Corp. (HLPC)*	100	16,000,000
AB Bulk Water Company, Inc. (ABBWCI)*	100	5,000,000
Masinloc Consolidated Power, Inc. (MCPI)**	49	4,900,000
Simple Homes Development, Inc. (SHDI)*	100	999,500
		₱610,899,495

**pre-operating entity. **non-operating entity.*

The subsidiaries were incorporated and with business addresses in the Philippines.

On May 22, 2017, the Parent Company acquired 100% stockholdings of BCL, a company incorporated in the British Virgin Islands on August 8, 2011, BCL has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project.

11. Investment Properties

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

	2018	2017
Land held for capital appreciation - net	**₱101,903,572**	₱168,067,895
Land held for lease	**1,610,063**	1,610,063
	₱103,513,635	₱169,677,958

Investment properties are stated at cost less any impairment. The fair value of the Parent Company's investment properties amounted to ₱398.37 and ₱393.70 million as of December 31, 2018 and 2017. The fair value was determined by Cuervo Appraisers, Inc., a SEC accredited and independent real estate appraiser who inspected the property, investigated local market condition and gave consideration to the extent, character and utility of the property and highest best use of property. The valuation model is in accordance with that recommended by the International Valuation Standards Committee and has been applied in accordance with PFRS 13, *Fair Value Measurement*. As of December 31, 2018, the fair values are observable using level two (2) hierarchy.

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

	2018	2017
Cost:		
Balances at beginning of year	**₱168,067,895**	₱180,421,375
Additions	**–**	175,874
Reclassifications	**(66,164,323)**	(12,529,354)
Net carrying value	**₱101,903,572**	₱168,067,895

Land held for lease are as follows:

	2018			2017		
	Land and Improvements	**Building**	**Total**	Land and Improvements	Building	Total
Cost:						
Balances at beginning and end of year	**₱1,610,063**	**₱7,142,747**	**₱8,752,810**	₱1,610,063	₱7,142,747	₱8,752,810
Accumulated depreciation:						
Balances at beginning of year	**–**	**7,142,747**	**7,142,747**	–	7,092,747	7,092,747
Additions	**–**	**–**	**–**	–	50,000	50,000
Balances at end of year	**–**	**7,142,747**	**7,142,747**	–	7,142,747	7,142,747
	₱1,610,063	**₱–**	**₱1,610,063**	₱1,610,063	₱–	₱1,610,063

Rental income generated from land held under lease included in “Other income” amounted to ₱0.91 million and ₱2.14 million in 2018 and 2017, respectively (Notes 21 and 22). Direct operating expense related to land held for lease included under “General, administrative and selling expenses” amounted to ₱0.09 million and ₱0.57 million in 2018 and 2017, respectively.

The Parent Company collateralized investment properties with a carrying amount of ₱395.9 million as of December 31, 2018 and 2017 on its long-term debts from AUB and MPI (Note 16).

12. Property, Plant and Equipment

The composition and movements of this account are as follows:

	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)**
At December 31	**9,606,847**	**40,710,078**	**162,969,210**	**21,765,998**	**33,015,754**	**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 at December 31	**₱9,606,847**	**₱88,059**	**₱33,333,480**	**₱2,591,943**	**₱9,815,857**	**₱4,368,956**	**₱4,278,057**	**₱64,083,199**

	2017							
	Land	Building and Improvements	Machineries and Equipment	Furniture and Fixtures	Transportation Equipment	Tools and Other Equipment	Other Equipment	Total
Cost								
At January 1	₱9,606,847	₱40,553,252	₱149,417,245	₱19,866,716	₱33,755,891	₱2,945,080	₱19,003,796	₱275,148,827
Additions	–	–	11,141,250	368,102	3,847,607	49,204	1,370,334	16,776,497
Disposals	–	–	–	–	–	–	–	–
Reclassification	–	156,826	–	–	–	(156,826)	–	–
At December 31	9,606,847	40,710,078	160,558,495	20,234,818	37,603,498	2,837,458	20,374,130	291,925,324
Accumulated Depreciation								
At January 1	–	39,174,465	119,065,125	18,059,944	29,996,954	2,563,071	14,728,352	223,587,911
Depreciation	–	532,818	5,153,254	487,895	2,007,146	76,839	2,057,687	10,315,639
Disposals	–	–	–	–	–	–	–	–
At December 31		39,707,283	124,218,379	18,547,839	32,004,100	2,639,910	16,786,039	233,903,550
Net book value at December 31	₱9,606,847	₱1,002,795	₱36,340,116	₱1,686,979	₱5,599,398	₱197,548	₱3,588,092	₱58,021,775

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2018 and 2017 are recognized as:

	2018	2017
General, administrative and selling expenses (Note 18)	**₱5,955,668**	₱5,035,830
Real estate held for sale (Note 6)	**6,403,558**	5,279,809
	₱12,359,226	₱10,315,639

The Parent Company sold property and equipment which resulted to a gain of ₱2.56 million in 2018 (see Note 22).

13. **Accounts and Other Payables**

This account consists of:

	2018	2017
Accounts payable	**₱304,808,662**	₱206,989,928
Accrued expenses:		
Outside services	**15,260,435**	4,494,723
Rental	**14,876,194**	7,105,513
Professional fees	**7,166,520**	2,990,274
Interest payable	**9,964,349**	7,073,137
Others	**4,226,854**	2,227,064
Output VAT	**28,130,434**	9,303,014
Retention payable	**23,437,605**	16,551,534
Statutory payables	**5,133,354**	5,494,113
Other payables	**162,043**	6,969,042
	₱413,166,450	₱269,198,342

Accounts payable are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses, which are normally on a 30-day term, pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Parent Company.

Retention payable are noninterest-bearing and settled upon completion of the relevant contracts within the year.

14. **Contract Liabilities and Deposits from Customers**

Deposit from customers and contract liabilities consist of collections from real estate customers which have not reached the threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC. As of December 31, 2018, contract liabilities amounted to ₱65.87 million. As of December 31, 2017, deposits from customers amounted to ₱53.41 million.

The amount of revenue recognized from amounts included in contract liabilities as of January 1, 2018 amounted to ₱32.65 million.

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.

The Parent Company enters into transactions with related parties. Outstanding balances at year-end are unsecured and noninterest bearing and are settled based on agreed upon terms. The following are the related party transactions:

a. *Non-interest-bearing loans received from shareholders*

The Parent Company has loans from shareholders classified under short-term debt amounting to ₱368.97 million and ₱27.35 million as of December 31, 2018 and 2017, respectively (see Note 16).

b. *Deposit for future subscription*

As of December 31, 2018 and 2017, the outstanding deposit for future stock subscription to its subsidiaries are as follows:

	2018	2017
PTCHC	**₱826,753,338**	₱826,606,837
ABERDI	**641,981,118**	548,815,431
HLPC	**25,984,254**	23,699,073
SHDI	**9,600,000**	9,600,000
BCL	–	5,000,000
	₱1,504,318,710	₱1,413,721,341

These deposits will either be converted to equity or returned to the Parent Company in consideration for a possibility of an incoming new investor.

c. *Advances made to an associate*

The Parent Company made unsecured and noninterest-bearing advances to PEI amounting to ₱86.66 million and ₱116.90 million as of December 31, 2018 and 2017.

d. *Compensation of key management personnel*

The key management personnel of the Parent Company include all directors, executive, and senior management. The details of compensation and benefits of key management personnel in 2018 and 2017 are shown below.

	2018	2017
Short-term employee benefits	**₱45,104,369**	₱34,790,047
Other employee benefits	**4,563,937**	398,767
	₱49,668,306	₱35,188,814

16. Loans Payable

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

Short-term debt consists of:

2018

Bank	**Beginning Balance**	**Availments**	**Payments**	**Outstanding Balance**	Interest per annum	Terms
UBP	**₱90,000,000**	**₱100,000,000**	**(₱90,000,000)**	**₱100,000,000**	6.75% to 8.50%	Payable in installment within 90 days to 1 year, secured by real estate mortgage
UCPB	**50,000,000**	**10,000,000**	**(9,604,800)**	**50,395,200**	6.00% to 7.50%	
CBC	**390,000,000**	**10,000,000**	**(300,000,000)**	**100,000,000**	5.75% to 6.75%	Payable in installment within 90 days to 1 year, unsecured
DBP	**–**	**59,680,000**	**–**	**59,680,000**	4.75% to 6.27%	
Shareholders	**27,345,275**	**368,973,519**	**(27,345,275)**	**368,973,519**		Due upon demand
	₱557,345,275	**₱548,653,519**	**(₱426,950,075)**	**₱679,048,719**		

2017

Bank	Beginning Balance	Availments	Equity Conversion	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱10,000,000	₱–	(₱10,000,000)	₱90,000,000	5.50% to 8%	Payable within t within 90 days to 1 year, secured by real estate mortgage
UCPB	20,000,000	40,000,000	–	(10,000,000)	50,000,000	6.00% to 8.5%	
CBC	390,000,000	10,000,000	–	(10,000,000)	390,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
PBCOM	60,229,167	–	–	(60,229,167)	–	5.5% to 8%	
Shareholders	296,642,437	178,146,500	(250,000,000)	(197,443,662)	27,345,275		Due upon demand
	₱856,871,604	₱238,146,500	(₱250,000,000)	(₱287,672,829)	₱557,345,275		

Long-term debt consists of:

2018

Bank	**Beginning Balance**	**Availments**	**Payments**	**Outstanding Balance**	Interest per annum	Terms
UBP	**₱176,512,948**	**₱100,000,000**	**(₱112,125,767)**	**₱164,387,181**	5.56% to 5.78%	Payable in installment from 1 to 4 years; secured by real estate mortgage
AUB	**169,968,825**	**–**	**(103,749,333)**	**66,219,492**	5.00% to 5.50%	
BPIC	**28,800,000**	**–**	**(16,800,000)**	**12,000,000**	5.23%	
UCPB	**132,840,788**	**–**	**(59,616,980)**	**73,223,808**	5.25%	
MBI	**13,333,333**	**–**	**(13,333,333)**	**–**	5.50% to 6.38%	
DBP	**30,773,360**	**–**	**(6,562,500)**	**24,210,860**	5.00%	
PBCOM	**86,914,595**	**–**	**(24,242,377)**	**62,672,218**	8.00% to 8.50%	
CBC	**1,489,801**	**8,815,298**	**(1,700,475)**	**8,604,624**	8.00% to 10.00	
BPIF	**108,070,385**	**–**	**(28,535,831)**	**79,534,554**	5.50%	Payable in installment within 1 – 4 years
Total	**748,704,035**	**108,815,298**	**(366,666,596)**	**490,852,737**		
Current	**358,541,029**	**–**	**–**	**288,725,831**		
Noncurrent	**₱390,163,006**	**₱–**	**₱–**	**₱202,126,906**		

2017

Bank	Beginning Balance	Availments	Repayments	Outstanding Balance	Interest per annum	Terms
UBP	₱257,735,858	₱–	(₱81,222,910)	₱176,512,948	5.56% to 5.78%	
AUB	218,910,325	–	(48,941,500)	169,968,825	5.00% to 5.50%	Payable in
BPIC	45,600,000	–	(16,800,000)	28,800,000	5.23%	installment from 1
UCPB	198,588,364	–	(65,747,576)	132,840,788	5.25%	to 4 years; secured
MBI	33,333,333	–	(20,000,000)	13,333,333	5.50% to 6.38%	by real estate
DBP	35,000,000	–	(4,226,640)	30,773,360	5.00%	mortgage
PBCOM	–	94,242,601	(7,328,006)	86,914,595	8.00% to 8.50%	
CBC	1,089,033	900,000	(499,232)	1,489,801	8.00% to 10.00	
BPIF	144,220,027	–	(36,149,642)	108,070,385	5.50%	Payable in installment within 1 - 4 years
Total	934,476,940	95,142,601	(280,915,506)	748,704,035		
Less: Current	275,018,351	–	–	358,541,029		
Noncurrent	₱659,458,589	₱–	₱–	₱390,163,006		

Security and Debt Covenants
The Parent Company's debt covenants require the Parent Company to submit individual financial statements within 120 days from the report date. The Parent Company is not subject to any financial or negative covenants from its short-term and long-term debts. The Parent Company will comply with the covenant by submitting its individual financial statements before the 120-day deadline.

Real estate held for sale with carrying value of ₱352.14 million and ₱736.00 million as of December 31, 2018 and 2017, respectively, are used to collateralize the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 6). Investment properties with a carrying amount of ₱395.9 million as of December 31, 2018 and 2017 were used to collateralize to the loans obtained from AUB (see Note 11).

Borrowing Costs
Borrowing cost capitalized under real estate held for sale amounted to ₱26.75 million in 2017. Real estate held for sale with carrying value of ₱352.14 million and ₱736.00 million as of December 31, 2018 and 2017, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 6).

Interest Expense and Other Finance Charges
Interest and other financing charges for the short-term and long-term debts in 2018, and 2017 amounted to ₱77.80 million and ₱76.00 million, respectively. The Parent Company's interest rates on long-term debts are subject to additional floating interest rates of 1 - 2 percent (%) per annum and subject to monthly and quarterly repricing.

17. **Equity**

Common stock
In 2017, there is an increase in the Parent Company's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

On October 12, 2017, the Board of Directors approved the conversion of the Parent Company's debt to Brownfield Holdings Incorporated (BHI) amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,229,285 shares.

As of December 31, 2018 and 2017, the Company has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of December 31, 2018 and 2017, 2,477.67 million of these shares with a total par value of ₱2,477.67 million were issued and outstanding.

Additional paid-in capital
Additional paid-in-capital amounted to ₱637.97 million as of December 31, 2018 and 2017, 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, 2018 and 2017.

The share price closed at ₱0.79 on December 29, 2018 and ₱1.00 on December 29, 2017.

18. General, Administrative and Selling Expenses

This account consists of:

	2018	2017
Personnel cost	**₱75,457,258**	₱51,344,642
Marketing	**55,819,094**	43,133,816
Taxes and licenses	**25,758,874**	30,160,868
Professional fees	**21,502,063**	10,264,364
Outside services	**20,960,665**	16,226,490
Rent	**10,097,678**	6,828,734
Transportation and travel	**8,796,572**	8,148,321
Retirement benefit (Note 19)	**11,911,558**	3,493,487
Utilities and supplies	**6,392,140**	4,535,534
Depreciation and amortization (Notes 11 and 12)	**5,955,668**	5,085,830
Repairs and maintenance	**1,990,948**	1,853,691
Directors fee	**1,467,147**	2,270,500
Board meetings	**1,354,227**	817,446
Others	**20,043,639**	15,359,626
	₱267,507,531	₱199,523,349

Marketing expenses significantly include commission on real estate sales and advertising expenses incurred by the Parent Company.

"Others" pertain to expenses arising from business and research development and software maintenance.

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).

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation dated April 3, 2018 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

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.

Plan Amendments, Curtailments, or Settlements
There were no plan amendments or curtailments in 2018 and 2017.

The components of retirement expense included in "Retirement benefits" under general, administrative and selling expenses follow (see Note 18):

	2018	2017
Current service cost	**₱9,812,912**	₱2,392,373
Net interest cost on benefit obligation	**2,098,646**	1,101,114
Retirement expense	**₱11,911,558**	₱3,493,487

Changes in the present value of the retirement obligation (PVRO) and the fair value of the plan assets (FVPA) are as follows:

	2018	2017
PVRO:		
Balance at January 1	**₱28,130,472**	₱26,037,220
Current service cost	**9,812,912**	2,392,373
Net interest cost	**2,764,160**	1,400,802
Benefits paid	**(147,840)**	(3,591,985)
Remeasurement (gain) loss	**(3,401,706)**	1,892,062
Balance at December 31	**37,157,998**	28,130,472

(Forward)

	2018	2017
FVPA:		
Balance at January 1	**₱4,746,910**	₱6,866,395
Interest income	**665,514**	299,688
Remeasurement loss	**1,948,918**	172,812
Contribution on retirement plan	**–**	1,000,000
Benefits paid	**(147,840)**	(3,591,985)
Balance at December 31	**7,213,502**	4,746,910
Net liability arising from retirement obligation	**₱29,944,496**	₱23,383,562

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, 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**

	December 31, 2017	
		Effect
100 bps increase in discount rate	3.6% decrease	(₱1,023,353)
100 bps decrease in discount rate	4.0% increase	1,130,581
100 bps increase in salary rate	3.1% increase	867,676
100 bps decrease in salary rate	2.8% decrease	(795,561)
Increase in DBO, no attrition rates	7.1% increase	1,991,098

The assumptions used to determine pension benefits for the Parent Company for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	**7.70%**	5.70%
Salary increase rate	**5.00%**	5.00%

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	
1 year or less	₱2,638,674
More than 1 year to 5 years	15,471,419
More than 5 years	31,796,622

20. Income Taxes

Provision for income tax pertains to regular corporate income tax (RCIT) amounting to ₱40.82 million and ₱7.03 million in 2018 and 2017, respectively.

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

	2018	2017
Income tax computed at statutory rate	**₱50,459,219**	₱76,545,501
Additions to (reduction in) income tax resulting from:		
Nondeductible expense	**9,773,350**	8,463,279
Nontaxable income	**(18,913,458)**	(79,751,268)
Interest subjected to final tax	**(20,106)**	(43,441)
	₱41,299,005	₱5,214,071

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

	2018	2017
Recognized in profit or loss:		
Deferred tax assets on		
Retirement benefit liability	**₱5,386,520**	₱3,082,748
Unamortized past service costs	**634,675**	955,125
Allowance for expected credit losses	**126,439**	126,439
	6,147,634	4,164,312
Deferred tax liabilities on		
Deferred income on sale of real estate	**(74,664,972)**	(76,243,614)
Prepaid commission	**(3,665,278)**	–
Unrealized foreign exchange gain	**(179,518)**	(47,594)
Others	–	(3,514)
	(78,509,768)	(66,294,722)
	(72,362,134)	(62,130,410)
Recognized directly in equity:		
Deferred tax liability on remeasurement loss on retirement benefit plan	**3,596,829**	4,232,320
	(₱68,765,305)	(₱57,898,090)

The adoption of PFRS 15 decreased the Parent Company's deferred tax liabilities by ₱7.17 million as of January 1, 2018 (see Note 2).

21. Operating Lease Agreements

Operating lease - 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 ₱0.91 million and ₱2.14 million in 2018 and 2017 respectively.

Operating lease - Parent Company as a Lessee
The Parent Company entered into operating lease agreements with related and non-related parties for its warehouse and offices in Cagayan de Oro City and Metro Manila. The term of the lease agreements is for one to three years and are renewable upon the agreement of both parties. There is no escalation clause and the lease is classified as an operating lease.

In 2018, the Company entered into an operating lease agreement on certain transportation equipment. The lease term is for a period of twelve (12) months and is renewable under such terms and conditions as may be agreed upon by the contracting parties. Rental due is based on prevailing market conditions. The Parent Company has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are leased on operating leases.

In 2018, the Parent Company entered into lease agreements on certain transportation equipment. The lease term is for a period of twelve (12) months and is renewable under such terms and conditions as may be agreed upon by the contracting parties. The Parent Company has determined that it does not acquire all the significant risks and rewards of ownership of these transportation equipment.

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

22. Other Income (Expense)

This account consists of:

	2018	2017
Management fees income (Note 15)	**₱16,000,000**	₱–
Dividend income (Note 9)	**13,005,421**	–
Income from forfeited deposits	**5,906,511**	4,769,498
Gain on disposal of property, plant and equipment (Note 12)	**2,561,309**	–
Interest income (Notes 4 and 5)	**1,966,164**	6,398,980
Rental income (Note 11 and 21)	**905,206**	2,140,115
Others	**6,380,482**	5,385,042
	₱46,725,093	₱18,693,635

“Others” include tapping fees, transfer fees and other water charges

23. Financial Instruments

Fair Value Information
The carrying amounts approximate fair values for the Parent Company's financial assets and financial liabilities, except for the following financial instrument as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities				
Long-term debt	**₱202,126,906**	**₱186,654,091**	₱390,163,006	₱379,274,182

Cash, receivables, refundable deposits, trade and other payables and short term-debt
The fair values approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Equity instruments at fair value through profit and loss
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).

Equity instruments at fair value through other comprehensive income
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 long-term debt is estimated using the discounted cash flow methodology using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The Parent Company has no financial instruments measured under Level 3 of fair value hierarchy. In 2018 and 2017, the Parent Company did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives
The Parent Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Parent Company's principal financial instruments comprise of cash, receivables, investments in equity securities, and short and long-term debt. The main purpose of short-term and long-term debt is to finance the Parent Company's operations. The Parent Company has various other financial assets and liabilities such as advances to a related party, refundable deposits, trade and other payables, which arise directly from operations. The Parent Company's policies and guidelines cover credit risk, liquidity risk and market risks. 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 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. 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 house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the v, which comprise cash, 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 financial assets.

The table below shows the credit quality and aging analysis of the Parent Company's financial assets:
<u>December 31, 2017</u>

	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks	₱89,631,872	₱–	₱–	₱–	₱89,631,872
Receivables	366,789,336	8,135,877	32,602,192	421,463	407,948,868
Advances from a related party	116,896,516	–	–	–	116,896,516
Refundable deposits	4,171,690	–	–	–	4,171,690
	₱577,489,414	₱8,135,877	₱32,602,192	₱421,463	₱618,648,946

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

Cash in banks, receivables and refundable deposits are considered as high grade financial asset as this is entered into with highly reputable counterparties.

Contract assets and receivables - high grade pertains to receivables with no default in payments, standard grade pertains to 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 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.

The following table shows the maturity profile of the Parent Company's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

December 31, 2018

	On demand	**Due within 1 year**	**Due beyond 1 year**	**Total**
Financial assets:				
Cash	**₱37,690,616**	**₱–**	**₱–**	**₱37,690,616**
Receivables	**–**	**317,500,145**	**157,248,292**	**474,748,437**
Advances from related party	**86,664,446**	**–**	**–**	**86,664,446**
Refundable deposits	**–**	**551,467**	**–**	**551,467**
	₱124,355,062	**₱318,051,612**	**₱157,248,292**	**₱599,654,996**
Financial liabilities:				
Accounts and other payables*	**₱41,530,003**	**₱338,372,659**	**₱–**	**₱379,902,662**
Short-term debt	**–**	**679,048,719**	**–**	**679,048,719**
Long-term debt	**–**	**288,725,831**	**202,126,906**	**490,852,737**
	₱41,530,003	**₱1,306,147,209**	**₱202,126,906**	**₱1,549,804,118**

**Excluding statutory payable and other nonfinancial payable amounting to ₱33.26 million as of December 31, 2018.*

December 31, 2017

	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	₱90,234,913	₱–	₱–	₱90,234,913
Receivables	–	271,621,176	135,906,229	407,527,405
Advances from related party	116,896,516	–	–	116,896,516
Refundable deposits	–	4,171,690	–	4,171,690
	₱207,131,429	₱275,792,866	₱135,906,229	₱618,830,524
Financial liabilities:				
Accounts and other payables*	₱16,817,574	₱237,583,643	₱–	₱254,401,217
Short-term debt	–	557,345,275	–	557,345,275
Long-term debt	–	358,541,029	390,163,006	748,704,035
	₱16,817,574	₱1,153,469,947	₱390,163,006	₱1,560,450,527

**Excluding statutory payable and other nonfinancial liabilities amounting to ₱14.80 million as of December 31, 2017.*

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Parent Company's current or future earnings and/or economic value. 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 sets out the carrying amount, by maturity, of the Parent Company's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	Within 1 year	Beyond 1 year
2018	**4.75-10%**	**Monthly; Annually**	**₱288,725,8310**	**₱202,126,906**
2017	5-10%	Monthly; Annually	₱353,139,2902	₱395,564,745

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).

	2018		2017	
	Increase (decrease) in interest rates	**Effect on profit before tax**	Increase (decrease) in interest rates	Effect on profit before tax
Basis points	**0.33%**	**₱57,500,893**	0.33%	₱85,042,052
	(0.33%)	**(57,500,893)**	(0.33%)	(85,042,052)

There is no other impact on the Parent Company's total comprehensive income other than those already affecting the net income.

24. **Performance Obligation**

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

Real estate revenue
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%-30% 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 transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 amounted to ₱47.29 million.

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.

25. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities

2018

	Beginning Balance	Availments/Accruals	Payments	Ending Balance
Short-term debt	**₱557,345,275**	**₱548,653,519**	**(₱426,950,075)**	**₱687,048,719**
Long-term debt	**748,704,035**	**108,815,298**	**(366,666,596)**	**490,852,737**
Finance costs	**7,073,137**	**77,795,924**	**(74,904,712)**	**9,964,349**
	₱1,313,122,447	**₱735,264,741**	**(₱868,521,383)**	**₱1,187,865,805**

2017

	Beginning Balance	Availments/Accruals	Equity conversion	Payments	Ending Balance
Short-term debt	₱856,871,604	₱238,146,500	(₱250,000,000)	(₱287,672,829)	₱557,345,275
Long-term debt	934,476,940	95,142,601	–	(280,915,506)	892,699,035
Finance costs	7,343,246	76,005,079	–	(76,275,188)	7,073,137
	₱1,798,691,790	₱409,294,180	(₱250,000,000)	(₱644,863,523)	₱1,457,117,447

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 Company also reported and/or paid the following types of taxes for 2018:

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 2018*

	Net Sales	Output VAT
Vatables sales/receipt at 12%	₱257,262,409	₱ 30,871,480
Sale to government	716,068	85,928
Exempt sales	255,521,222	–

b. *The rollforward of Input VAT for 2018 follows:*

Balance at January 1	₱8,782,806
Goods/services lodged under cost of real estate sales including importation	26,708,772
Total	35,491,578
Less: claims for tax credit/refund and other adjustments	22,953,717
Balance at December 31	₱12,537,861

The 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 2018:

Business permit	₱10,064,140
Real property tax	5,228,565
Documentary stamp tax	4,611,638
Deficiency tax	2,902,412
Registration and license fee	2,135,422
Fringe benefit tax	507,684
Others	309,013
December 31, 2018	₱25,758,874

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

Withholding tax on compensation and benefits	₱16,508,441
Expanded withholding taxes	3,396,688
Final tax	648,822
December 31, 2018	₱20,553,951

Deficiency Tax Assessments
On November 5, 2015, the Parent Company received a letter of authority from the Bureau of Internal Revenue dated October 29, 2015 to examine the books of accounts and other accounting records of the Parent Company for the taxable year 2014. The examination of the Parent Company's books was completed in 2018 and total tax deficiency recognized amounted to ₱2.90 million.

SGV
Building a better working world

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Philippines

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Fax: (632) 819 0872
ey.com/ph

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 Stockholders and the Board of Directors
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, 2018 on which we have rendered the attached report dated April 12, 2019.

In compliance with Securities Regulation Code Rule No. 68, we are stating that the Parent Company has two thousand one hundred 2,031 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332628, January 3, 2019, Makati City

April 12, 2019

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of A Brown Company, Inc. (the Parent Company) as at and for the year ended December 31, 2018, and have issued our report thereon dated April 12, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of all the effective standards and interpretations is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
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April 12, 2019

A BROWN COMPANY INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**₱492,009,400**
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	**129,924,165**
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	**(13,005,421)**
Fair value adjustment of EIFVPL	**(23,267,632)**
Add(Less):	
Effects of prior period adjustments	**(17,072,323)**
Treasury shares	**(1,014)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND	**₱568,587,175**

A BROWN COMPANY, INC.

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓