

COVER SHEET

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for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

G	L	O	B	A	L	-	E	S	T	A	T	E		R	E	S	O	R	T	S		I	N	C				
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S													

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

1	6	T	H		F	L	R		A	L	L	I	A	N	C	E		G	L	O	B	A	L		T	O	W	E	R
3	6	T	H		S	T		C	O	R	.		1	1	T	H		A	V	E		U	P	T	O	W	N		
B	O	N	I	F	A	C	I	O		T	A	G	U	I	G		C	I	T	Y									

Form Type

1	7	-	A
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

lvillanueva@global-estate.ph

Company's Telephone Number/s

328-4374

Mobile Number

N/A

No. of Stockholders

4,231

Annual Meeting (Month / Day)

June - 28

Fiscal Year (Month / Day)

December - 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

LAILANI V. VILLANUEVA

Email Address

lvillanueva@global-estate.ph

Telephone Number/s

328-4374

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

16F Alliance Global Tower, 36th St. cor. 11th Ave., Uptown Bonifacio, Taguig City

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

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause to 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

SEC Number: AS 094-004462
File Number: _____

GLOBAL-ESTATE RESORTS, INC.
(Company's Full Name)

16th Floor, Alliance Global Tower, 36th
Street cor. 11th Avenue, Uptown
Bonifacio, Taguig City 1634

(Company's Address)

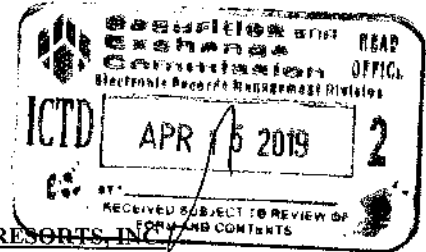
SEC Form 17 - A Annual Report
(Form Type)


(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended December 31, 2018
2. SEC Identification Number AS 094-004462
3. BIR Tax Identification No. 430-000-426-523
4. Exact name of issuer as specified in its charter GLOBAL-ESTATE RESORTS, INC.
5. Taguig City, Philippines
Province, Country or other jurisdiction of
incorporation or organization
6.  (SEC Use Only)
Industry Classification Code:
7. 16th Floor, Alliance Global Tower, 36th Street
cor. 11th Avenue, Uptown Bonifacio, Taguig City
Address of principal office
8. (632) -328-4370 to 78
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

1634
Postal Code

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	10,986,000,000
Outstanding debts (loans)	4,060,772,360

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No []

Name of Stock Exchange: Philippine Stock Exchange
Class of securities listed: Common Stocks

10,986,000,000 common shares have been listed with the Philippines Stock Exchange as of
December 31, 2018.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1
thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and

141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

P 2,191,552,156.31 (as of December 28, 2018) based on the closing price of Php1.130 per share

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

2018 Audited Consolidated Financial Statements (incorporated as reference for Item 7 of SEC Form 17-A)

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Business Development

Global-Estate Resorts, Inc. (“**GERI**” or the “**Company**”) was incorporated on May 18, 1994 as Fil-Estate Land, Inc. to consolidate the real estate interests of the Fil-Estate Group of Companies. The Company went public in November 1995 when its common shares were listed in the Philippine Stock Exchange (PSE).

In 2011, Alliance Global Group, Inc. (“**AGI**”) acquired a majority stake in Fil-Estate Land, Inc. and re-launched the Company as Global-Estate Resorts, Inc. to engage in the development of integrated tourism estates. In 2014, GERI was consolidated under Megaworld Corporation when the latter acquired AGI’s stake in the Company.

Description of Business

The Company is primarily engaged in the development of integrated tourism and leisure estates and integrated lifestyle communities consisting of residential, retail, hotel and/or leisure components with nature as an amenity. Its key developments are Boracay Newcoast in Malay, Aklan, Twin Lakes in Laurel, Batangas, Sta. Barbara Heights in Iloilo, Southwoods City in Laguna and Cavite, Alabang West in Las Pinas, Metro Manila, Eastland Heights in Antipolo City, Rizal, The Hamptons Caliraya in Lumban-Cavinti, Laguna and The Fifth in Pasig City, Metro Manila. The Company undertakes its development business by itself or in joint venture with landowners. Among the Company’s subsidiaries are joint venture corporations: i) Twin Lakes Corporation (“**TLC**”), which was incorporated on 02 March 2011 to develop Twin Lakes in Laurel, Batangas; ii) Oceanfront Properties, Inc. (“**OPI**”), which was incorporated on 12 October 2010 to develop parts of Boracay Newcoast; and iii) Southwoods Mall, Inc. (“**SMI**”), which was incorporated on 18 July 2013 to develop the Southwoods Mall and Office Towers in Southwoods City.

The Company’s developments are marketed by Megaworld Global-Estate, Inc., a subsidiary incorporated on 14 March 2011, and the Company’s in-house marketing group. Another subsidiary, Fil-Estate Urban Development Corporation (“**FEUDC**”), which was incorporated on 06 March 2000, is engaged in the operation of hotels in Fairways and Bluewater, a resort complex integrated with Boracay Newcoast.

Prior to 2011, Fil-Estate Land, Inc. subsidiaries Fil-Estate Properties, Inc. (“**FEPI**”) and Fil-Estate Golf and Development, Inc. (“**FEGDI**”), incorporated on 13 February 1990 and 06 March 1990, respectively, had engaged in the development of residential subdivisions, condominium buildings, commercial lots, and golf clubs.

Bankruptcy, Receivership or Similar Proceedings

Neither the Company nor its significant subsidiaries have been involved in bankruptcy, receivership or similar proceeding.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary)

As of December 31, 2018, FEPI sold an aggregate of 85% ownership interest in Boracay Newcoast Hotel Group, Inc. (“BNHGI”), a hotel development company incorporated on 17 July 2012. FEPI has a remaining stake of 15% in BNHGI.

Products

GERI together with its subsidiaries (the “GERI Group”) have a diversified real estate inventory including residential and commercial lots, residential condominium units, condominium hotel units, and golf club shares.

Percentage of sales or revenues and net income contributed by foreign sales

Sales to the foreign market accounted for 7% of the consolidated real estate sales for the year 2018.

Distribution Methods of Products

Real estate products in GERI developments are promoted and marketed to a wide range of clients by GERI’s in-house marketing group and marketing subsidiary, Megaworld Global-Estate, Inc. (“MGEI”). Real estate products in FEPI and FEGDI developments are sold thru third party real estate brokers.

Suppliers

The Company has a broad base of suppliers. The Company is not dependent on one or a limited number of suppliers.

Customers

GERI has a broad market base that consists of end-users and investors, both from the local and foreign markets.

The Company targets the A and B markets with special niche products such as integrated tourism and leisure estates and integrated lifestyle communities with residential, commercial and leisure components.

Competition

Significant competitors of the Company in its real estate development business include Ayala Land Premiere, Alveo, Filinvest Premiere, Landco and SM Prime.

The Company competes with other developers in the acquisition of land or development rights to land in key growth areas in the country.

The Company aims to be the leading developer of integrated tourism and leisure estates in the Philippines. The Company's tourism projects are strategically located in Boracay and Laurel, Batangas and feature strategic master-planned communities integrated with resort amenities.

The Company believes that its land bank, its real estate development experience, its innovative real estate offerings and the solid financial backing of its parent, Megaworld Corporation, are its competitive advantages. Its massive landbank in tourist destinations such as Boracay Island, and Laurel and Nasugbu, Batangas gives it a lead over its competitors and has enabled the Company to be a pioneer in master-planned integrated tourism developments.

Transactions with and/or dependence on related parties

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and related parties including investments in and advances granted to or obtained from subsidiaries, associates and other related parties for purposes of working capital requirements. For more information, see Note 24 to the Audited Financial Statements.

Amount spent on research and development activities and its percentage to revenues

The Company incurs minimal amounts for development research activities, which do not amount to a significant percentage of revenues.

Intellectual Property

The Company believes that its operations and that of its subsidiaries are not dependent on any trademark, patent, copyright, license, franchise or royalty agreement. Nonetheless, the Company has trademark registrations and/or applications for its corporate name and key projects.

Government Approvals / Regulations

The Company secures various government approvals such as the ECC, development permits, license to sell, etc. as part of the normal course of its business.

Development Permit and License to Sell

The Housing and Land Use Regulatory Board (“**HLURB**”) is the planning, regulatory and quasi-judicial national government body tasked to regulate land use and, real estate and housing development.

A registered owner or developer of a parcel of land who wishes to convert the same into a subdivision project shall apply with the Local Government Unit (“**LGU**”) concerned for the approval of subdivision Development Permit. The owner/developer shall subsequently apply for Certificate of Registration and License to Sell with HLURB prior to the selling of units/house or lots.

On the other hand, an owner/developer of a condominium project is required to apply for Development Permit, Certificate of Registration and License to Sell with the HLURB prior to actual development and selling of units therein.

Agrarian Reform Law

The Comprehensive Agrarian Reform Law covers: (a) alienable and disposable lands of the public domain devoted to or suitable for agriculture, (b) land owned by the Government devoted to or suitable for agriculture. No person may own or retain, directly or indirectly, any public or private agricultural land, in excess of five (5) hectares. A limit of three (3) hectares may be awarded to each child of the landowners, subject to certain qualifications. The law allows the conversion of agricultural lands to non-agricultural use when the land ceases to be economically feasible and sound for agricultural purposes. Furthermore, the Department of Agrarian Reform Administrative Order No. 01 s. 1990 provides that any such classification or re-classification made after June 15, 1988 shall be subject to Department of Agrarian Reform (“DAR”) approval.

Environmental Compliance Certificate

Any project in the Philippines that poses a potential environmental risk or impact (e.g., golf courses, beach resorts, developments adjacent to watershed areas, etc.) is required to secure an Environmental Compliance Certificate (“ECC”) from the Department of the Environment and Natural Resources – Environmental Management Board (“DENR-EMB”).

An ECC is issued by DENR-EMB after a positive review of the project’s application. This certificate indicates that the proposed project or undertaking will not cause a significantly negative impact on the Philippine environment. The ECC contains specific measures and conditions that must be met by the project proponent before and during the operation of the project. In some cases, conditions are listed to be performed during the project’s abandonment phase to lessen identified potential environmental impacts.

An ECC also certifies that the proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System and has committed to implement its approved environmental management plan. Compliance with the terms and conditions of the ECC is monitored by the appropriate DENR regional office and failure to comply may lead to penalties and sanctions being imposed, including fines and / or temporary cessation of project operation.

Effect of Existing and Probable Government Regulations

Republic Act No. 7279 (“**Urban Development Housing Act**”), as amended by Republic Act 10884 (“**Balanced Housing Development Program Amendments**”), requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least five (5%) of condominium area or project cost, at the option of the developer; in accordance with the standards as provided by law.

Tax Regulations

On May 24, 2005, the President of the Philippines signed into law Republic Act No. 9337 (RA 9337), which, effective November 1, 2005, introduced the following changes, among others:

- a. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- b. Grant of authority to the Philippine President to increase the 10% value added tax (VAT) rate to 12%, subject to compliance with certain economic conditions. The 12% VAT took effect on February 1, 2006; and
- c. Revenue Regulations No. 16-2011 increasing the amount of threshold amounts for sale of residential lot, sale of house and lot effective January 01, 2012. Sale of residential lots with gross selling price of P1,919,500 or less, and residential house and lots with gross selling price of P3,199,200 or less, are not subject to Value Added Tax (VAT)

On December 17, 2017, Republic Act No. 10963 or the “Tax Reform for Acceleration and Inclusion (TRAIN)” was approved which amended several provisions of RA 9337 and is effective January 1, 2018. One of the amendments introduced by the said law is the lowering of the threshold amount for VAT recognition purposes of sale of residential lot and sale of house and lot. Sale of residential lots with gross selling price of P1,500,000 or less, and residential house and lots with gross selling price of P2,500,000 or less, are not subject to Value Added Tax (VAT); Provided that beginning January 01, 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers, sale of real property utilized for socialized housing as defined by Republic Act No. 7279, sale of house and lot, and other residential dwellings with selling price of not more than P2,000,000.

The Maceda Law

The Maceda Law applies to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

- a. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one (1) month grace period for every one (1) year of installment payments made. However, the buyer may exercise this right only once in every five (5) years during the term of the contract and its extensions, if any.
- b. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five (5) years installments have been paid,

an additional 5% every year (but with a total not to exceed 90% of the total payments).

Where a buyer has paid less than two years of installments, the buyer is entitled to pay the outstanding amount due without interest within a grace period of sixty (60) days from the date the installments became due.

The Company accords buyers their rights under the law and in certain cases, made appropriate refunds to some buyers.

Zoning and Land Use

The Department of Agrarian Reform (DAR) has issued regulations to effect the provisions of the Agrarian Reform Law in the Philippines. Under the law, all land classified for agricultural purposes as of or after June 1, 1988 cannot be converted to non-agricultural use without the prior approval of the DAR.

Land use may also be limited by the zoning ordinances of Local Government Units. Lands may be classified as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process maybe lengthy and cumbersome.

The Company diligently adheres to the provision of the agrarian reform law and local ordinances in cases where a certain project requires the conversion of the land use.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (ECC) prior to commencement of development. The Department of Environment and Natural Resources (DENR) through its regional offices or through the Environmental Management Bureau (EMB), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (EIS) to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination (IEE) to the proper DENR regional office.

GERI has an environmental compliance team which monitors and maintains compliance by its developments with applicable Philippine environmental laws and regulations. There are no compliance issues which would have a material effect on GERI's capital expenditures, earnings or competitive position in the property market.

Employees

As of December 31, 2018, GERI group has a total of 832 employees, divided into:

Top Management	-	8
Middle Management	-	109
Rank and File	-	715

The Company expects to increase its number of employees in the next 12 months in accordance with operational requirements.

The employees are not subject to any collective bargaining agreements. There has been no employee union since the start of Company's operations.

In addition to basic salary and 13th month pay, other supplemental benefits provided by GERI to its employees include: retirement benefits as mandated by law, vacation and sick leave benefits, rice subsidy, and HMO health care coverage.

Risk Factors Relating to the Company

Highly Competitive Business Environment

The Company faces increased competition from other developers who undertake residential subdivisions and vertical residential, commercial and office projects, particularly in key cities of the Philippines where several of the Company's present and future projects are located.

Notwithstanding increased competition in the industry, GERI intends to enhance its position as one of the leading property developers of integrated tourism estates in the Philippines. The track record of the Company and the Megaworld group and the Company's strategic land bank are perceived to be major advantages against this anticipated growth in competition.

Demand for Real Estate Project Developments Related to Leisure and Recreation

The Company engages, among others, in the development of integrated tourism and leisure estates as well as integrated lifestyle communities. Demand for such projects is perceived to be significantly affected by any major natural calamity or adverse change in the economic and political conditions of the country.

The Company engages in the development of mixed-use developments in different market segments and geographic areas in order to diversify its real estate portfolio.

Limitations on Land Acquisition

As other developers race to acquire choice locations, it may become more difficult to locate parcels of suitable size in location and at prices acceptable to the Company that will enhance its present land bank. In this regard, the Company continues to explore joint ventures as an alternative to building its land bank and identifying properties that can be developed under project agreements with landowners.

Legal Issues or Disputes on Projects

The implementation of projects entered into by the Company may be affected by any legal issues generally arising from the ownership of the real estate properties. Certain properties presently being developed or proposed for development in the immediate term are currently the subject of legal proceedings whose resolution is still indeterminate.

The Company is endeavoring to resolve such legal issues at the shortest time possible. Nevertheless, these disputed projects are not expected to negatively impact the Company's business or its financial condition.

Government Approvals, Licenses and Permits

The implementation of projects requires various government permits, approval and clearances from various municipal, city, regional and national government authorities and offices, such as, among others, the Development Permit, Certificate of Registration, License to Sell and in certain instances, the Environment Compliance Certificate. Accordingly, any delays in obtaining such government permits, approvals and clearances may affect the Company's projects.

The Company is taking every effort to ensure that it will comply with all the requirements in a timely and orderly manner in securing the approval, permits and licenses. It intends to secure the necessary documentation within a reasonable period of time.

Political and Economic Factors

In general, the profitability of the Company depends on the overall demand for Company's products which in turn is affected by political and economic factors. Any political instability in the future may have a negative effect on the viability of real estate companies. Economic factors such as substantial increases in interest and financing costs may dampen the overall demand for Company's products in the future, thus affecting the Company's profitability.

Credit Risk

Generally, the Group's credit risk is attributable to trade receivables, advances to related party and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. We don't transfer title or turnover without full payment. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position.

Liquidity Risk

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

Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

Foreign Exchange Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposure to currency exchange rates arises mainly from the Group's U.S. dollar-denominated cash and cash equivalents, which have been used to fund new projects.

In Management's assessment the foreign currency risks related to these U.S dollar-denominated cash and cash equivalents are not material.

As of December 31, 2018, the Group has no outstanding foreign denominated loans.

ITEM 2. PROPERTIES

The GERI Group has a landbank of approximately 2,550 hectares.

These land bank held for future development are strategically located in various parts of the country, but a large portion is located in Sta. Barbara in Iloilo, Boracay, Laurel and Nasugbu in Batangas, Southwoods, Laguna, Cagayan de Oro and Tanza, Cavite.

The inventory portfolio of the Company consists mainly of inventory also strategically located in various parts of the country but mainly in Iloilo, Boracay, Nasugbu and Laurel, Batangas, Laguna and Las Piñas. Real estate and golf club and resort shares for sale and land held for future development are valued at the lower of cost or net realizable value in conformity with PAS 2 "Inventories". Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for

projects where the Company is the landowner, and includes actual development cost incurred up to balance sheet date for projects where the Company is the developer. Net realizable value is the selling price in the ordinary course of business less cost to complete and to market. A valuation allowance is provided for real estate and golf club and resort shares for sale and land held for future development when the net realizable values of the properties are less than the carrying costs.

The GERI Group has adequate landbank for its long-term development requirements. It is, however, open to new land acquisitions in strategic growth areas. Funding for these acquisitions will be internally generated.

In 2018, GERI Group has adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer, retrospectively. PIC Q&A 2018-11 requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards. In previous years, land, including other costs and expenses related to the transfer of title of the property, were presented as Land for Future Development and only reclassified to Property Development Costs account (a real estate inventory account), when the development of the property starts. Upon the adoption of PIC Q&A 2018-11, parcels of land with no definite plan of future use was reclassified to Investment Property and parcels of land with intention by management to develop into residential or commercial properties for sale are reclassified to Real Estate for Sale.

The GERI Group has real estate inventories in its various developments including the following:

PROJECT NAME	LOCATION	LIMITATIONS ON OWNERSHIP	DEVELOPER
LUZON			
A. Metro Manila			
Alabang West	Las Piñas City	Joint Venture	GERI
The Fifth	Pasig City	Joint Venture	GERI
8 Sto. Domingo Place	Quezon City	Joint Venture	FEPI
Cathedral Heights	Quezon City	Joint Venture	FEPI/FEUDC
Capitol Plaza	Quezon City	Co-development	FEPI
Parco Bello	Muntinlupa City	Joint Venture	FEPI
Puerto Del Mar	Lucena City	Joint Venture	FEPI
B. Laguna			
Holland Park	Biñan, Laguna	Joint Venture	GERI
Tulip Gardens	Biñan, Laguna	Joint Venture	GERI
The Hamptons at Caliraya	Cavinti, Laguna	Joint Venture	GERI
Caliraya Springs	Cavinti, Laguna	Joint Venture	FEPI
Palacio Real	Calamba, Laguna	Joint Venture	FEPI
Riverina	San Pablo City	Joint Venture	FEPI
C. Cavite			
Pahara at Southwoods	GMA, Cavite	Joint Venture	GERI
Holiday Homes	Gen. Trias, Cavite	Joint Venture	FEPI
Mango Orchard Plantation	Naic, Cavite	Joint Venture	FEPI
Manila Southwoods	Carmona and GMA Cavite	Joint Venture	FEGDI/FEPI

D. Batangas			
Domaine Le Jardin	Laurel, Batangas	None	Twin Lakes
Lucerne at Domaine Le Jardin	Laurel, Batangas	None	Twin Lakes
Vineyard Residences	Laurel, Batangas	None	Twin Lakes
The Belvedere	Laurel, Batangas	None	Twin Lakes
Vineyard Manor	Laurel, Batangas	None	Twin Lakes
Magnificat Executive Village	Lipa, Batangas	Joint Venture	FEPI
Newport Hills	Lian, Batangas	Joint Venture	FEPI
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture	FEPI
Residencia Lipa	Lipa, Batangas	Joint Venture	FEPI
Tierra Vista	Lipa, Batangas	Joint Venture	FEPI
Palmridge Point	Talisay, Batangas	Joint Venture	FEPI
Windsor Heights	Tagaytay	Joint Venture	FEPI
E. Bulacan			
Goldridge Estate	Guiguinto, Bulacan	Joint Venture	FEPI
Plaridel Heights	Plaridel, Bulacan	Joint Venture	FEPI
F. Antipolo City			
Forest Hills (now Eastland Heights)	Antipolo City	Joint Venture	FEPI
G. Baguio City			
Northpointe	Baguio City	Joint Venture	FEPI
H. Naga City, Camarines Sur			
Monte Cielo De Naga	Naga City	Joint Venture	FEPI
Monte Cielo De Peñafrañcia	Naga City	Joint Venture	FEPI
VISAYAS			
I. Malay, Aklan			
Belmont Hotel Boracay	Malay, Aklan	None	GERI
Chancellor Hotel Boracay	Malay, Aklan	None	GERI
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture	GERI/OPI
Newcoast Shophouse District	Malay, Aklan	Joint Venture	GERI/OPI
Newcoast Village	Malay, Aklan	None	OPI
Oceanway Residences	Malay, Aklan	None	GERI
Ocean Garden Villas	Malay, Aklan	None	GERI
Savoy Hotel Boracay	Malay, Aklan	None	GERI
Fairways & Bluewater	Boracay, Aklan	None	FEPI
J. Iloilo			
Sta. Barbara Heights Residential Estate	Sta. Barbara, Iloilo	Joint Venture	GERI
MINDANAO			
K. Cagayan De Oro			
Mountain Meadows	Cagayan De Oro	Joint Venture	FEPI

The GERI Group has hotel properties in Boracay and Laurel, Batangas as listed below:

A. Fairways and Bluewater in Boracay, Malay, Aklan

BUILDING NAME
Villa Maria
Villa Margarita
Villa Michaela
Villa Lucia
Villa Catalina
Villa Vittoria
Villa Muligan

B. Twin Lakes Hotel in Laurel, Batangas

The GERI Group has retail and office buildings for lease, as listed below:

BUILDING NAME	LOCATION
Southwoods Mall	Biñan, Laguna
Southwoods Office Towers	Biñan, Laguna
Twin Lakes Shopping Village	Laurel, Batangas
Renaissance 1000 (Office Tower)	Pasig City

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to certain lawsuits or claims arising from the ordinary course of business. The management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDERS’ MATTERS

Market price information

The common shares of the Company are traded on the Philippine Stock Exchange (“PSE”) under the symbol of GERI.

	Philippine Stock Exchange	
	Closing Price per Share (₱) 1.13 as of December 28, 2018	
2019 <u>First Quarter</u>	High 1.35	Low 1.08
2018 <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	High 1.58 1.22 1.15 1.13	Low 1.5 1.17 1.10 1.05
2017 <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	High 0.98 1.31 1.53 1.44	Low 0.97 1.23 1.51 1.42
2016 <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	1.06 0.99 1.02 1.00	1.04 0.97 1.00 0.99

The market capitalization of GERI as of 28 December 2018 based on the closing price at Php1.13 per share of GERI's shares at that date, was approximately Php12.414 billion. The price information as of the close of the latest practicable trading date April 11, 2019 is Php1.39 per share.

Stockholders

GERI has a total of about 4,231 common shareholders as of December 31, 2018.

TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2018

	STOCKHOLDER'S NAME	NO. OF SHARES	% OF OWNERSHIP
1	MEGAWORLD CORPORATION	9,042,732,139 ¹	82.31%
2	PCD NOMINEE CORPORATION (FILIPINO)	1,737,389,411	15.81%
3	FIL-ESTATE MANAGEMENT INC.	47,022,059	0.43%
4	F. YAP SECURITIES, INC.	32,947,000	0.30%
5	PCD NOMINEE CORPORATION (FOREIGN)	27,405,062	0.25%
6	GREENFIELD DEVELOPMENT CORPORATION	8,640,000	0.08%

¹ Data refers to direct and indirect shares. Direct shares consist of 8,859,398,139 while indirect shares consist of 183,334,000.

7	JOHN T. LAO	8,000,100	0.07%
8	THE ANDRESONS GROUP INC.	8,000,000	0.07%
9	LUCIO W. YAN	5,755,000	0.05%
10	ROMEO G. ROXAS	3,716,000	0.03%
11	AVESCO MARKETING	3,512,106	0.03%
12	WILBUR CHAN	2,611,825	0.02%
13	GILMORE PROPERTY MARKETING ASSOCIATES, INC.	1,983,000	0.02%
14	FEDERAL HOMES, INC.	1,939,860	0.02%
15	FRITZ L. DY	1,813,500	0.02%
16	DYNALAND PROPERTIES & DEVELOPERS, INC.	1,700,001	0.02%
17	ROBERT JOHN L. SOBREPENA	1,617,485	0.02%
18	MAXIMINO S. UY &/OR LIM HUE HUA	1,478,400	0.01%
19	EQL PROPERTIES, INC.	1,317,420	0.01%
20	BINGSON U. TECSON	1,239,000	0.01%

Dividends

Payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation.

The retained earnings account as of December 31, 2018 amounting to Php10.08 billion, Php8.6 billion in December 31, 2017 and Php7.13 billion in December 31, 2016 are restricted from being declared as dividends to the extent of the undistributed net earnings of subsidiaries and associates. No declaration of cash dividends was made in the last three (3) years.

Recent Sales of Unregistered or Exempt Securities (including recent issuance of securities constituting an exempt transaction)

- On 23 September 2011, the Board of Directors of the Company approved an Executive Stock Option Plan, which was ratified on 8 November 2011 by stockholders representing at least 2/3 of the outstanding capital stock of the Company.

Pursuant to the ESOP, on February 16, 2012, the Company granted the option to its key company directors and executives to subscribe to 100 million shares of the Company, at an exercise price of Php1.93 (1st Tranche). On the basis of the sale to less than twenty persons, A Notice of Exempt Transaction (SEC Form 10.1) was filed with the SEC on March 21, 2012.

- On 18 February 2013, the Company granted another option to key company executives to subscribe to an additional 100 million common shares of the Company at an exercise price of Php1.69 (2nd tranche). On the basis of the sale to less than twenty persons, A Notice of Exempt Transaction (SEC Form 10.1) was filed with the SEC on 21 March 2013.
- On 7 March 2014, the Company granted options to key company executives to subscribe to 100 million common shares of the Company at an exercise price of Php1.50 (3rd tranche). On the basis of the sale to less than twenty persons, A Notice of Exempt Transaction (SEC Form 10.1) was filed with the SEC on March 18, 2014.
- On 9 March 2015, the Company granted another option to key company executives to subscribe to an additional 50 million common shares of the Company at an exercise price of Php1.65 (4th tranche). On the basis of the sale to less than twenty persons, a Notice of Exempt Transaction (SEC Form 10.1) was filed with the SEC on April 7, 2015.
- On 17 June 2016, the Company granted another option to key company executives to subscribe to an additional 50 million common shares of the Company at an exercise price of Php1.00 (5th tranche). On the basis of the sale to less than twenty persons, a Notice of Exempt Transaction (SEC Form 10.1) was filed with the SEC on July 15, 2016.

No underwriters were involved in the sales of the above unregistered or exempt securities.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Key Performance Indicators

LIQUIDITY RATIOS

	December 31, 2018	December 31, 2017, as restated	January 1, 2017, as restated
Current Ratio	3.93	4.46	5.51
Quick Ratio	1.11	0.92	1.17

Current Ratio (Current Assets/Current Liabilities)

Liquidity ratio measures a company's ability to pay short-term obligations.

Quick Ratio (Cash and cash equivalents + Current Trade receivables + Contract Assets/ Current Liabilities)

It measures a company's ability to meet its short-term obligations with its most liquid assets.

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	December 31, 2018	December 31, 2017, as restated	January 1, 2017, as restated
Debt to Total Assets	32%	34%	32%
Equity to Total Assets	68%	66%	68%
Debt to Equity	48%	51%	47%
Asset to Equity	1.48	1.51	1.47

Debt to Total Assets

It shows the creditors' contribution to the total resources of the organization.

Equity to Total Assets

It shows the extent of owners' contribution to the total resources of the organization.

Debt to Equity

It relates the exposure of the creditors to that of the owners.

Asset To Equity (Total Assets/Total Owner's Equity)

It measures the company's leverage.

ACTIVITY RATIOS

	December 31, 2018	December 31, 2017, as restated	December 31, 2016, as restated
Assets Turnover	13.84 %	11.79%	9.66%

Assets Turnover

It measures the level of capital investment relative to sales volume.

PROFITABILITY RATIOS

	December 31, 2018	December 31, 2017, as restated	January 1, 2017, as restated
Return on Equity	5.79%	5.97%	4.48%
Return on Assets	3.25%	3.26%	2.52%
Earnings per Share	₱ 0.136	₱ 0.132	₱ 0.093

Return on Equity (Net Income/Equity Attributable to Parent Company's shareholders)
It tests the productivity of the owners' investments.

Return on Assets (Net Income/Total Assets)
This ratio indicates how profitable a company is relative to its total assets.

Earnings per Share (EPS)
It indicates the earnings for each of the common shares held.

INTEREST COVERAGE RATIO

	December 31, 2018	December 31, 2017, as restated	December 31, 2016, as restated
Interest Coverage	₱13.35	₱23.33	₱19.71

Interest Coverage Ratio (Earnings before Interest and Income Tax/Interest Expense)
It measures how easily a company can pay interest on an outstanding debt.

Others

As of the year ended December 31, 2018, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

- a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;
- b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
- c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
- d. Significant elements of income or loss that did not arise from the Company's continuing operations;
- e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
- f. Seasonal aspects that had a material effect on the financial condition or results of the operations;

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Management's Discussion and Analysis of Results of Operations and Financial Conditions

In 2018, the Group adopted PFRS 15, Revenue from Contracts with Customers in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The Group has applied PFRS 15 retrospectively to all outstanding contracts as of January 1, 2017 in accordance with the standard's transitional provisions.

The Group also adopted the following Philippine Interpretations Committee (PIC) Question & Answer (Q&A) retrospectively in accordance with PAS 8:

- PIC Q&A No. 2018-11, Classification of Land by Real Estate Developer, requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards.
- PIC Q&A No. 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry, provides guidelines on the application of PFRS 15 for real estate transactions. Relative to this, in accordance with SEC Memorandum Circular (MC) No. 14 series of 2018, the Company has deferred the application of certain provisions of PIC Q&A No. 2018-12 particularly those with respect to the accounting for significant financing component and the exclusion of uninstalled materials and land in the calculation of percentage of completion.
- PIC Q&A No. 2018-15, PAS 1– Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current, clarifies how the advances to contractors should be classified in the statement of financial position

The effects of the adoption of PFRS 15 and various PIC Q&A on the assets, liabilities and equity accounts are shown in Note 2.1 of the Audited Financial Statements.

Also, the Group changed its collection criterion in revenue recognition from 25% to 10%. The Group reassessed the historical payment pattern of its customer and determined the 10% as estimate that collection of total contract price is reasonably assured. This change in percentage of collection threshold was adopted in 2018 and applied prospectively.

Review for the year ended December 31, 2018

Results of Operations

For the year ended December 31, 2018 the Group's consolidated net income amounted to Php 1.72 billion, a 13.8% increase from December 31, 2017 net income of Php1.51 billion (inclusive of Php113 million non-recurring gain). Without the non-

recurring gain, net income increased by 23% year-on-year. There is no non-recurring gain for the year ended December 31, 2018.

Consolidated total revenues amounted to Php7.5 billion. The bulk of revenues came from real estate sales, rental income, hotel operations, and finance and other income. The Group's registered sales came from sale of lots in Newcoast Shophouse District, Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin, Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas and sale of condominium units in Oceanway Residences One, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park in Manila Southwoods and Vineyard Residences and Manor in Twin Lakes, Tagaytay.

Total cost and expenses amounted to Php5.8 billion, mainly from cost of real estate sales, cost of rentals and services, cost of hotel operations, and operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

Financial Condition

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php46 billion as of December 31, 2018 compared to Php44.6 billion as of December 31, 2017 posted an increase of Php1.4 billion or 3%.

Cash and cash equivalents decreased by 44% mainly due to payment of construction costs, partial payment of interest bearing loans and borrowings and partial redemption of preferred shares, from Php3.2 billion as of December 2017 to Php1.8 billion as of December 2018. Trade and other receivables increased by 57% mainly due to increase in installment sales recognized from completed projects. Contract assets increased by 50%, from Php2.4 billion as of December 2017 to Php3.5 billion as of December 2018 due additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Advances to related parties decreased by 25% due to payments made by related parties and impairment of certain advances that were recorded in books prior to 2011. Investment property increased by 11% due to new land acquisition and additional construction costs of Twin Lakes Hotel and Southwoods Office Towers. Other current and non-current assets decreased by 16%, from Php3.9 billion as of December 2017 to Php3.2 billion as of December 2018, mainly due to decrease in Advances to contractors and suppliers.

Interest bearing loans and borrowings decreased by 20% or Php995 million as of December 2018 as compared to December 2017 due to partial payment of principal of interest bearing loan. Trade and other payables increased by 18% mainly due to increase in payables to contractors and suppliers. Customer's Deposits decreased from Php1.5 billion as of December 31, 2017 to Php1.2 billion as of December 31, 2018 or 20% mainly due to adoption prospectively of the new percentage of collection in recognizing installment sales. Contract liabilities increased by 9% due to additional sales from uncompleted projects with lower percentage of completion than percentage of collection. Advances from related parties increase by 7% due to additional advances from parent company. Redeemable preferred shares decreased by 20% due

to initial redemption of Twin Lakes Corporation. Deferred Tax Liability also increased from Php829.7 million in December 2017 to Php1.27 billion in December 2018. The 53% increase is due to increase in taxable temporary difference. Retirement benefit obligation decreased by 22% from Php63 million in December 2017 to Php50 million in December 2018 due to lower accrual of retirement benefit. Other non-current liabilities increased from Php1.11 billion to Php1.23 billion mainly due to increase in retention payable.

Shareholders' Equity increased from Php29.4 billion to Php31.1 billion mainly due to net income for the year.

Material Changes in the year ended December 31, 2018 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2017 as restated)

Financial Position

- 44% decrease in Cash and cash equivalents - due to payment of construction costs, partial payment of Interest bearing loans and borrowings and partial redemption of preferred shares.
- 57% increase in Trade and other receivable – mainly due to increase in installment real estate sales recognized from completed projects.
- 50% increase in Contract assets – due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 25% decrease in Advances to related parties – due to payments made by related parties and impairment of certain advances that were recorded in books prior to 2011
- 11% increase in Investment property – due to new land acquisition and additional construction costs of Twin Lakes Hotel and Southwoods Office Towers.
- 16% decrease in other current and non-current assets – due to decrease in advances to contractors and suppliers.
- 20% decrease in Interest-bearing loans and borrowings – due to partial payment of principal of interest bearing loan.
- 18% increase in Trade and other payables – mainly due to increase in payables to contractors and suppliers.
- 20% decrease in Customer's deposit – mainly due to adoption prospectively of the new percentage of collection in recognizing installment sales
- 9% increase in Contract liabilities – due to additional sales from uncompleted projects with lower percentage of completion than percentage of collection
- 7% increase in Advances from related parties – due to additional advances from parent company.
- 20% decrease in Redeemable preferred shares – due to initial redemption of Twin Lakes Corporation
- 53% increase in Deferred tax liabilities – due to increase in taxable temporary difference
- 22% decrease in Retirement benefit obligation – due to lower accrual of retirement benefit
- 12% increase in other non-current liability – mainly due to increase in retention payable.

Results of Operations

- 21% increase in Real estate sales – due to adoption prospectively of the new percentage of collection in recognizing installment sales.
- 165% increase in Rental income – mainly due to increase in occupancy and additional leasable area because of completion of Southwoods Office Towers at Southwoods City in Laguna and land lease of Landers at Alabang West in Las Piñas
- 36% decrease in Hotel Operations – mainly due to Boracay closure for 6 months.
- 153% increase in Finance and other income – due to increase on interest income on real estate sales.
- 100% decrease in Gain on sale of investment on associate – due to no sale of investment for the period
- 27% increase in Cost of real estate sales – due to increase on real estate sales for the period
- 45% increase in Cost of rental and services – mainly due to increase in depreciation from additional property held for lease and increase in cost of services.
- 28% decrease in Cost of hotel operations – mainly due to decrease in hotel revenue.
- 22% increase in Operating expenses – mainly due to increase in marketing and commission expenses and other administrative expenses.
- 440% increase in Equity share in net losses of associates – due to increase in net loss of associates recognized for the year.
- 86% increase in Finance cost and other charges – due to interest expense from the additional loan obtained in last quarter of 2017.
- 20% increase in Income tax expense due to increase in taxable income

Management's Discussion and Analysis of Results of Operations and Financial Conditions

Review for the year ended December 31, 2017, as restated

Results of Operations

(Comparing balances for the year ended December 31, 2017, as restated and for the year ended December 31, 2016, as restated)

For the year ended December 31, 2017 as restated, the Group's consolidated net income amounted to Php1.51 billion (inclusive of Php113 million non-recurring gain), a 33% increase from December 31, 2016 as restated net income of Php1.14 billion (inclusive of Php82.5 million non-recurring gain). Without the non-recurring gain, its net income rose to Php1.4 billion, a 33% increase year-on-year.

Consolidated total revenues amounted to Php6.2 billion. The bulk of revenues came from real estate sales, hotel operations, rental income and finance and other income. The Group's registered sales came from sale of lots in Newcoast Shophouse District, Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin, Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas and sale of condominium units in Oceanway Residences One, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park in Manila Southwoods and Vineyard Residences in Twin Lakes, Tagaytay.

Total cost and expenses amounted to Php4.6 billion, mainly from cost of real estate sales, cost of hotel operations and operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

Financial Condition

(Comparing balances as of December 31, 2017 as restated and as of January 1, 2017 as restated)

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php44.6 billion as of December 31, 2017 as restated, compared to Php40.6 billion as of January 1, 2017 as restated, posted an increase of Php4 billion or 10%.

Trade and other receivables increased by 48% mainly due to increase in installment real estate sales recognized from completed projects. Contract assets increased by 43% due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Advances to real estate property owners increased by 13% due to advances made to real property owners in relation to a joint venture agreement. Investment in associates decreased by 18% due to sale of partial ownership interest in BNHGI. Investment property increased by 18% due to on-going construction of building intended for lease and reclassification from Property, plant and equipment of office building for lease. Property, plant and equipment decreased by 6% due to the reclassification.

Interest bearing loans and borrowings increased by 29% or Php1.1 billion as of December 2017 as restated due to additional interest bearing loan. Trade and other payables increased by 32% mainly due to increase in payables to contractors and suppliers. Customer's Deposits decreased from Php1.7 billion as of January 1, 2017 as restated to Php1.5 billion as of December 31, 2017 as restated or 15% decrease due to recognized installment sales for the period. Advances from related parties increase by 79% due to additional advances from parent company. Due to joint venture partners decreased by 16% due to payment to joint venture partners. Deferred Tax Liability also increased from Php557.9 million as of January 1, 2017 as restated to Php829.8 million in December 2017 as restated. The 49% increase is due to increase in taxable temporary difference. Retirement benefit obligation increased by 5% from Php61 million in January 1, 2017 as restated to Php64 million in December 2017 as restated due to accrual of additional retirement benefit. Other non-current liabilities

increased from Php1.06 billion to Php1.11 billion mainly due to increase in retention payable.

Shareholders' Equity increased from Php27.7 billion to Php29.4 billion due to net income for the year.

Material Changes in the year ended December 31, 2017 as restated Financial Statements

Financial Position

(Increase/decrease of 5% or more versus as of January 1, 2017 as restated)

- 48% increase in Trade and other receivable – mainly due to increase in installment sales recognized during the year.
- 43% increase in Contract assets - due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 13% increase in Advances to real estate property owners – due to increase in advances made to real property owners in relation to a joint venture agreement.
- 18% decrease in Investment in associates – due to sale of partial ownership interest in BNHGI
- 18% increase in Investment property – due to on-going construction of building intended for lease and reclassification of office building for lease.
- 6% decrease in Property, plant and equipment – due to reclassification made to Investment property.
- 29% increase in Interest-bearing loans and borrowings – due to additional interest bearing loan.
- 32% increase in Trade and other payables – mainly due to increase in payables to contractors and suppliers.
- 15% decrease in Customer's deposit – due to installment sales recognized for the period.
- 79% increase in Advances from related parties – due to additional advances from parent company.
- 16% decrease in Due to joint venture partners – due to payment to joint venture partners.
- 49% increase in Deferred tax liabilities – due to increase in taxable temporary difference
- 5% increase in Retirement benefit obligation – due to accrual of additional retirement benefit
- 5% increase in Other non-current liability – mainly due to increase in retention payable.

Results of Operations

(Increase/decrease of 5% or more versus December 31, 2016 as restated)

- 34% increase in Real estate sales – mainly due to increase in percentage of completion of on-going projects.

- 54% increase in Rental income – mainly due to increase in occupancy of leasable area and opening of Southwoods Mall at Southwoods City in Laguna.
- 23% increase in Service income – due to increase in income from golf course maintenance
- 37% increase in Gain on sale of investment in associate – due to a higher income realized from sale of ownership interest in one associate
- 30% decrease in Finance and other income – due to decrease on interest income on real estate sales
- 25% increase in Cost of real estate sales – due to increase in real estate sales recognized for the year.
- 40% increase in Cost of rental and services – mainly due to increase in depreciation from additional investment property and cost of services.
- 24% increases in Operating expenses - mainly due to increase in marketing and commission expenses and other administrative expenses.
- 94% decrease in Equity share in net losses of associates – due to decrease in net loss of associates recognized for the year.
- 83% increase in Finance cost and other charges – due to interest expense from additional interest bearing loan and day one loss.
- 44% increase in Income tax expense due to increase in taxable income

Review for the year ended December 31, 2016

Results of Operations

For the year ended December 31, 2016 the Group's consolidated net income amounted to Php 1.08billion (inclusive of Php82.5 million non-recurring gain), a 27.51% increase from December 31, 2015 net income of Php 848.8million (inclusive of Php181.3 million non-recurring gain). Without the non-recurring gain, its net income rose to Php1.0 billion, a 49.8% increase year-on-year.

Consolidated total revenues amounted to Php5.7 billion. The bulk of revenues came from real estate sales, hotel operations, realized gross profit on prior year sale, rental income and finance and other income .The Group's registered sales came from sale of lots in Newcoast Shophouse District, Newcoast Boutique Hotel in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas and sale of condominium units in Newcoast Oceanway Residences, Savoy Hotel and Belmont Hotel in Boracay, Holland Park in Manila Southwoods and Vineyard Residences in Twin Lakes, Tagaytay.

Total cost and expenses amounted to Php4.7 billion, mainly from cost of real estate sales, cost of hotel operations, deferred gross profit on real estate sales and operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

Financial Condition

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php44 billion as of December 31, 2016 compared to Php40 billion as of December 31, 2015 posted an increase of Php4.7 billion or 12%.

Cash and cash equivalents increased by 7% from Php2.9 billion as of December 2015 to Php3.1 billion as of December 2016. Trade and other receivables increased by 26% mainly due to increase in installment real estate sales for the period. Advances to related parties decreased by 6% due to collection of Advances to related parties. Real estate and resorts shares for sale increased by 10%, from Php12 billion as of December 31, 2015 to Php13.2 billion as of December 31, 2016, mainly due to completion of on-going developments and new project launched for the year. Investment in associates decreased by 19% due to sale of partial ownership interest in BNHGI. Investment property increased by 107% due to on-going construction of building intended for lease. Prepayments and other assets increased by 12% from Php3.4 billion in December 2015 to Php3.8 billion in December 2016 mainly due to increase in advances to contractors and suppliers as down payment for services to be rendered and goods to be delivered in relation to various construction of real estate projects.

Interest bearing loans and borrowings increased by 96% or Php1.9 billion as of December 2016 as compared to December 2015 due to additional interest bearing loan. Trade and other payables decreased by 12% mainly due to payments made to contractors and suppliers. Reserve for property development increased by 24% due to increase in accrual of development cost for the year. Deferred income on real estate sales increased by 21% due to deferred gross profit from sales recognized for the year. Deferred Tax Liability also increased from Php465.6 million in December 2015 to Php543.3 million in December 2016. The 17% increase is due to increase in taxable temporary difference. Retirement benefit obligation increased by 32% from Php46 million in December 2015 to Php61 million in December 2016 due to accrual of additional retirement benefit. Other non-current liabilities increased from Php0.69 billion to Php1.06 billion mainly due to additional accrual of interest on redeemable preferred shares and increase in retention payable.

Shareholders' Equity increased from Php25.8 billion to Php27.5 billion due to net income for the year.

Material Changes in the year ended December 31, 2016 Financial Statements (Increase/decrease of 5% or more versus December 31, 2015)

Financial Position

- 7% increase in Cash and cash equivalents – mainly due to proceeds of additional interest bearing loan to finance various project development of the Group.
- 26% increase in Trade and other receivable – mainly due to increase in installment sales booked during the year.

- 6% decrease in Advances to related parties – due to collection of Advances to related parties
- 10% increase in Real estate and resort shares for sale – due to increase in completion of on-going developments and new project launched for the year.
- 19% decrease in Investment in associates – due to sale of partial ownership interest in BNHGI
- 107% increase in Investment Property – due to on-going construction of building intended for lease.
- 12% increase Prepayments and other assets – mainly due to increase in advances to contractors and suppliers as down payment for services to be rendered and goods to be delivered in relation to various constructions of real estate projects.
- 96% increase in Interest-bearing loans and borrowings – due to additional interest bearing loan of parent company.
- 12% decrease in Trade and other payables – mainly due to payments made to contractors and suppliers
- 24% increase in Reserve for property development – due to additional accrual of development cost
- 21% increase in Deferred income on real estate sales – due to deferred gross profit from real estate sales recognized for the year
- 17% increase in Deferred tax liabilities – due to increase in taxable temporary difference
- 32% increase in Retirement benefit obligation – due to accrual of additional retirement benefit
- 52% increase in Other non-current liability – mainly due to additional accrual of interest on redeemable preferred shares and increase in retention payable.

Results of Operations

- 6% increase in Real estate sales – due to aggressive marketing.
- 75% increase in Rental income – mainly due to increase in occupancy of leasable area.
- 13% increase in Hotel operations – mainly due to increase in hotel occupancy
- 25% increase in Realized gross profit on prior years' real estate sales – due to increase in percentage of completion of on-going projects.
- 10% decrease in Service income – due to decrease in income from golf course maintenance
- 55% decrease in Gain on sale of investment in associate – due to lower income realized from sale of ownership interest in one associate
- 30% increase in Finance and other income – due to increase in realized interest income from amortization of Installment contract receivables
- 14% increase in Cost of real estate sales – due to increase in real estate sales recognized for the year.
- 21% increase in Cost of hotel operations – mainly due to increase in hotel revenue.

- 16% decrease in Cost of services – mainly due to decrease in service income.
- 22% decrease in Deferred gross profit on real estate sales – mainly due to real estate sales recognized for the period from projects with higher percentage of completion
- 58% decrease in Equity share in net losses of associates – due to decrease in net loss of associates recognized for the year.
- 6% increase in Finance cost and other charges – due to interest expense from additional interest bearing loan.
- 31% increase in Income tax expense due to increase in taxable income

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2018, December 31, 2017, and December 31, 2016 of the Company are incorporated herein duly signed by the external auditors.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Independent Public Accountants

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, the Company's Board of Directors approved, on June 28, 2019, the designation of Punongbayan and Araullo as the external auditor for the audit of the financial statements of the Company for the year ending 31 December 2018.

For the years 2016 to 2020, the partner designated is Mr. Renan Piamonte, an Audit and Assurance partner of Punongbayan and Araullo.

Changes in Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company at its subsidiaries.

External Audit Fees and Services

For the audit of the registrant's financial statements and services that are normally provided by the external auditors in connection with statutory and regulatory filings for the calendar year report of 2018, 2017, and 2016, fee was approximately Php1.358 million, Php1.294 million, and Php1.232 million, respectively.

No other assurance and related services have been rendered by the external auditors to the registrant other than the items discussed above.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

The table sets forth each member of the Company’s Board:

Name	Age	Citizenship	Position
Andrew L. Tan	69	Filipino	Chairman & CEO
Lourdes T. Gutierrez-Alfonso	55	Filipino	Managing Director
Monica T. Salomon	50	Filipino	President
Ferdinand T. Santos	68	Filipino	Director
Wilbur L. Chan	59	Filipino	Director for Clubs and Hotels
Jesus B. Varela	62	Filipino	Lead Independent Director
Cresencio P. Aquino	65	Filipino	Independent Director
Alain A. Sebastian	43	Filipino	Director
Kevin Andrew L. Tan	39	Filipino	Director

The table below sets forth GERI’s executive officers in addition to its executive directors listed above (as of December 31, 2018):

Name	Age	Citizenship	Position
Lailani V. Villanueva	39	Filipino	Chief Finance Officer and Compliance Officer
Maric Emelyn Gertrudes C. Martinez	54	Filipino	EVP for Legal
Jennifer L. Romualdez	49	Filipino	SVP – Head of Operations
Karen B. Maderazo	40	Filipino	VP for Human Resources and Corporate Admin
Dominic V. Isberto	44	Filipino	Corporate Secretary
Rolando D. Siatela	58	Filipino	Asst. Corporate Secretary

Board of Directors

ANDREW L. TAN, Filipino, 69 years old, was first elected as Chairman of the Board and Chief Executive Officer of the Company on 12 January 2011. He is also the Chairman of the Board of Alliance Global Group, Inc. since 2006 and of Emperador Inc. since 28 August, 2013. He has broad experience in the real estate, food and beverage, and quick service restaurants industries. Dr. Tan is concurrently the Chairman of the Board and President of Megaworld Corporation. He is also the

Chairman of Empire East Land Holdings, Inc., Suntrust Properties, Inc., and a director of Travellers International Hotel Group, Inc., Fairways & Bluewater Resort Golf & Country Club, Inc. and Twin Lakes Corporation. He is also a Vice Chairman and Treasurer of Golden Arches Development Corporation, the holder of the McDonald's Philippine franchise. Dr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

LOURDES T. GUTIERREZ-ALFONSO, 55 years old, was first elected as Director of the Company on 30 June 2011. Effective 01 March 2015, she was appointed as the Company's Managing Director in a concurrent capacity to oversee the Company's business performance and lead in the formulation of overall strategic direction, plans, and policies for the Company. She is currently the Chief Operating Officer of Megaworld Corporation. Ms. Gutierrez joined Megaworld in 1990. She is a Certified Public Accountant and is a member of Megaworld's Management Executive Committee. Ms. Gutierrez graduated Cum Laude from the Far Eastern University with the degree of Bachelor of Science major in Accounting. She is the Chairman of Megaworld's property management arm, First Oceanic Property Management, Inc. and Eastwood Cinema 2000, Inc. She is currently the Director and Vice Chairman of Suntrust Properties, Inc. and a director of Megaworld Cebu Properties, Inc., Megaworld Resort Estates, Inc., Oceanfront Properties, Inc., Prestige Hotels & Resorts, Inc. and Lucky Chinatown Cinemas, Inc., Oceanfront Properties, Inc., Megaworld Global-Estate, Inc., Twin Lakes Corporation, and Fil-Estate Urban Dev't Corp. She is a trustee and Corporate Secretary of Megaworld Foundation, Inc.

MONICA T. SALOMON, 50 years old, has served as Director, President, and Chief Operating Officer of the Company since 01 March 2015. Prior to joining GERI, she was Head of Megaworld's Corporate Management Division and spearheaded strategic real estate acquisitions and joint ventures for the Megaworld Group. She was also a member of Megaworld's Management Executive Committee, which is responsible for the development and execution of the Group's corporate strategies, policies and initiatives. She holds directorships in various Megaworld and GERI subsidiaries significant of which are Twin Lakes Corporation, Megaworld Global-Estate, Inc., Southwoods Ecocentrum Corp., Southwoods Mall, Inc., Prestige Hotels & Resorts, Inc., Luxury Global Hotels and Leisure, Inc., Oceanfront Properties, Inc., and Megaworld Foundation, Inc. She obtained her Bachelor of Laws in 1994 from the University of the Philippines.

WILBUR I. CHAN, Filipino, 59 years old, was first elected as Director of the Company on 12 January 2011. He also serves as Director for Hotels and Clubs and is currently the Chairman of Fairways & Bluewater Resorts Golf & Country Club, Inc. and Fil-Estate Urban Development Corporation. He is also Director in Southwoods Ecocentrum Corporation and Uni-Asia Properties, Inc. He has a Masteral Degree in Business Management at Asian Institute of Management, Master Degree in National Security Administration (Silver Medalist) at National Defense College of the Philippines and a Degree in Command & General Staff Course at Command & General Staff College.

FERDINAND T. SANTOS, Filipino, 68 years old, was elected as Director of the Company since its incorporation in 1994. He served as the Company's President until

his retirement on 28 February 2015. He is also the President of Fil-Estate Management Inc., Fil-Estate Development Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., Newport Hills Golf Club, Inc., St. Benedict Realty & Development Inc., Royal Jade Memorial Inc., and Mt. Zion Memorial Inc. He graduated from Arellano University with Bachelor of Arts degree in 1970 and took his Bachelor of Laws at San Beda College where he graduated Valedictorian and Magna Cum Laude in 1974. He was a topnotcher in the 1974 Philippine Bar (2nd Place).

KEVIN ANDREW L. TAN, 39 years old, was elected as Director on 26 June 2014. He is the Chief Executive Officer and Vice Chairman of Alliance Global Group and Chief Strategy Officer of Megaworld Corporation. He is concurrently a director of listed companies, Emperador Inc. and Empire East Land Holdings, Inc., and of non-listed companies, Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., Southwoods Ecocentrum Corp., Twin Lakes Corporation and Southwoods Mall, Inc. He has over 11 years of experience in retail leasing, marketing and operations having served as head of Megaworld Lifestyle Malls for over 11 years. Mr. Tan holds a Bachelor of Science Business Administration degree, major in Management, from the University of Asia and the Pacific.

ALAIN A. SEBASTIAN, Filipino, 43, was formerly an Assistant Vice President of Megaworld Corporation where he was primarily responsible for various business development activities of Megaworld. He previously acted as director and corporate secretary for some of Megaworld's subsidiaries and affiliates and several of its building administration companies. He was previously a director of Global-Estate Resorts, Inc. from June 2014 until February 28, 2015. Prior to Megaworld, he worked at Globe Telecom as Head of SME Segment Marketing. A seasoned relationship and project manager, he has held key roles in marketing, finance, and sales. He holds a Bachelor's degree in Management Economics from the Ateneo de Manila University as well as a Master's degree in Business Administration from the Asian Institute of Management.

JESUS B. VARELA, Filipino, 62 years old, was elected as Lead Independent Director on 30 June 2016. He is also an Independent Director of Megaworld Corporation. He graduated with an Economics degree in 1979 from Ateneo de Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines. He is presently the Chairman of Committee on Trade, and Bureau of Customs Consultative Group of Philippine Chamber of Commerce and Industry. He is also the Director General of International Chamber of Commerce Philippines. Currently, he is the President of Philippine Greek Business Council, Philippine Peru Business Council and Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc. He is also Member of Committee for Accreditation of Cargo Surveying Companies. Apart from his previous

government experience, he used to be the Managing Director of SAS Holdings Co., Vice President- International Operations of Catleya Manning Corp. and President of Manila Center. He also previously worked as a Marketing Director for FELA Sales International and a Management Consultant of ABL Consultancy and Management Services, Inc.

CRESENCIO P. AQUINO², Filipino, 65 years old, is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He is a graduate of San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as follows: Director of Clark Development Corporation from 2012 to 2016, Independent Director of Global-Estate Resorts, Inc. from 2010 to 2012, Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, member of the Board of Directors of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, Executive Director of the Department of Interior and Local Government (DILG) from 1998 to 1992, and Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino has extensive experience in public service, investment banking, corporate practice specializing in joint venture undertaking, corporate restructuring, real estate funds, mergers and acquisitions, risk management, innovative restructuring, due diligence & valuations and enhancing shareholder value. He was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus and the Lawyers League of the Philippines.

Key Executive Officers

LAILANI V. VILLANUEVA, Filipino, 39 years old, is the Chief Finance Officer and Compliance Officer. Effective 27 March, 2019, she was also appointed as Treasurer of the Company to replace Mr. Alain Sebastian who resigned as Treasurer. She is a Certified Public Accountant with over 19 years of experience in accounting and finance. Prior to joining the Company, she was connected with Megaworld Corporation as a Senior Accounting Manager from 2007 until 2010. In 2011, she joined Global-Estate Resorts, Inc. as Comptroller. She is concurrently the Chief Financial Officer of Fairways and Bluewater Resort Golf and Country Club, Inc., Director and Chief Finance Officer of Southwoods Ecocentrum Corporation, Director of Southwoods Mall Inc. and Megaworld Global Estate Inc. Ms. Villanueva graduated from the College of the Immaculate Concepcion with a degree of Bachelor Science in Accountancy.

² Atty. Cresencio P. Aquino was elected as Independent Director on February 15, 2018 to serve the unexpired term of Mr. Gerardo C. Garcia, who passed away on January 26, 2018.

MARIE EMELYN GERTRUDES C. MARTINEZ, Filipino, 54 years old, is the Executive Vice President for Legal. She is also a Director of Fil-Estate Properties, Inc. and the Assistant Corporate Secretary of Fairways and Bluewater Resort Golf and Country Club, Inc. Before joining GERI, she was the Chief of Staff of the Office of COMELEC Commissioner Augusto C. Lagman. She was a Partner in Ponce Enrile Reyes & Manalastas (PECABAR) Law Offices and in Nisce Mamuric Guinto Rivera & Alcantara Law Offices. She was admitted to the Bar in 1991 after obtaining her Bachelor of Laws degree from University of the Philippines and her Bachelor of Arts major in Economics from the same university.

JENNIFER L. ROMUALDEZ, Filipino, 49 years old, is the Senior Vice President for Operations of GERI. She joined GERI on 1 July 2012 as Contracts and Procurement Head and in September 2012, she was appointed as Head of Project Management. Previously, she worked for Megaworld Corporation for nine (9) years in various capacities in the areas of procurement, contracts, construction management and interior design. After her Megaworld stint she served as Corporate Manager for Quantity Surveying & Tender of Ding Feng Real Estate Development Co., Ltd., Assistant Director for Marketing-Interior Design & Graphics of Ho Cheng (China) Co. Ltd., both in Shanghai, PRC and Consultant for the HCG Beijing Flagship Showroom project. She graduated from the University of the Philippines in Diliman, Quezon City with a degree in Bachelor of Science Major in Architecture. She completed and passed the Philippine Licensure Examination for Architects in 1993.

KAREN B. MADERAZO, Filipino, 40 years old, is the Vice President for Human Resources and Corporate Admin. She joined GERI on October 1, 2013. Prior to joining the Company, Ms. Maderazo served as the Senior Manager for Human Resources Division of Megaworld Corporation from May 2005 to September 2013. She also worked for Suyen Corporation from June 2003 to February 2005 as Training Specialist of the Personnel Department. She graduated from Centro Escolar University with a degree in Bachelor of Science in Psychology. She also took up 36 units of Master's degree in Psychology from Centro Escolar University from 2000 to 2003.

DOMINIC V. ISBERTO, 44 years old, Filipino, was elected as the Corporate Secretary and Asst. Corporate Information Officer of the Company on 12 January 2011. He is also the Corporate Secretary of publicly-listed Alliance Global Group, Inc., and Emperador Inc., and of non-listed companies Twin Lakes Corporation, Suntrust Properties, Inc. and Eastwood City Estates Association, Inc. He is currently a Vice President for Corporate Compliance of Megaworld Corporation, where he is primarily responsible for corporate advisory, compliance and regulatory matters, preparation and review of lease agreements, loan agreements, and other corporate contracts and agreements and the handling of legal cases. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

ROLANDO D. SLATELA, 58 years old, Filipino was elected as Assistant Corporate Secretary of the Company on 12 January 2011. He concurrently serves in PSE-listed

companies, Alliance Global Group, Inc., Megaworld Corporation and Emperador Inc. as Assistant Corporate Secretary, and in Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer. He is also the Assistant Vice President of Megaworld Corporation. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. He is a member of the board of Asia Finest Cuisine, Inc., serves as Corporate Secretary of ERA Real Estate Exchange, Inc. and Oceanic Realty Group International, Inc.

Significant Employees

The Corporation considers its entire workforce as significant employees. The Corporation relies on the contribution of all employees to achieve its corporate objectives.

Family Relationships

Chairman Andrew L. Tan is the father of director Kevin Andrew L. Tan.

Involvement in Certain Legal Proceedings (over the past 5 years)

The Company has no knowledge of any of the following events that occurred during the past five (5) years up to the date of this report, which are material to an evaluation of the ability or integrity of any director or executive officer:

- a. None of them has been involved in any bankruptcy petition.
- b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding both domestic and foreign.
- c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily, enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
- d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

ITEM 10. EXECUTIVE COMPENSATION

KEY EXECUTIVE OFFICERS

NAME	POSITION	YEAR	SALARY	Other Annual Compensation
A. Five Most Highly Compensated Officers Monica T. Salomon Wilbur L. Chan Emelyn C. Martinez Jennifer L. Romualdez Lailani V. Villanueva	President Director for Hotels and Clubs EVP-Legal SVP - Operations Chief Finance Officer	Estimate 2019	24.1 Million	5.5 Million
B. All other officers and directors as a group unnamed			13.2 Million	2.6 Million
NAME	POSITION	YEAR	SALARY	Other Annual Compensation
A. Five Most Highly Compensated Officers Monica T. Salomon Wilbur L. Chan Emelyn C. Martinez Jennifer L. Romualdez Lailani V. Villanueva	President Director for Hotels and Clubs EVP-Legal SVP - Operations Chief Finance Officer	2018	22.5 Million	4.5 Million
B. All other officers and directors as a group unnamed			12.3 Million	2.5 Million

NAME	POSITION	YEAR	SALARY	Other Annual Compensation
A. Five Most Highly Compensated Officers		2017	21.4Million	4.3Million
Monica T. Salomon Wilbur L. Chan	President Director for Hotels and Clubs			
Emelyn C. Martinez Jennifer L. Romualdez Lailani V. Villanueva	EVP-Legal SVP Operations Chief Finance Officer			
B. All other officers and directors as a group unnamed			12.4Million	2.8Million

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to Php27 million in 2018, and Php25.7 million in 2017. The projected total annual compensation for the current year is Php29.6 million.

The total annual compensation paid to all senior personnel from AVP and up are all payable in cash. The total annual compensation includes the basic salary and 13th month pay.

The Company has no other arrangement with regard to the remuneration of its existing officers aside from the compensation received as herein stated.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The Directors receive reasonable per diem.

On September 23, 2011, the Board of Directors of the Company approved an Executive Stock Option Plan and this was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the Plan is to enable the key Company executives, directors and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Corporate Governance Committee of the Board.

Under the Plan, the Company shall initially reserve for exercise of stock options up to 500 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve (12) months immediately preceding the date of grant. The options shall vest

within three (3) years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three (3) year period. The Company shall receive cash for the stock options.

Pursuant to this ESOP, on February 16, 2012, the Company granted the option to its key company directors and executives to subscribe to 100 million shares of the Company, at an exercise price of Php1.93 (1st Tranche). On February 18, 2013, the Company granted another stock option to the same set of directors and officers for the same number of shares (100 million shares) at an exercise price of Php1.69 (2nd Tranche). On March 7, 2014, the Company granted another stock option to the same set of directors and officers for the same number of shares (100 million shares) at an exercise price of Php1.50 (3rd Tranche). On March 9, 2015 and June 17, 2016, the Company granted another stock option to certain key officers of the company for 50 Million shares for each tranche at an exercise price of Php1.65 (4th Tranche) and Php1.00 (5th Tranche), respectively.

The PSE approved the Company's application for the listing of 100,000,000 common shares (1st Tranche), an additional 100,000,000 common shares (2nd Tranche), an additional 100,000,000 common shares (3rd Tranche), an additional 50,000,000 common shares (4th Tranche), and an additional 50,000,000 common shares (5th Tranche) on May 25, 2012, January 28, 2014, June 17, 2014, July 24, 2015, and November 11, 2016, respectively.

An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option's Life Cycle.

As of 31 December 2018, none of the Option Holders has exercised the options granted to them under the ESOP, and no underlying shares have been subscribed nor fully paid for by the Option Holders in connection therewith.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

Security ownership of certain record and beneficial owners owning more than 5% of any class of the Corporation's voting securities as of 31 December 2018 are as follows:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (Based in total shares)
Common Shares	Megaworld Corporation 30th Floor, Alliance Global Tower, 36 th St. corner 11 th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation	Filipino	9,042,732,139	82.31%
Common shares	PCD Nominee Corporation (Filipino) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders	Filipino	1,737,389,411	15.81%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Management

As of December 31, 2018 common shares owned by all directors and executive officers of GERI, representing original issues and stock dividends are as follows:

Title of Class	Name of Beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Dr. Andrew L. Tan	2 (direct)	Filipino	0.00%
Common	Ferdinand T. Santos	30,007 (direct)	Filipino	0.00%
Common	Wilbur L. Chan	2,611,826 (direct)	Filipino	0.02%
Common	Jesus B. Varela	1 (direct)	Filipino	0.00%
Common	Monica T. Salomon	1 (direct)	Filipino	0.00%
Common	Alain A. Sebastian	1 (direct)	Filipino	0.00%
Common	Lourdes T. Gutierrez-Alfonso	2 (direct)	Filipino	0.00%

Common	Kevin Andrew L. Tan	2 (direct)	Filipino	0.00%
Common	Cresencio P. Aquino ³	1 (direct)	Filipino	0.00%
Other Executive Officers				
Common	Lailani V. Villanueva	0	Filipino	n/a
Common	Marie Emelyn Gertrudes C. Martinez	0	Filipino	n/a
Common	Jennifer L. Romualdez	0	Filipino	n/a
Common	Karen B. Maderazo	0	Filipino	n/a
Common	Dominic V. Isberto	0	Filipino	n/a
Common	Rolando D. Siatela	0	Filipino	n/a

Voting Trust Holders of 5% or more

The Company knows of no persons holding more than 5% of common shares under voting trust or similar agreement.

Changes in Control

On 22 December 2010, the Company signed a Subscription Agreement with Alliance Global Group, Inc. (AGI) paving the way for AGI to subscribe to 5 billion common shares of the Company at a subscription price of One Peso (P1.00) per share for a total subscription price of P5 billion, Philippine currency, to be issued out of an increase in the capital stock of the Company from P5 billion to P10 billion. On 20 January 2011, said increase was approved by the Securities and Exchange Commission.

On June 30, 2011, the stockholders of the Company representing more than 2/3 of the outstanding capital stock of the Company ratified the P5 billion subscription of AGI which subscription represents sixty percent (60%) of the outstanding capital stock of the Company.

On 23 September 2011, the Board of Directors of Company approved the increase in authorized capital stock of the Company from Ten Billion Pesos (Php10,000,000,000.00) divided into Ten Billion (10,000,000,000) common shares with a par value of One Peso (Php1.00) each to Twenty Billion Pesos (Php20,000,000,000.00) divided into Twenty Billion (20,000,000,000) common shares with a par value of One Peso (Php1.00) each. The shareholders ratified the increase on 8 November 2011.

On 21 June 2013, the Board of Directors of the Company approved the subscription by Megaworld Corporation (Megaworld) to Two Billion Five Hundred Million (2,500,000,000) shares of the increase in capital stock of the Company, at the price of Two Pesos and Twenty Six (Php2.26) per share for an aggregate subscription price of Five Billion Six Hundred Fifty Million Pesos (Php5,650,000,000.00).

³ Atty. Cresencio P. Aquino was elected as Independent Director on February 15, 2018 to serve the unexpired term of Mr. Gerardo C. Garcia, who passed away on January 26, 2018.

On 08 May 2014, in a move to consolidate all of AGI's property development businesses, Megaworld acquired AGI's 49.2% stake in the Company to increase its holdings to 74.96%, officially making GERI a subsidiary of Megaworld.

On 20 June 2014, Megaworld acquired an additional 5.44% stake in GERI through a tender offer increasing its holdings to 80.40%.

On 03 December 2015, Megaworld further acquired an additional 0.24% stake in GERI, increasing its holdings to 82.2468%.

In February and March 2016, Megaworld acquired additional stake in GERI increasing its holdings to 82.311% of the Company.

There has been no change in the control of the Company since it became a subsidiary of Megaworld.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Group, in its regular conduct of business, has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, marketing, leasing and administrative service agreements.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements.

However, no other transaction was undertaken or to be undertaken by the Group in which any Director or Executive Officer, or any member of their immediate family was or to be involved or had or will have a direct or indirect material interest.

No single Director or Executive Officer, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

GERI employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaces and brought to attention of management.

PART IV – EXHIBITS AND SCHEDULES

ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

a.) Exhibits

The following exhibit is incorporated by reference in this report:

2018 Consolidated Audited Financial Statements

No other exhibits, as indicated in the Index to Exhibits are either applicable to the Company or require no answer.

b.) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were among those filed during the last six months period covered by this report:

1. Standard Disclosures

- Public Ownership Report
- Foreign Ownership Report
- List of Top 100 Stockholders
- Notice of Annual Stockholders' Meeting
- Attendance of GERI Directors and Officers on ACGR Seminar
- 28 June 2018 Organizational Board Meeting – election of Corporate Officers
- 28 June 2018 Annual Stockholders' Meeting & Election of Board of Directors
- Certification of Independent Director
- Compliance Report on Corporate Governance


2. Press Releases

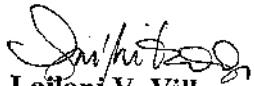
- 8 March 2018 Press Release - "Alabang West starts turnover of lots as property value soars by 50%"
- 2 April 2018 Press Release – "Megaworld's GERI Net Income Up 45% to P1.6B in 2017"
- 15 May 2018 Press Release – "Megaworld's GERI Q1 earnings up 27% as rental revenues tripled"
- 11 June 2018 Press Release – "Megaworld's GERI to build 'The Fifth' residential condo in Ortigas"
- 28 June 2018 Press Release – "GERI to Open P1.5B Twin Lakes Hotel in Tagaytay this year"
- 9 July 2018 Press Release – "GERI Launches 2nd Residential Property at Southwoods City"
- 7 August 2018 Press Release – "GERI's 1H Net Income Up 18% to P749M"
- 8 November 2018 Press Release – "Megaworld's GERI 9-mos profit grew 16% to P1.3B"

SIGNATURES

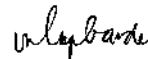
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in Taguig City on _____, 2019.

By:


Atty. Monica T. Salomon
 President
 Principal Operating Officer


Lailani V. Villanueva
 Chief Finance Officer
 Principal Financial Officer

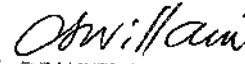

Atty. Dominic V. Isberto
 Corporate Secretary


Gervinna Z. Lopez-Garde
 Controller
 Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this 12 APR 2019 day of _____ 2019, affiants exhibiting to me their valid identification card, as follows:

<u>NAMES</u>	<u>TIN/UMID/ SSS No.</u>	<u>Expiration Date</u>	<u>Place of Issue</u>
Atty. Monica T. Salomon	TIN 182-240-560-000	--	Manila
Lailani V. Villanueva	CRN 0002-1985165-5	--	Manila
Atty. Dominic Isberto	SSS# 331952824-1	--	--
Gervinna Z. Lopez-Garde	TIN 242-194-123-000	--	NCR

Doc. No: 409
 Page No. : 94
 Book No. : 409
 Series of 2019.


ATTY. CONCEPCION P. VILLARESA
 Notary Public for Quezon City
 Until December 31, 2019
 PTR No. 7323012 - 1-03-2019/ QC
 ISP No. AR14409891 - 12-17-2018/ QC
 Roll No. 30197 - 09-09-89
 MCLE S-9012500 - 12-21-2018
 Adm. Matter No. NP 276 (2018-2019)

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S O 9 4 0 0 4 4 6 2

COMPANY NAME

G L O B A L - E S T A T E R E S O R T S I N C
A N D S U B S I D I A R I E S

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

1 6 T H F L R A L L I A N C E G L O B A L T O W E R
3 6 T H S T C O R . 1 1 T H A V E U P T O W N
B O N I F A C I O T A G U I G C I T Y

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

lvillanueva@global-estate.ph

Company's Telephone Number/s

328-4374

Mobile Number

N/A

No. of Stockholders

4,231

Annual Meeting (Month / Day)

June - 28

Fiscal Year (Month / Day)

December - 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

LAILANI V. VILLANUEVA

Email Address

lvillanueva@global-estate.ph

Telephone Number/s

328-4374

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

16F Alliance Global Tower, 36th St. cor. 11th Ave., Uptown Bonifacio, Taguig City

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

Note 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause to 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

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S O 9 4 0 0 4 4 6 2

COMPANY NAME

G L O B A L - E S T A T E R E S O R T S I N C
A N D S U B S I D I A R I E S

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

1 6 T H F L R A L L I A N C E G L O B A L T O W E R
3 6 T H S T C O R . 1 1 T H A V E U P T O W N
B O N I F A C I O T A G U I G C I T Y

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

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Company's Email Address

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Mobile Number

N/A

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4,231

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Name of Contact Person

LAILANI V. VILLANUEVA

Email Address

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Telephone Number/s

328-4374

Mobile Number

N/A

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Note 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause to 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



P&A
Grant Thornton

An instinct for growth™

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Global-Estate Resorts, Inc. and Subsidiaries

December 31, 2018, 2017 and 2016

(With Corresponding Figures as of January 1, 2017)



GLOBAL-ESTATE RESORTS, INC.

16th Floor, Alliance Global Tower, 36th St. cor. 11th Ave., Uptown Bonifacio Taguig City 1634 Philippines
Telephone No. 328-4374

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Global-Estate Resorts, Inc. and subsidiaries for the period ended December 31, 2018.

In discharging this responsibility, I hereby declare that, I am the Manager, of Global-Estate Resorts, Inc.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan and Araullo who/which is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

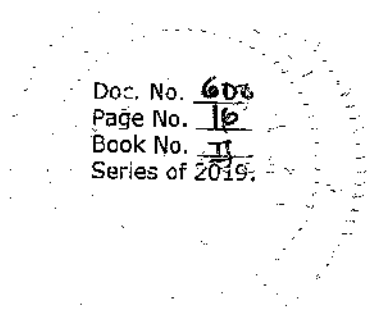
I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.


Christian R. Sta. Rita


Professional Identification Card Number: 0126297
Valid Until December 12, 2019

Accreditation Number: 5358

SUBSCRIBED AND SWORN to before me this 01 day of APR 2019, in TAGUIG CITY
affiant exhibiting to me his Unified Multi-Purpose ID CRN 0111-0516957-3 issued on _____ in _____ valid until _____.



Doc. No. 606
Page No. 16
Book No. II
Series of 2019.


ROSE MARIE S. SORIANO
NOTARY PUBLIC
Taguig City
Appointed by the Philippine Consulate in Taguig City, Philippines
16th Floor, Alliance Global Tower, 36th St. cor. 11th Ave.,
Uptown Bonifacio, Taguig City, Philippines
(Manila) Tel No. 911-1111
ISF No. 056277-1-07-01-0554
PTR No. A-420/17 (M) - Taguig City
ACLE Consulars (C.A.)-00-5487



GLOBAL-ESTATE RESORTS, INC.

16th Floor, Alliance Global Tower, 36th St. cor. 11th Ave., Uptown Bonifacio Taguig City 1634 Philippines
Telephone No. 328-4374

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

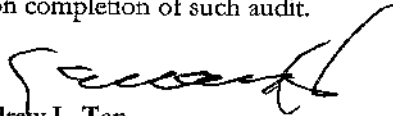
The management of **Global-Estate Resorts Inc and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016 in accordance with the prescribed financial reporting framework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

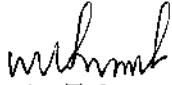
In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to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

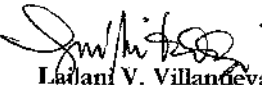
The Board of Directors is responsible for overseeing the group's financial reporting process.

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

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


Andrew L. Tan
Chairman of the Board


Monica T. Salomon
President


Laldan V. Villandeva
Chief Finance Officer

Signed this 8th day of April, 2019



GLOBAL-ESTATE RESORTS, INC.

16th Floor, Alliance Global Tower, 36th St. cor. 11th Ave., Uptown Bonifacio Taguig City 1634 Philippines
Telephone No. 328-4374

SUBSCRIBED AND SWORN to before me this 12th APR 2019 day of QUEZON CITY at QUEZON CITY Philippines, affiants exhibited to me their respective Identification cards, as follows:

NAMES	Identification Card No:
Andrew L. Tan	TIN 125-960-003-000
Monica T. Salomon	Passport No. P0979017A
Lailani V. Villanueva	Unified Multi-Purpose ID CRN-0002-1985165-5

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

Doc. No. 470;
Page No. 04;
Book No. 149;
Series of 2019.

Concepcion P. Villareña
ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2019
PTR No. 7323642 - 1-03-2019/ QC
IBP No. AR14460591 - 12-17-2018/ QC
Roll No. 30457 - 05-09-80
MCLE 5-0012536 - 12-21-2015
Adm. Matter No. NP 270 (2018-2019)



P&A Grant Thornton

An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Global-Estate Resorts, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
16th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Global-Estate Resorts, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Certified Public Accountants

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

Offices in Cuvate, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SIC Accreditation No. 0002-FR-5

BUREAU OF INTERNAL REVENUE LARGE TAXPAYERS SERVICE LARGE TAXPAYERS ASSISTANCE DIVISION		
Date	APR 12 2019	SCES
RECEIVED		
LAUREN MAY L. ALIGANTE		

grantthornton.com.ph

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Adoption of PFRS 15, Revenue from Contracts with Customers, on Real Estates Sales

Description of the Matter

The Group adopted PFRS 15, *Revenue from Contracts with Customers*, using the full retrospective approach to all open contracts as of January 1, 2016. The adoption of PFRS 15 is significant to our audit as the new standard materially affects the Group's recognition of revenue from real estate sales which is one of the core sources of income of the Group.

In addition, the adoption requires application of significant judgments and estimates which affect the amounts of transactions and balances reported in the consolidated financial statements both in the current period and in the comparative prior periods presented. Areas affected by the adoption which require significant judgments and estimates include determining when a contract will qualify for revenue recognition and measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

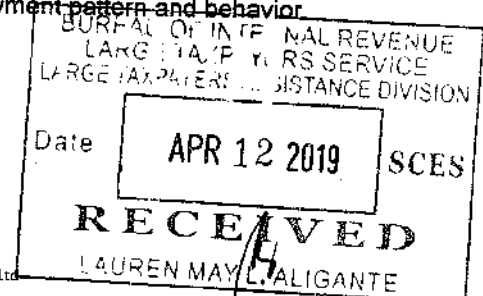
The Group's policy for revenue recognition is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the new revenue recognition policy of the Group and checked its compliance with the provisions of PFRS 15 and related issuances by the Philippine Interpretations Committee and the Securities and Exchange Commission (SEC). We have also tested the reasonableness of judgments and estimates made in relation to the adoption of the new standard.

Our procedures in testing the appropriateness of prior period adjustments include testing the mathematical accuracy and completeness of supporting contract summary, review of reasonableness of prior period adjustments, and performing overall analytical review of actual results.

In relation to identification of contracts, we have tested sample agreements for compliance with a set of criteria for revenue recognition. Our procedures include testing of controls over contract approval and direct examination of agreements. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behavior.





Relative to the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

Other Information

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

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

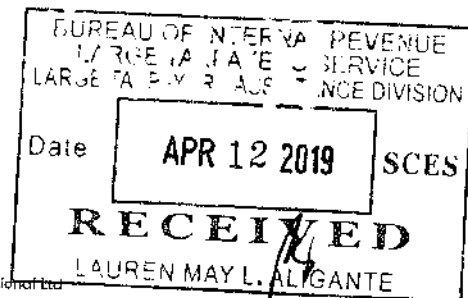
In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our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

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

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

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

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





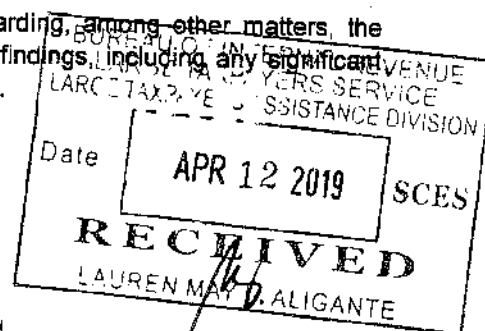
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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





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

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

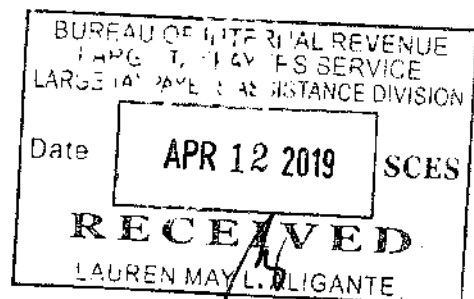
The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

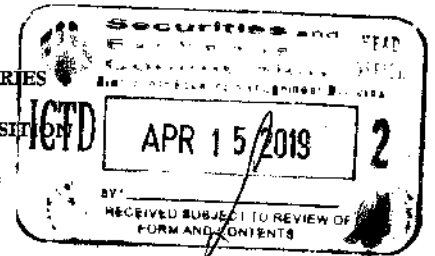
By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 7333700, January 3, 2019, Mekati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

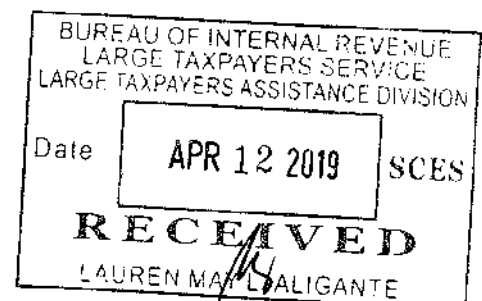
April 8, 2019



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
 (A Subsidiary of Megaworld Corporation)
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017
 (With Corresponding Figures as of January 1, 2017)
 (Amounts in Philippine Pesos)

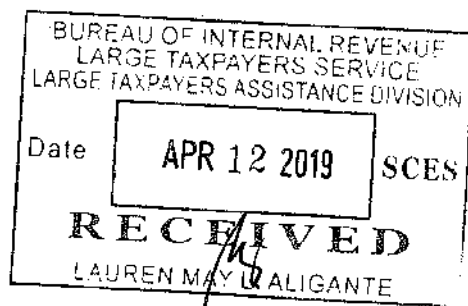


	Notes	December 31, 2018	December 31, 2017 (As Restated – See Note 2)	January 1, 2017 (As Restated – See Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	P 1,771,302,129	P 3,158,177,984	P 3,109,892,350
Trade and other receivables - net	6	4,317,791,166	2,015,706,405	1,917,200,856
Contract assets	18	2,394,582,192	774,308,579	846,955,887
Advances to real estate property owners	9	185,671,144	179,603,536	163,616,888
Advances to related parties	24	765,235,996	1,020,348,025	1,007,420,295
Inventories	7	17,933,958,120	18,388,210,932	17,634,007,844
Prepayments and other current assets - net	8	2,711,194,521	3,320,337,961	3,106,991,701
Total Current Assets		30,079,735,268	28,856,693,422	27,786,085,821
NON-CURRENT ASSETS				
Trade and other receivables - net	6	1,011,835,265	1,380,997,282	382,929,459
Contract assets	18	1,135,598,493	1,586,225,489	805,944,802
Advances to real estate property owners	9	1,054,255,698	1,013,808,080	890,413,924
Investments in associates - net	10	841,219,811	846,312,138	1,030,731,569
Investment property - net	11	10,537,727,720	9,493,077,814	8,038,893,403
Property and equipment - net	12	835,946,902	862,932,986	920,325,994
Other non-current assets - net	13	533,712,009	548,363,208	766,681,720
Total Non-current Assets		15,950,295,898	15,731,716,997	12,835,920,871
TOTAL ASSETS		P 46,030,031,166	P 44,588,410,419	P 40,622,006,692



	Notes	December 31, 2018	December 31, 2017 (As Restated - See Note 2)	January 1, 2017 (As Restated - See Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans	14	P 1,574,466,462	P 1,086,538,462	P 721,153,846
Trade and other payables	15	3,599,888,181	3,045,149,124	2,302,858,053
Contract liabilities	18	272,728,734	18,939,519	11,836,124
Advances from related parties	24	1,001,894,838	939,557,166	525,334,676
Redeemable preferred shares	25	251,597,580	251,597,580	
Customers' deposits	2	961,429,898	1,121,764,599	1,480,263,157
Total Current Liabilities		7,662,005,693	6,463,546,450	5,041,445,856
NON-CURRENT LIABILITIES				
Interest-bearing loans	14	2,486,305,898	3,969,391,025	3,205,929,487
Contract liabilities	18	796,103,382	961,655,540	999,350,231
Due to joint venture partners	16	395,424,643	396,374,951	471,057,666
Redeemable preferred shares	25	754,792,740	1,006,390,320	1,257,987,900
Customers' deposits	2	221,175,156	349,446,254	251,368,702
Retirement benefit obligation	22	49,995,320	63,688,766	60,775,015
Deferred tax liabilities - net	23	1,272,105,459	829,756,854	557,961,438
Other non-current liabilities	17	1,232,214,997	1,105,592,031	1,056,345,199
Total Non-current Liabilities		7,208,117,595	8,682,295,741	7,860,775,638
Total Liabilities		14,870,123,288	15,145,842,191	12,902,221,494
EQUITY				
Equity attributable to shareholders of the Company:				
Capital stock	25	10,986,000,000	10,986,000,000	10,986,000,000
Additional paid-in capital		4,747,739,274	4,747,739,274	4,747,739,274
Revaluation reserves	22	37,130,791	16,174,807	6,917,124
Retained earnings	25	10,077,036,216	8,589,547,273	7,126,400,364
		25,847,906,281	24,339,461,354	22,867,056,762
Non-controlling interest	10	5,312,001,597	5,103,106,874	4,852,728,436
Total Equity		31,159,907,878	29,442,568,228	27,719,785,198
TOTAL LIABILITIES AND EQUITY		P 46,030,031,166	P 44,588,410,419	P 40,622,006,692

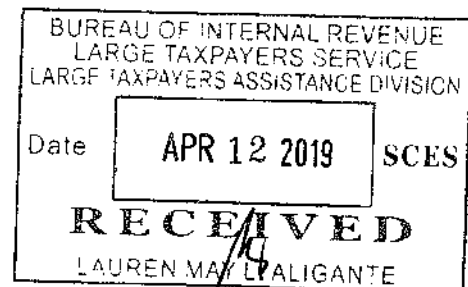
See Notes to Consolidated Financial Statements.



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
REVENUES AND INCOME				
Real estate sales	18	P 6,370,555,422	P 5,256,759,191	P 3,924,661,780
Rental income	11, 13	426,536,057	161,258,835	104,881,942
Hotel operations	18	223,958,354	349,155,484	353,274,211
Service income	2	134,769,245	134,082,713	108,814,826
Gain on sale of investment in associate	10	-	113,069,227	82,459,513
Finance and other income	19	365,750,049	144,664,766	205,555,122
		<u>7,521,509,127</u>	<u>6,158,990,216</u>	<u>4,779,647,394</u>
COSTS AND EXPENSES				
Cost of real estate sales	21	3,018,683,870	2,384,998,130	1,903,875,810
Cost of rentals and services	21	202,125,585	139,524,416	99,615,960
Cost of hotel operations	21	158,162,392	218,820,207	225,931,874
Operating expenses	20	1,292,381,362	1,055,916,041	849,604,280
Equity share in net losses of associates	10	183,393	33,983	532,733
Finance costs and other charges	19	314,018,949	169,194,179	92,729,701
		<u>4,985,555,551</u>	<u>3,968,486,956</u>	<u>3,172,290,358</u>
PROFIT BEFORE TAX		<u>2,535,953,576</u>	<u>2,190,503,260</u>	<u>1,607,357,036</u>
TAX EXPENSE	23	<u>811,666,522</u>	<u>675,965,664</u>	<u>469,611,335</u>
NET PROFIT		<u>1,724,287,054</u>	<u>1,514,537,596</u>	<u>1,137,745,701</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurements of retirement benefit plan	22	27,619,383	12,753,035	(1,885,118)
Tax income (expense)	23	(6,663,399)	(3,495,352)	514,538
		<u>20,955,984</u>	<u>9,257,683</u>	<u>(1,370,580)</u>
TOTAL COMPREHENSIVE INCOME		<u>P 1,745,243,038</u>	<u>P 1,523,795,279</u>	<u>P 1,136,375,121</u>
Net profit attributable to:				
Company's shareholders		<u>P 1,495,316,796</u>	<u>P 1,453,107,596</u>	<u>P 1,025,566,443</u>
Non-controlling interest		<u>228,970,258</u>	<u>61,430,000</u>	<u>112,179,258</u>
		<u>P 1,724,287,054</u>	<u>P 1,514,537,596</u>	<u>P 1,137,745,701</u>
Total comprehensive income attributable to:				
Company's shareholders		<u>P 1,516,272,780</u>	<u>P 1,462,365,279</u>	<u>P 1,024,195,863</u>
Non-controlling interest		<u>228,970,258</u>	<u>61,430,000</u>	<u>112,179,258</u>
		<u>P 1,745,243,038</u>	<u>P 1,523,795,279</u>	<u>P 1,136,375,121</u>
EARNINGS PER SHARE				
	26			
Basic		<u>P 0.136</u>	<u>P 0.132</u>	<u>P 0.093</u>
Diluted		<u>P 0.132</u>	<u>P 0.128</u>	<u>P 0.091</u>

See Notes to Consolidated Financial Statements.



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

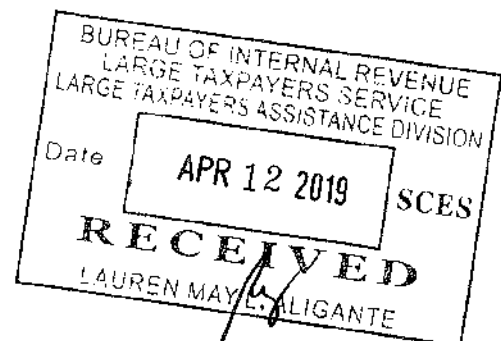
	Attributable to Owners of the Parent Company					Total	Non-controlling Interest (See Note 25)	Total Equity
	Capital Stock (See Note 25)	Additional Paid-in Capital	Retained Earnings (See Notes 22 and 25)	Reservation Reserves (See Note 22)	Total			
Balance at January 1, 2018	P 10,986,000,000	P 4,747,739,274	P 8,413,466,150	P 16,174,807	P 24,163,380,231	P 5,115,114,757	P 29,278,494,988	
As previously reported	-	-	(11,135,011)	-	(11,135,011)	-	(11,135,011)	
Effect of application of PFRS 9 (see Note 2)	-	-	176,081,123	-	176,081,123	(12,007,883)	164,073,240	
Effect of application of PFRS 15 (see Note 2)	-	4,747,739,274	8,578,412,262	16,174,807	24,328,326,343	5,103,106,874	29,431,433,217	
As restated	10,986,000,000	4,747,739,274	8,578,412,262	16,174,807	24,328,326,343	5,103,106,874	29,431,433,217	
Share-based employees compensation	-	-	3,307,158	-	3,307,158	-	3,307,158	
Cash dividends	-	-	-	20,955,984	(20,955,984)	-	(20,955,984)	
Total comprehensive income for the year	-	-	1,495,316,796	-	1,516,272,780	228,970,258	1,745,243,038	
Balance at December 31, 2018	P 10,986,000,000	P 4,747,739,274	P 10,077,036,216	P 37,130,791	P 25,847,906,281	P 5,312,001,597	P 31,159,907,878	
Balance at January 1, 2017	P 10,986,000,000	P 4,747,739,274	P 6,896,231,136	P 6,917,124	P 22,636,895,534	P 4,864,132,855	P 27,501,028,389	
As previously reported	-	-	230,161,228	-	230,161,228	(11,404,419)	218,756,809	
Effect of application of PFRS 15 (see Note 2)	-	4,747,739,274	7,126,400,364	6,917,124	22,867,056,762	4,852,728,436	27,719,785,198	
As restated	10,986,000,000	4,747,739,274	7,126,400,364	6,917,124	22,867,056,762	4,852,728,436	27,719,785,198	
Additions during the year	-	-	10,039,313	-	10,039,313	-	10,039,313	
Share-based employee compensation	-	-	1,453,107,596	9,257,683	1,462,365,279	61,430,000	1,523,795,279	
Total comprehensive income for the year	-	-	8,589,547,273	-	8,589,547,273	-	8,589,547,273	
Balance at December 31, 2017	P 10,986,000,000	P 4,747,739,274	P 8,589,547,273	P 16,174,807	P 24,339,461,354	P 5,103,106,874	P 29,442,568,228	
Balance at January 1, 2016	P 10,986,000,000	P 4,747,739,274	P 5,912,192,457	P 8,287,704	P 21,654,219,435	P 4,142,654,275	P 25,796,873,710	
As previously reported	-	-	170,114,444	-	170,114,444	(6,740,410)	163,374,034	
Effect of application of PFRS 15 (see Note 2)	-	4,747,739,274	6,082,306,901	8,287,704	21,824,333,879	4,135,913,865	25,960,247,744	
As restated	10,986,000,000	4,747,739,274	6,082,306,901	8,287,704	21,824,333,879	4,135,913,865	25,960,247,744	
Additions during the year	-	-	18,527,020	-	18,527,020	604,635,313	604,635,313	
Share-based employee compensation	-	-	1,025,566,443	(1,370,580)	1,024,195,863	112,179,258	1,136,375,121	
Total comprehensive income (loss) for the year	-	-	1,025,566,443	(1,370,580)	1,024,195,863	112,179,258	1,136,375,121	
Balance at December 31, 2016	P 10,986,000,000	P 4,747,739,274	P 7,126,400,364	P 6,917,124	P 22,867,056,762	P 4,852,728,436	P 27,719,785,198	

See Notes to Consolidated Financial Statements.

Date: **APR 12 2019** SCES
RECEIVED
 LAUREN MA. ALIGANTE

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,535,953,576	P 2,190,503,260	P 1,607,357,036
Adjustments for:				
Finance costs	19	205,395,234	98,101,836	85,914,220
Depreciation and amortization	20	195,819,007	129,832,310	110,533,127
Finance income	19	(134,799,289)	(47,104,806)	(82,349,717)
Impairment losses	6,10,24	18,675,002	-	-
Gain on bargain purchase	1	(10,774,664)	-	-
Share-based employee compensation	25	3,307,158	10,039,313	18,527,020
Equity share in net losses of associates	10	183,393	33,983	532,733
Gain on sale of investment in associate	10	-	(113,069,227)	(82,459,513)
Operating profit before working capital changes		2,813,759,417	2,268,336,669	1,658,054,906
Decrease (increase) in trade and other receivables		(1,872,836,011)	1,048,130,612	2,618,615,619
Increase in contract assets		(1,169,646,617)	(314,819,506)	(1,652,900,689)
Decrease (increase) in inventories		598,110,398	(2,844,331,553)	(3,508,692,693)
Decrease (increase) in prepayments and other current assets		244,137,247	(720,441,268)	(440,150,353)
Increase in advances to real estate property owners		(58,745,996)	(214,063,519)	(9,996,722)
Increase (decrease) in trade and other payables		574,954,340	536,954,325	(506,980,675)
Increase (decrease) in contract liabilities		88,237,057	(30,591,296)	1,011,186,355
Increase (decrease) in customers' deposits		(288,605,799)	(260,421,006)	66,280,810
Increase in retirement benefit obligation		10,512,214	9,006,786	10,783,655
Increase in other non-current liabilities		126,622,966	112,047,405	362,251,349
Cash generated from (used in) operations		1,066,499,216	(410,192,351)	(391,548,438)
Interest received		106,490,206	28,243,890	35,875,015
Interest paid		(272,173,519)	(147,854,045)	(122,160,346)
Cash paid for income taxes		(125,823,877)	(119,167,557)	(23,784,020)
Net Cash From (Used in) Operating Activities		776,992,026	(648,970,063)	(501,617,789)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	11	(1,135,608,754)	(1,395,218,110)	(1,630,585,335)
Property and equipment	12	(66,616,825)	(123,361,564)	(82,478,969)
Collections of advances to related parties	24	393,915,633	116,037,437	149,053,015
Cash advances granted to related parties	24	(153,787,928)	(128,965,167)	(79,578,628)
Increase in other non-current assets		5,404,331	209,071,644	(409,482,404)
Proceeds from disposals of property and equipment	12	14,256	1,202,829	10,572
Proceeds from sale of investment in associate	10	-	297,454,675	240,908,438
Net Cash Used in Investing Activities		(956,679,287)	(1,023,778,256)	(1,812,153,311)
Balance brought forward		(P 179,687,261)	(P 1,672,748,319)	(P 2,313,771,100)



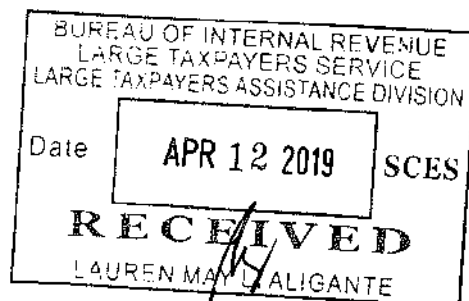
	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
<i>Balance carried forward</i>		(P 179,687,261)	(P 1,672,748,319)	(P 2,313,771,100)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans	14	(1,045,157,127)	(871,153,846)	(72,916,667)
Cash advances obtained from related parties	24	395,008,400	416,228,361	20,520,439
Repayments of advances from related parties	24	(340,289,172)	(12,989,000)	(23,048,972)
Redemption of preference shares	25	(251,597,580)	-	-
Proceeds from availment of interest-bearing loans	14	50,000,000	2,000,000,000	2,000,000,000
Cash dividends paid		(20,075,535)	-	-
Proceeds from issuance of shares of stock of a subsidiary	10	-	188,948,438	604,635,313
Net Cash From (Used in) Financing Activities		(1,212,111,014)	1,721,033,953	2,529,190,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,391,798,275)	48,285,634	215,419,013
NET INCREASE IN CASH DUE TO ACQUISITION OF A SUBSIDIARY		4,922,420	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,158,177,984	3,109,892,350	2,894,473,327
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,771,302,129	P 3,158,177,984	P 3,109,892,350

Supplemental Information on Non-cash Investing and Financing Activities

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Moreover, reclassifications of investment property and property and equipment have been made. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 11 and 12).

In addition, the Group entered into a lease agreement with a third party involving development rights over parcels of land. The Group recognized an intangible asset and advance rental as a result of the said transaction and are included as part of Other Non-current Assets and Other Non-current Liabilities accounts, respectively, in the consolidated statements of financial position (see Notes 13 and 17).

See Notes to Consolidated Financial Statements.



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, and vertical development of mixed-use towers. The Company also engages in land acquisitions and maintains an inventory of raw land for future development. As a stock corporation, the Company's corporate life is 50 years.

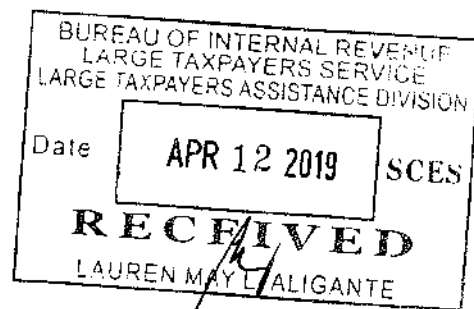
On July 26, 2017, the Philippine Securities and Exchange Commission (SEC) approved the change in the Company's registered office and principal place of business from 7th Floor, Renaissance Towers, Meralco Avenue, Pasig City to 16th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on October 3, 2017.

The Company is a subsidiary of Megaworld Corporation (Megaworld or the parent company) with an ownership interest of 82.31%. Megaworld is 67.00% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company.

Megaworld was incorporated in the Philippines primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. Megaworld is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

AGI is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The shares of stock of the Company, Megaworld and AGI are listed at the PSE.



1.1 Composition of the Group

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group):

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2018	2017	2016
Subsidiaries:				
Fil-Estate Properties, Inc. (FEPi)		100%	100%	100%
Aklan Holdings Inc. (AHI)	(a)	100%	100%	100%
Blue Sky Airways, Inc. (BSAI)	(a)	100%	100%	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%	100%	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%	100%	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%	100%	100%
La Compañia De Sta. Barbara, Inc. (LCSBI)	(a)	100%	100%	100%
MCX Corporation (MCX)	(a)	100%	100%	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%	100%	100%
Prime Airways, Inc. (PAI)	(a)	100%	100%	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%	100%	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%	100%	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%	79%	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%	55%	55%
Fil-Estate Golf and Development, Inc. (FEGDI)		100%	100%	100%
Golforce, Inc. (Golforce)	(b)	100%	100%	100%
Southwoods Ecocentrum Corp. (SWEC)	(b)	60%	60%	60%
Philippine Aquatic Leisure Corp. (PALC)	(c)	60%	60%	60%
Fil-Estate Urban Development Corp. (FEUDC)		100%	100%	100%
Novo Sierra Holdings Corp. (NSHC)		100%	100%	100%
Elite Communities Property Services, Inc. (ECPSI)	(d)	100%	-	-
Megaworld Global-Estate, Inc. (MGEI)	(e)	60%	60%	60%
Twin Lakes Corp. (TLC)		51%	51%	51%
Twin Lakes Hotel, Inc. (TLHI)	(f)	51%	-	-
Oceanfront Properties, Inc. (OPI)		50%	50%	50%
Global Homes and Communities, Inc. (GHCI)		100%	100%	100%
Southwoods Mall, Inc. (SMI)		51%	51%	50%
Associates:				
Boncay Newcoast Hotel Group, Inc. (BNHGI)	(g)	15%	15%	30%
Fil-Estate Network, Inc. (FENI)		20%	20%	20%
Fil-Estate Sales, Inc. (FESI)		20%	20%	20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%	20%	20%
Fil-Estate Realty Corp. (FERC)		20%	20%	20%
Nasugbu Properties, Inc. (NPI)	(g)	14%	14%	14%

Non-controlling interests (NCI) in 2018 and 2017 represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEI, TLC, TLHI, OPI and SMI. In 2017 and 2016, additional NCI were recognized arising from Megaworld's subscription to SMI's unissued shares (see Note 10.2).

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

Explanatory notes:

- (a) Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.
- (b) Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.
- (c) Subsidiary of SWEC.
- (d) Subsidiary acquired in 2018. ECPSI is engaged primarily to manage and administer real estate properties.
- (e) Subsidiary acquired in prior years primarily to market the Group's projects.
- (f) A subsidiary of TLC. The Company is incorporated in 2018 to operate Twin Lakes Hotel, one of the real estate projects of TLC.
- (g) Associates because GERI has a representation in the boards of directors.

1.2 Business Combinations

On January 2, 2018, the Company acquired 100% of the issued shares of ECPSI to manage and administer the Group's real estate properties as disclosed in Note 1.1. Aggregate information at acquisition date is as follows:

Fair value of assets acquired:	
Cash	P 5,109,920
Trade and other receivables	43,694,405
Prepayments and other current assets	582,725
Property and equipment – net	<u>2,024,638</u>
	<u>51,411,688</u>
Fair value of liabilities assumed	(<u>40,449,524</u>)
Fair value of net assets	10,962,164
Fair value of consideration transferred	(<u>187,500</u>)
Gain on bargain purchase	<u>P 10,774,664</u>

The fair value of trade and other receivables approximate their carrying amounts since these are short term in nature. None of the receivables have been impaired and it's expected that the full outstanding balance can be collected. The gain on bargain purchase is presented under Finance and Other Income in the 2018 consolidated statement of comprehensive income (see Note 19.1).

ECPSI's revenues and net loss since the acquisition date included in the 2018 consolidated statement of comprehensive income amounted to P11.1 million and P10.2 million, respectively.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements for December 31, 2017 and the corresponding consolidated figures as of January 1, 2017) were authorized for issue by the Company's Board of Directors (BOD) on April 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

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

The Group presented a third consolidated statement of financial position representing the corresponding figures as of January 1, 2017 due to certain restatements and reclassifications made in the 2017 and 2016 consolidated financial statements as a result of the Group's adoption of the new standard and interpretations [see Note 2.1(c)].

(c) Prior Period Restatements and Reclassifications of Accounts

In 2018, the Group adopted PFRS 9 (2014), *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allowed the Group not to restate its prior periods' financial statements. The adoption of PFRS 9 (2014) has resulted in changes in the Group's accounting policies on impairment of financial assets particularly on the application of the expected credit loss (ECL) methodology for trade and other receivables and advances to related parties. As to classification and measurement, there's no significant impact to the Company's financial assets, which are all accounted for at amortized cost [see Note 2.2(a)(iii)].

Further, the Group adopted in 2018 PFRS 15, *Revenue from Contracts with Customers*, and the related Philippine Interpretations Committee (PIC) Question & Answer (Q&A) 2016-04, *Adoption of PFRS 15, "Revenue from Contracts with Customers", on Sale of Residential Properties under Pre-completion Contracts*, and PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry*, which were applied retrospectively to each prior reporting period in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The details of the impact of the adoption of these new standard and interpretations are fully disclosed [see Note 2.2(a)(iv)].

The Group also adopted the following PIC Q&A retrospectively in accordance with PAS 8:

- PIC Q&A No. 2018-11, *Classification of Land by Real Estate Developer*, requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards.
- PIC Q&A No. 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*, clarifies how the advances to contractors should be classified in the consolidated statement of financial position.

The effects of the adoption of PFRS 15 and various PIC Q&A, on the assets, liabilities and equity accounts are shown below and in the succeeding page.

	As of December 31, 2017			
	As Previously Reported	Effects of Adoption		As Restated
PFRS 15 and PIC Q&A 2018-12		PIC Q&A 2018-11 and 2018-15		
<i>Changes in Current Assets</i>				
Trade and other receivables – net	P 7,510,485,609	(P 5,494,779,204)	P -	P 2,015,706,405
Contract assets	-	774,308,579	-	774,308,579
Inventories	13,672,725,773	2,388,225,340	2,327,259,819	18,388,210,932
Property development costs	2,307,230,667	(2,307,230,667)	-	-
Prepayments and other current assets – net	3,388,282,094	102,017,167	(169,961,300)	3,320,337,961
<i>Changes in Non-current Assets</i>				
Trade and other receivables – net	1,674,659,009	(293,661,727)	-	1,380,997,282
Contract assets	-	1,586,225,489	-	1,586,225,489
Land for future development	7,159,861,264	-	(7,159,861,264)	-
Investment property	4,660,476,369	-	4,832,601,445	9,493,077,814
Other non-current assets – net	378,401,908	-	169,961,300	548,363,208
<i>Changes in Current Liabilities</i>				
Trade and other payables	(3,124,666,725)	142,318,174	(62,800,573)	(3,045,149,124)
Contract liabilities	-	(18,939,519)	-	(18,939,519)
Reserve for property development	(710,777,423)	710,777,423	-	-
Deferred income on real estate sales	(1,053,474,471)	1,053,474,471	-	-
<i>Balance brought forward</i>		(P 1,357,264,474)	(P 62,800,573)	

<i>Balance carried forward</i>		(P 1,357,264,474)	(P 62,800,573)	
<i>Changes in Non-current Liabilities</i>				
Contract liabilities	P	-	(961,655,540)	(P 961,655,540)
Reserve for property development	(	1,432,101,414)	1,432,101,414	-
Deferred income on real estate sales	(	1,097,366,783)	1,097,366,783	-
Deferred tax liabilities – net	(	783,281,911)	(46,474,943)	(829,756,854)
Other non-current Liabilities	(	<u>1,168,392,604</u>)	-	<u>62,800,573</u> (1,105,592,031)
Net increase in equity		<u>P 164,073,240</u>	<u>P -</u>	
<i>Changes in Equity</i>				
Retained earnings	P	8,413,466,150	P 176,081,123	P -
Non-controlling interest		5,115,114,757	(12,007,883)	P 8,589,547,273*
				5,103,106,874
		<u>P 164,073,240</u>	<u>P -</u>	

*Excluding impact resulting from adoption of PFRS 9

	As of January 1, 2017			
	As previously Reported	Effects of Adoption		As Restated
		PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11 and 2018-15	
<i>Changes in Current Assets</i>				
Trade and other receivables – net	P 4,758,709,542	(P 2,841,508,686)	P -	P 1,917,200,856
Contract assets	-	846,955,887	-	846,955,887
Inventories	13,213,636,647	2,056,356,923	2,364,014,274	17,634,007,844
Property development costs	2,080,873,698	(2,080,873,698)	-	-
Prepayments and other current assets – net	3,399,229,256	97,728,110	(389,965,665)	3,106,991,701
<i>Changes in Non-current Assets</i>				
Trade and other receivables – net	3,030,882,238	(2,647,952,779)	-	382,929,459
Contract assets	-	805,944,802	-	805,944,802
Land for future development	7,320,600,459	-	(7,320,600,459)	-
Investment property	3,082,307,218	-	4,956,586,185	8,038,893,403
Other non-current assets – net	376,716,055	-	389,965,665	766,681,720
<i>Changes in Current Liabilities</i>				
Trade and other payables	(2,467,488,530)	164,630,477	-	(2,302,858,053)
Contract liabilities	-	(11,836,124)	-	(11,836,124)
Reserve for property development	(1,214,913,452)	1,214,913,452	-	-
Deferred income on real estate sales	(1,927,562,889)	1,927,562,889	-	-
<i>Changes in Non-current Liabilities</i>				
Contract liabilities	-	(999,350,231)	-	(999,350,231)
Reserve for property development	(1,147,853,194)	1,147,853,194	-	-
Deferred income on real estate sales	(553,027,814)	553,027,814	-	-
Deferred tax liabilities – net	(543,266,217)	(14,695,221)	-	(557,961,438)
Net increase in equity		<u>P 218,756,809</u>	<u>P -</u>	
<i>Changes in Equity</i>				
Retained earnings	P 6,896,239,136	P 230,161,228	P -	P 7,126,400,364
Non-controlling interest	4,864,132,855	(11,404,419)	-	4,852,728,436
		<u>P 218,756,809</u>	<u>P -</u>	

The effects of prior period adjustments on certain line items under cash flows from operating and investing activities in the consolidated statements of cash flows for the years ended December 31, 2017 and 2016 are shown below.

	2017			
	As Previously Reported	Effects of Adoption		As Restated
		PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11 and 2018-15	
<i>Cash flows from operating activities</i>				
Profit before tax	P 2,213,407,108	(P 22,903,848)	P -	P 2,190,503,260
Adjustment for finance income	(202,648,200)	155,543,394	-	(47,104,806)
Decrease (increase) in:				
Trade and other receivables	(1,221,148,528)	2,269,279,140	-	1,048,130,612
Contract assets	-	(314,819,506)	-	(314,819,506)
Inventories	(294,713,293)	(2,418,228,526)	(131,749,734)	(2,844,331,553)
Property development costs	(78,371,027)	78,371,027	-	-
Prepayments and other current assets	(398,419,737)	(102,017,166)	(220,004,365)	(720,441,268)
Increase (decrease) in:				
Trade and other payables	701,584,802	(164,630,477)	-	536,954,325
Contract liabilities	-	(30,591,296)	-	(30,591,296)
Reserve for property development	(219,887,809)	219,887,809	-	-
Deferred income on on real estate sales	(329,749,449)	<u>329,749,449</u>	<u>-</u>	-
		<u>-</u>	<u>(351,754,099)</u>	
<i>Cash flows from investing activities</i>				
Additions to:				
Investment property	(1,370,328,923)	-	(24,889,187)	(1,395,218,110)
Land held for future development	(156,638,921)	-	156,638,921	-
Decrease (increase) in other non-current assets	(10,932,721)	<u>-</u>	<u>220,004,365</u>	209,071,644
		<u>-</u>	<u>351,754,099</u>	
		<u>P -</u>	<u>P -</u>	

	2016			
	As Previously Reported	Effects of Adoption		As Restated
		PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11 and 2018-15	
<i>Cash flows from operating activities</i>				
Profit before tax	P 1,536,123,571	P 71,233,465	P -	P 1,607,357,036
Adjustment for finance income	(200,087,363)	117,737,646	-	(82,349,717)
Decrease (increase) in:				
Trade and other receivables	(1,450,442,751)	4,069,058,370	-	2,618,615,619
Contract assets	-	(1,652,900,689)	-	(1,652,900,689)
Inventories	(1,096,289,646)	(2,412,403,047)	-	(3,508,692,693)
Property development costs	(4,148,555)	4,148,555	-	-
Prepayments and other current assets	(732,387,908)	(97,728,110)	389,965,665	(440,150,353)
Increase (decrease) in:				
Trade and other payables	364,662,501	(142,318,174)	-	(506,980,675)
Contract liabilities	-	1,011,186,355	-	1,011,186,355
Reserve for property development	538,893,413	(538,893,413)	-	-
Deferred income on real estate sales	429,120,958	(429,120,958)	-	-
		<u>-</u>	<u>389,965,665</u>	
<i>Cash flows from investing activities</i>				
Additions to:				
Investment property	(1,598,754,365)	-	(31,830,970)	(1,630,585,335)
Land held for future development	(31,830,970)	-	31,830,970	-
Decrease (increase) in other non-current assets	(19,516,739)	-	(389,965,665)	(409,482,404)
		<u>-</u>	<u>(389,965,665)</u>	
		<u>P -</u>	<u>P -</u>	

(d) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

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

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

PAS 40 (Amendment)	:	Investment Property – Transfers of Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvement to PFRS (2014-2016 Cycle) PAS 28 (Amendments):	:	Investment in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value

Discussed below and in the succeeding pages are the relevant information about these standards, amendments, interpretation and improvement.

- (i) PAS 40 (Amendment), *Investment Property – Transfers of Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no impact on the Group's consolidated financial statements.
- (ii) PFRS 2 (Amendments), *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The application of these amendments did not have an impact on the Group's consolidated financial statements.
- (iii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
 - an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group's new accounting policies relative to the adoption of PFRS 9 are fully disclosed in Note 2.4 while the related disclosures on credit risk are presented in Note 28.2.

The impact of the adoption of this new accounting standard to the Group's financial statements are as follows:

- Consistent with the measurement under PAS 39, all financial assets previously classified as loans and receivables, which are held by the Group to collect contractual cash flows and that give rise to cash flows representing solely payments of principal and interest, continue to be at amortized cost.
- The Group used ECL methodology for all debt financial assets not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is no transition adjustment in relation to the impairment allowance on trade and other receivables and contract assets as of January 1, 2018. However, the adoption resulted in a transition adjustment in relation to the impairment allowance on certain advances to related parties amounting to P11,135,011 as of January 1, 2018. Such amount was charged against the opening balance of Retained Earnings account (see Note 28.2).

The Group neither has financial assets classified at FVTPL nor at FVOCI. The adoption of PFRS 9 has no impact on the classification and measurement of financial liabilities on the Group's consolidated financial statements. As of December 31, 2018, the Group's financial liabilities are classified and measured at amortized cost.

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

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of the following:

- PIC Q&A 2016-04, *Application of PFRS 15, "Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*. This Q&A clarifies that sales of residential properties under pre-completion stage is recognized over time on the basis that the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

- PIC Q&A 2018-12, *PFRS 15 - Implementation Issues Affecting the Real Estate Industry*. This Q&A provides guidance on the application of PFRS 15 to real estate industry.
- PIC Q&A 2018-14, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*. This Q&A provides guidance on the appropriate accounting treatment for cancellation of real estate sales.

Relative to the adoption of PFRS 15 and relevant PIC Q&As, the SEC issued the following Memorandum Circulars (MC) to provide relief to the real estate industry in the application of certain provisions of the new standard:

- MC No. 14 series of 2018. This circular allows the deferral of the following provisions in PIC Q&A 2018-12 for a period of three years:
 - (a) accounting for the significant financing component in a contract to sell;
 - (b) treatment of land in the determination of percentage of completion; and,
 - (c) treatment of uninstalled materials in the determination of percentage of completion.
- MC No. 3 series of 2019. This circular allows the deferral of the application of PIC Q&A 2018-12-H, *Accounting for Common Usage Area Charges*, and PIC Q&A 2018-14 for a period of three years.

The Group elected to defer the adoption of the accounting for the significant financing component in a contract to sell under PIC Q&A 2018-12 in accordance with MC No. 14 series of 2018 and the measurement of repossessed inventory at fair value under PIC Q&A 2018-14 in accordance with MC No. 3 series of 2019.

Had the Group elected not to defer the above specific provisions, it would have the following impact in the consolidated financial statements:

- The transaction price would have been lower for seller-financed contracts and higher for buyer-financed contracts; and,
- The carrying amount of all repossessed inventory would have been higher and gain from repossession would have been recognized on most sales cancellation.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies (see Notes 2.5 and 2.15) and adjustments to the amounts previously recognized and presented in the consolidated financial statements. The Group has applied PFRS 15 retrospectively to all outstanding contracts as of January 1, 2016 in accordance with the standard's transitional provisions. It has made the following adjustments to its prior period consolidated financial statements:

- reclassified portion of Installment contract receivables relating to rights to payment which are conditioned upon the completion of units sold to Contract Assets account;
- restated the balances of Property Development Costs, Real Estate, Golf and Resorts Shares for Sale, Real Estate Sales and Cost of Sales to reflect policy changes on the determination of percentage of completion;

- presented Property Development Costs, and Real Estate, Golf and Resort Shares for Sale as a single line item in the consolidated statement of financial position under the account title Inventories;
- restated interest income from real estate sales relating to Installment contract receivables recognized upon completion of the performance obligation;
- capitalized commissions directly related to contract acquisitions, previously charged under Operating Expenses in the statement of comprehensive income, as part of Deferred commissions under Prepayments and Other Current Assets account in the consolidated statement of financial position and presented the amortization of capitalized commissions under Operating Expenses in the consolidated statement of comprehensive income;
- presented a Contract Liability account for the amount of consideration received from customers in excess of the amount the Group is entitled to based on the progress of the development; and,
- restated Deferred tax expense and Deferred Tax Liabilities to account for the temporary differences on the adjustments made.

In making its disclosures, the Group used a practical expedient not to present the amount of transaction price allocated to unsatisfied performance obligations as of December 31, 2017. This is not expected to have a significant impact to the financial statements. The Group did not use any other practical expedients in applying PFRS 15.

The effect of the restatement on the affected assets, liabilities, and equity components is presented in Note 2.1(c).

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

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

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

PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts

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

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

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).
- (ii) PAS 28 (Amendment), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture.
- (iii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payments of principal and interest test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization.

The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

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

With regard to the Group's certain leases (see Note 27.2), the management assessed that they will recognize right-of-use asset and lease liability over its lease term ranging from one to five years and plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

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

- (vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
 - PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.
- (viii) Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments clarify the definition of 'materiality' in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRSs and other pronouncements.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in the Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in joint operations and transactions with NCI as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

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

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (negative goodwill) is recognized directly as gain in profit or loss (see also Note 2.11).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

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

Impairment loss is provided when there is an objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. If the investment in associate is subsequently sold, the Group recognize in profit or loss the difference between the consideration received and the carrying amount of the investment.

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operations, the Group recognized in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

No adjustment and consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

(d) Transactions with NCI

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Company holds interests in various subsidiaries and associates as presented in Notes 1 and 10.

2.4 Financial Assets

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

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at FVTPL, and financial assets at FVOCI. The financial asset category currently relevant to the Group is financial assets at amortized cost.

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

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

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables [except for Value-added tax (VAT) on contracts with customers, Advances to raw landowners and Advances to officers and employees), Advances to Related Parties, and Refundable deposits (part of Other Non-current Assets account)].

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

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

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and Available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

The financial asset category relevant to the Group as of and for the year ended December 31, 2017 is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented in the consolidated statements of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except for VAT on contracts with customers, Advances to raw landowners and Advances to officers and employees), Advances to Related Parties and Refundable deposits (included as part of Other Non-current Assets).

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(c) *Impairment of Financial Assets in Accordance with PFRS 9*

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, contract assets, and other financial assets carried at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 28.2(b)].

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

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

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) *Impairment of Financial Assets in Accordance with PAS 39*

As of December 31, 2017, the Group assessed whether there is objective evidence that loans and receivables is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(e) Derecognition of Financial Assets

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

2.5 Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.21). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

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

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.6 Prepayments and Other Current Assets

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

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

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and impairment losses, if any. As no finite useful life for land can be determined, the related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years
Building and office improvements	5-10 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

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

2.8 Investment Property

Investment property consists of parcels of land and buildings held for lease or for capital appreciation or both. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Land development and improvements	20 years
Building and improvements	25-50 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.18).

Transfers from other accounts (such as property and equipment or real estate inventory) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use (see Note 2.7).

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

2.9 Development Rights

Development rights pertains to the acquired rights to develop land owned by the government over a period of 32 years (see Note 13). These rights are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful life as the life of this intangible asset is considered finite. In addition, development rights are subject to impairment testing as described in Note 2.18.

Development rights, presented as part of the Other Non-current Assets account, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the item is derecognized.

2.10 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Due to Joint Venture Partners, Redeemable Preferred Shares and Other Non-current Liabilities account (except Advance rental), are recognized when the Group becomes a party to the contractual terms of the instrument. These are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

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

2.11 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill, if any, represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

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

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

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

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

2.12 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

2.13 Provisions and Contingencies

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

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

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

2.14 Offsetting of Financial Instruments

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

2.15 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, hotel operations and leasing activities.

To determine whether to recognize revenue from revenue covered by PFRS 15, the Group follows a five-step process:

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

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

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

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

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

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

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

- (a) *Real estate sales* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented Real Estate Sales in the consolidated statement of comprehensive income.
- (b) *Hotel operations* – Revenues from room accommodation and services are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer. For food and beverage, revenue is recognized at a point in time upon delivery to and receipt of food and beverage by the customer.
- (c) *Service income* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Service income comprises fees from maintenance of golf course and management fees.
- (d) *Marketing fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due. Marketing fees are presented as part of Finance and Other Income in the consolidated statement of comprehensive income (see Note 19.1)

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Prepayments and Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.21).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

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

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, considerations received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.16 Operating Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

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

Revenue from rentals is recognized on a straight-line basis over the duration of the lease term. For tax purposes, rental income is recognized based on the contractual terms of the lease.

2.17 Foreign Currency Transactions and Translation

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

2.18 Impairment of Non-financial Assets

The Group's investments in associates, investment property, property and equipment, development rights and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

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

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

2.19 Employee Benefits

The Group's employee benefits are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) Termination Benefits

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

(c) Compensated Absences

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

2.20 Share-based Employee Remuneration

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

2.21 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Inventories account (see Note 2.5). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

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

2.22 Related Party Transactions and Relationships

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

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

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

2.23 Income Taxes

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

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

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

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.24 Equity

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

APIC represents premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves pertain to remeasurements of retirement benefit obligation.

Retained earnings includes all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income and share-based employee remuneration, reduced by the amounts of dividends declared, if any.

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Company's shareholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.25 Basic and Diluted Earnings per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Group's potentially dilutive shares consist only of share options (see Note 26).

2.26 Events after the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of the Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Hotel Operations

The Group determines that its revenue from hotel operations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(b) Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured. In 2018, the Group reassessed the historical behavior of its customers and determined a change in percentage of collection threshold from 25% to 10% of the total contract price, which resulted to an increase of P3,648.5 million in revenues and corresponding cost of real property sold of P1,614.6 million in 2018.

(c) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties (2018)

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for group of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by letters of guarantee and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Note 28.2.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where the Group is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances existing at the reporting date, management has assessed that all strategies indicate that the Group can fully recover the outstanding balance of its receivables, except for those discussed in Note 28.2.

(d) Distinction among Investment Property and Owner-occupied Properties

The Group determines whether an asset qualifies as an item of investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(e) Distinction Between Real Estate Inventories and Investment Properties

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(f) Determination of Significant Influence over Entities in which the Group Holds Less than 20% Ownership

The Group determines whether significant influence exists over an investee company over which the Group holds less than 20% of the investee's capital stock. The Group considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee, provision of essential technical information for the development of the various projects of these investees, and routine participation in management decisions in making its judgment. Based on management's judgment, the Group has significant influence over these investee companies (see Note 10.1).

(g) Consolidation of Entities in which the Company Holds 50% Ownership or Less

Management considers that the Company has de facto control over OPI even though it does not hold more than 50% of the ordinary shares and voting rights of this subsidiary due to the factors discussed below.

The Company holds 50% equity interest over OPI and has: (1) the ability to direct the relevant activities of the subsidiary; (2) the rights to variable returns from its involvement with the subsidiary; and, (3) the ability to use its power to affect its returns from its involvement with the subsidiary. Based on management's judgment, the Company has control over OPI; hence, the said subsidiary was consolidated in the financial statements of the Group.

(h) Distinction between Operating and Finance Leases

Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(i) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(b) *Revenue Recognition for Performance Obligations Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) *Estimation of Allowance for ECL (2018)*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 28.2.

(d) *Impairment of Trade and Other Receivables and Advances to Related Parties (2017)*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. Based on the evaluation of management, there are no impairment losses required to be recognized on the Group's advances to related parties as of December 31, 2017 (see Note 24).

(e) Determination of Net Realizable Value of Inventories

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

Considering the Group's pricing policy, the net realizable values inventories are higher than their related carrying values as of the end of the reporting periods.

(f) Fair Value of Stock Options

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted. The estimates and assumptions used are presented in Note 25.2, which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

(g) Estimation Useful Lives of Investment Property, Property and Equipment, and Development Rights

The Group estimates the useful lives of investment property, property and equipment, and development rights based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property, property and equipment, and development right are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of investment property, property and equipment, and development rights are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2018 and 2017, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) Fair Value Measurement of Investment Property

Investment property is measured using the cost model. The Group determines the fair values of building and building improvements using the discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land and land development and improvements, the Group determines the fair value of land through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 11 and 30.3.

(i) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2018 and 2017 will be fully utilized within the prescribed period of availment. The carrying value of deferred tax assets as of those dates is disclosed in Note 23.

(j) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2018, certain investments in associates were found to be impaired, hence, the related carrying amounts were written off (see Note 10). No impairment losses were recognized on investment property, property and equipment, development right and other non-financial assets for the years ended December 31, 2018, 2017 and 2016 (see Notes 11, 12 and 13).

(k) Valuation of Post-employment Defined Benefit Obligation

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

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 22.2.

(l) Basis for Revenue Recognition Benchmark

The Group recognizes its revenue from sale of real estate in full when 10% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment to complete the payment of the total contract price.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office projects. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment includes hotel services, sale of food and beverages, and parties and events services. The Service Income segment relates to maintenance of golf courses. The Corporate and Others segment includes marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.12. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Segment Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment property, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages and taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The tables presented in the succeeding pages present revenue and profit information regarding industry segments for the years ended December 31, 2018, 2017 and 2016 and certain asset and liability information regarding segments at December 31, 2018, 2017 and 2016.

As of and for the Year Ended December 31, 2018

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES							
Sales to external customers	P 6,370,555,422	P 426,536,057	P 223,958,354	P 134,709,245	P 226,936,988	P -	P 7,382,696,066
Intersegment sales	-	56,066,147	-	-	87,242,698	(143,308,845)	-
Total revenues	<u>P 6,370,555,422</u>	<u>P 482,602,204</u>	<u>P 223,958,354</u>	<u>P 134,709,245</u>	<u>P 314,179,686</u>	<u>(P 143,308,845)</u>	<u>P 7,382,696,066</u>
RESULTS							
Segment results	<u>P 2,327,378,504</u>	<u>P 264,658,167</u>	<u>P 9,998,290</u>	<u>P 6,407,041</u>	<u>P 137,585,985</u>	<u>(P 143,308,845)</u>	P 2,602,719,142
Unallocated expenses							-
Income from operations							2,602,719,142
Finance income	33,957,754	-	-	-	100,841,535	-	134,799,289
Finance costs	-	-	-	-	(205,395,234)	-	(205,395,234)
Equity share in net losses of associates	-	-	-	-	(183,393)	-	(183,393)
Foreign currency gain – net	-	-	-	-	4,013,772	-	4,013,772
Income before tax							2,535,953,576
Tax expense							(811,666,522)
Net profit before non-controlling interest							1,724,287,054
Non-controlling interest share in net profit							228,970,258
Net income attributable to the Company's shareholders							<u>P 1,495,316,796</u>
ASSETS AND LIABILITIES							
Segment assets	P 34,538,739,968	P 5,805,530,033	P 740,872,150	P 268,982,537	P 3,069,450,671	P -	P 44,423,575,359
Investments in and advances to associates and other related parties	-	-	-	-	1,606,455,807	-	1,606,455,807
Unallocated assets							-
Total assets	<u>P 34,538,739,968</u>	<u>P 5,805,530,033</u>	<u>P 740,872,150</u>	<u>P 268,982,537</u>	<u>P 4,675,906,478</u>	<u>P -</u>	<u>P 46,030,031,166</u>
Total segment liabilities	<u>P 9,940,539,267</u>	<u>P 134,887,028</u>	<u>P 197,555,657</u>	<u>P 104,630,066</u>	<u>P 4,492,511,270</u>	<u>P -</u>	<u>P 14,870,123,288</u>
OTHER SEGMENT INFORMATION							
Project and capital expenditures	P 1,812,230,047	P 1,137,817,170	P 6,458,940	P 1,901,964	P 61,990,201	P -	P 3,020,398,322
Depreciation and amortization	23,088,114	93,167,264	17,337,257	33,220,394	29,005,978	-	195,819,007

As of and for the Year Ended December 31, 2017 – As Restated

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES							
Sales to external customers	P 5,256,759,191	P 161,258,835	P 349,155,484	P 134,082,713	P 210,629,187	P -	P 6,111,885,410
Intersegment sales	-	56,380,337	-	-	60,161,697	(116,542,094)	-
Total revenues	<u>P 5,256,759,191</u>	<u>P 217,639,232</u>	<u>P 349,155,484</u>	<u>P 134,082,713</u>	<u>P 270,790,884</u>	<u>(P 116,542,094)</u>	<u>P 6,111,885,410</u>
RESULTS							
Segment results	<u>P 2,622,758,392</u>	<u>P 120,946,859</u>	<u>P 62,644,561</u>	<u>P 14,803,698</u>	<u>P 136,922,857</u>	<u>(P 116,542,094)</u>	P 2,241,534,273
Unallocated expenses	-	-	-	-	-	-	-
Income from operations	-	-	-	-	-	-	2,241,534,273
Finance income	20,601,111	-	-	-	26,503,695	-	47,104,806
Finance costs	-	-	-	-	(98,101,836)	-	(98,101,836)
Equity share in net losses of associates	-	-	-	-	(33,983)	-	(33,983)
Income before tax	-	-	-	-	-	-	2,190,503,260
Tax expense	-	-	-	-	-	-	(675,965,664)
Net profit before non-controlling interest	-	-	-	-	-	-	1,514,537,596
Non-controlling interest share in net profit	-	-	-	-	-	-	61,430,000
Net income attributable to the Company's shareholders	-	-	-	-	-	-	<u>P 1,453,107,596</u>
ASSETS AND LIABILITIES							
Segment assets	P 32,609,932,135	P 4,915,092,680	P 671,088,445	P 359,997,756	P 4,165,639,240	P -	P 42,721,750,256
Investments in and advances to associates and other related parties	-	-	-	-	1,866,660,163	-	1,866,660,163
Unallocated assets	-	-	-	-	-	-	-
Total assets	<u>P 32,609,932,135</u>	<u>P 4,915,092,680</u>	<u>P 671,088,445</u>	<u>P 359,997,756</u>	<u>P 6,032,299,403</u>	<u>P -</u>	<u>P 44,588,410,419</u>
Total segment liabilities	<u>P 12,746,343,717</u>	<u>P 42,647,341</u>	<u>P 165,043,611</u>	<u>P 269,395,714</u>	<u>P 1,922,411,808</u>	<u>P -</u>	<u>P 15,145,842,191</u>
OTHER SEGMENT INFORMATION							
Project and capital expenditures	P 3,163,178,424	P 1,303,126,282	P 4,096,410	P 19,482,902	P 98,333,561	P -	P 4,588,217,579
Depreciation and amortization	25,230,688	26,615,043	18,060,533	33,352,501	26,573,543	-	129,832,310

As of and for the Year Ended December 31, 2016 – As Restated

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES							
Sales to external customers	P 3,924,661,780	P 104,881,942	P 353,274,211	P 108,814,826	P 199,183,987	P -	P 4,690,816,746
Intersegment sales	-	60,176,586	-	-	54,417,681	(114,594,267)	-
Total revenues	<u>P 3,924,661,780</u>	<u>P 165,058,528</u>	<u>P 353,274,211</u>	<u>P 108,814,826</u>	<u>P 253,601,668</u>	<u>(P114,594,267)</u>	<u>P 4,690,816,746</u>
RESULTS							
Segment results	<u>P 3,312,496,249</u>	<u>P 122,674,081</u>	<u>P 30,332,679</u>	<u>P 10,951,767</u>	<u>P 243,112,833</u>	<u>(P 114,594,267)</u>	P 1,604,973,342
Unallocated expenses	-	-	-	-	-	-	-
Income from operations	-	-	-	-	-	-	1,604,973,342
Finance income	21,648,621	-	-	-	60,701,096	-	82,349,717
Finance costs	-	-	-	-	(85,914,220)	-	(85,914,220)
Equity share in net losses of associates	-	-	-	-	(532,733)	-	(532,733)
Foreign currency gain – net	-	-	-	-	6,480,930	-	6,480,930
Income before tax	-	-	-	-	-	-	1,607,357,036
Tax expense	-	-	-	-	-	-	(469,611,335)
Net profit before non-controlling interest	-	-	-	-	-	-	1,137,745,701
Non-controlling interest share in net profit	-	-	-	-	-	-	112,179,258
Net income attributable to the Company's shareholders	-	-	-	-	-	-	<u>P 1,025,566,443</u>
ASSETS AND LIABILITIES							
Segment assets	P30,250,124,666	P3,183,235,473	P 761,949,418	P 276,476,336	P4,112,058,935	P -	P38,583,854,828
Investments in and advances to associates and other related parties	-	-	-	-	2,038,151,864	-	2,038,151,864
Unallocated assets	-	-	-	-	-	-	-
Total assets	<u>P 30,250,124,666</u>	<u>P 3,183,235,473</u>	<u>P 761,949,418</u>	<u>P 276,476,336</u>	<u>P 6,150,210,799</u>	<u>P -</u>	<u>P 40,622,006,692</u>
Total segment liabilities	<u>P 11,443,673,689</u>	<u>P 13,456,777</u>	<u>P 185,233,482</u>	<u>P 204,239,450</u>	<u>P 1,055,618,096</u>	<u>P -</u>	<u>P 12,902,221,494</u>
OTHER SEGMENT INFORMATION							
Project and capital expenditures	P 3,119,220,414	P 1,598,754,366	P 3,540,275	P 58,369,540	P 20,044,746	P -	P 4,799,929,341
Depreciation and amortization	22,681,175	8,758,404	24,151,831	26,711,819	28,229,898	-	110,533,127

4.5 Reconciliations

Presented below is a reconciliation of the Group's net revenues to the revenues presented in its consolidated statements of comprehensive income.

	<u>2018</u>	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
Net revenues			
Total segment revenues	P 7,526,004,911	P 6,228,427,504	P 4,805,411,013
Elimination of intersegment revenues	(143,308,845)	(116,542,094)	(114,594,267)
Revenues as reported in consolidated profit or loss	<u>P 7,382,696,066</u>	<u>P 6,111,885,410</u>	<u>P 4,690,816,746</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at the end of the reporting periods:

	<u>2018</u>	<u>2017</u>
Cash on hand and in banks	P 1,221,982,477	P 3,023,045,320
Short-term placements	<u>549,319,652</u>	<u>135,132,664</u>
	<u>P 1,771,302,129</u>	<u>P 3,158,177,984</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made between 15 to 65 days at prevailing market interest rates and earn annual effective interest of 1.00% to 2.25% in 2018 and 2017.

Interest income earned from cash in banks and short-term placements is included as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 19.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following as at December 31:

	<u>Notes</u>	<u>2018</u>	2017 (As Restated – see Note 2)
Current:			
Installment contract and other trade receivables		P3,992,175,923	P2,073,695,789
VAT on contracts with customers		369,037,588	98,433,509
Advances to officers and employees	24.3	224,031,792	196,857,741
Advances to raw landowners		58,652,413	32,196,800
Others	13, 24.2	<u>235,628,196</u>	<u>168,161,198</u>
		4,879,525,912	2,569,345,037
Allowance for impairment		(540,342,300)	(540,342,300)
Unearned discount and interest		(21,392,446)	(13,296,332)
		<u>4,317,791,166</u>	<u>2,015,706,405</u>
Non-current:			
Installment contract receivables		1,129,261,668	1,245,352,049
VAT on contracts with customers		17,359,681	155,336,762
Unearned discount and interest		(134,786,084)	(19,691,529)
		<u>1,011,835,265</u>	<u>1,380,997,282</u>
		<u>P5,329,626,431</u>	<u>P3,396,703,687</u>

Installment contract receivables represent receivables from sale of real estate and resort shares for sale and are normally collectible monthly within one to five years. The titles to the real estate and resort shares sold remain with the Group until such receivables are fully collected. The installment period of sales contracts averages from three to five years.

Installment contract receivables are noninterest-bearing and are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Interest income from amortization amounted to P33.6 million, P20.6 million, and P21.6 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is presented as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 19.1).

Meanwhile, the related day-one loss on the discounting of the interest free installment contracts receivables amounting to P64.6 million, P58.6 million and P4.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, is presented as Day-one loss under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

VAT on contracts with customers represents the VAT component of the contract price of real estate sales to the extent recognized either as installment contract receivables or contract assets.

Advances to officers and employees are noninterest-bearing, unsecured and settled through salary deduction or liquidation.

Advances to raw landowners are noninterest-bearing cash advances pertaining to amounts advanced by the Group to certain raw landowners as down payment for lots to be acquired.

Other receivables include interest receivable from cash and short-term placements in banks and rent receivables from third parties and related parties.

At the end of 2018, an impairment analysis using the provision matrix to measure ECL was performed. Management determined that certain receivables with no allowance for impairment were impaired and should be written off. Accordingly, Impairment loss amounting to P9.9 million was recognized and presented as part of Miscellaneous under Operating Expenses in the 2018 consolidated statement of comprehensive income (see Note 20). As of December 31, 2018 and 2017, certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer since the titles to the real estate properties sold remain with the Company until such receivables are fully collected.

7. INVENTORIES

Except for the portion of Golf and resorts shares for sale stated at net realizable value, inventories at the end of 2018 and 2017 were stated at cost. The details of inventories are shown below.

	<u>2018</u>	2017 (As Restated – see Note 2)
Real estate for sale	P10,586,399,146	P11,047,294,827
Golf and resort shares for sale	2,837,501,920	2,816,204,114
Raw land inventory	2,354,761,268	2,305,892,826
Property development cost	<u>2,243,707,288</u>	<u>2,307,230,667</u>
	18,022,369,622	18,476,622,434
Allowance for impairment	(<u>88,411,502</u>)	(<u>88,411,502</u>)
	<u>P17,933,958,120</u>	<u>P18,388,210,932</u>

Real estate for sale mainly pertains to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects, including capitalized borrowing costs amounting to P123.2 million and P144.3 million for the years ended December 31, 2018 and 2017, respectively. The said interest was incurred in relation to the interest-bearing loans obtained in 2016 and 2015 (see Note 14). The capitalization rate averaged 6.01% and 4.45% in 2018 and 2017, respectively.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

Raw land inventory pertains to acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group.

Property development costs include on-going costs incurred by the Group for its own projects. In addition, this account also includes the costs incurred by the Group for the joint development of various projects that are treated as jointly controlled operations; there were no separate entities created by these joint venture agreements. The jointly controlled operations are undertaken under project agreements with different venture partners. The costs relating to these joint projects represent the amount of investments placed by the Group as original investor/developer or the amount assigned/transferred to the Group by associates or by related parties who were the original investors/developers in the project agreement.

As at December 31, 2018 and 2017, the Group neither has other contingent liabilities with regard to these joint ventures nor that the probability of loss that may arise from contingent liabilities is remote.

There are no impairment losses recognized in 2018, 2017 and 2016.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Notes	<u>2018</u>	2017 (As Restated – see Note 2)
Input VAT		P1,107,248,959	P1,116,873,129
Advances to contractors and suppliers		982,293,185	1,713,442,753
Creditable withholding tax		197,362,945	130,166,614
Prepayments	24.2	182,184,614	91,879,103
Deferred commission	18.3	168,584,563	161,257,704
Others	24.2	87,119,827	120,318,230
		2,724,794,093	3,333,937,533
Allowance for impairment		(13,599,572)	(13,599,572)
		<u>P 2,711,194,521</u>	<u>P 3,320,337,961</u>

Advances to contractors and suppliers, which are noninterest-bearing and unsecured, pertain to amounts advanced to the Group's contractors and suppliers as down payment for services to be rendered and goods to be delivered to the Group.

Deferred commission represents incremental costs of obtaining a contract to sell real estate property to customers, which are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

There are no additional impairment losses recognized in 2018, 2017 and 2016.

9. ADVANCES TO REAL ESTATE PROPERTY OWNERS

This account represents advances to real estate property owners and various charges in connection with several project agreements entered into by the Group. The terms of the agreements provide that the Group will undertake the improvement, subdivision and development of the properties. The agreements further stipulate that the Group and the property owners share either in the form of the developed real estate properties or upon collection of sales proceeds using certain pre-agreed sharing ratios. Collections of the advances from the said property owners are generally received upon sale of property owners' shares in the projects.

The outstanding amounts, net of unearned discount and interest, at the end of the reporting period are as follows:

	<u>2018</u>	<u>2017</u>
Advances to real estate property owners	P1,286,802,028	P1,244,190,475
Unearned discount and interest	(46,875,186)	(50,778,859)
	<u>P1,239,926,842</u>	<u>P1,193,411,616</u>

The advances to real estate property owners are classified in the consolidated financial position as follows:

	<u>2018</u>	<u>2017</u>
Current	P 185,671,144	P 179,603,536
Non-current	<u>1,054,255,698</u>	<u>1,013,808,080</u>
	<u>P1,239,926,842</u>	<u>P1,193,411,616</u>

The net commitment for construction expenditures of the Group amounted to:

	<u>2018</u>	<u>2017</u>
Total commitment for construction expenditures	P5,874,923,108	P5,593,987,493
Total expenditures incurred	(4,981,520,218)	(4,757,008,463)
Net commitment	<u>P 893,402,890</u>	<u>P 836,979,030</u>

The Group's interests on jointly-controlled operations and projects range from 50% to 85% in both 2018 and 2017. The list of the Group's jointly controlled projects (which are not jointly-controlled entities) are as follows:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Pahara @ Southwoods
- Sta. Barbara Heights Phase 2 & 3

- Holland Park
- Sta Barbara Heights Shophouse District

As at December 31, 2018 and 2017, the Group has neither other contingent liabilities with regard to these joint ventures nor has assessed that the probability of loss that may arise from contingent liabilities is remote.

The amortization of unearned discount and interest amounting to P3.9 million in 2018, 2017 and 2016 is presented as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 19.1).

The real estate property owners related to the Alabang West, Pahara @ Southwoods and Holland Park projects were charged to marketing fees in 2018, 2017 and 2016 amounting to P153.8 million, P41.9 million and P69.9 million, respectively, which are presented as Marketing fees under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 19.1).

All of the Group's advances have been analyzed for ECL. Based on management's evaluation, expected loss is not significant.

10. INVESTMENTS IN ASSOCIATES AND NON-CONTROLLING INTERESTS

10.1 Investments in Associates

The components of the carrying values of investments in associates accounted for under the equity method at the end of the reporting periods are as follows:

	<u>2018</u>	<u>2017</u>
Acquisition costs:		
NPI	P 734,396,528	P 734,396,528
BNHGI	109,216,973	109,216,973
FERC	28,000,000	28,000,000
FENI	10,000,003	10,000,003
FESI	7,808,360	7,808,360
FERSAI	4,000,000	4,000,000
Write off	<u>(49,808,363)</u>	<u>-</u>
	<u>843,613,501</u>	<u>893,421,864</u>
Accumulated equity share in net losses:		
Balance at beginning of year	47,109,726	47,075,743
Equity share in net losses for the year	183,393	33,983
Write off	<u>(44,899,429)</u>	<u>-</u>
Balance at end of year	<u>2,393,690</u>	<u>47,109,726</u>
	<u>P 841,219,811</u>	<u>P 846,312,138</u>

In 2018, the Group wrote off its investments to FERC, FENI, FESI and FERSAI. The carrying amount of these investments amounting to P4.9 million was recognized as impairment loss and is presented as Impairment loss under Finance Costs and Other Charges account in the 2018 statement of comprehensive income (see Note 19.2).

In 2017 and 2016, the Group sold portion of its ownership interest in BNHGI to a third party for P297.5 million and P240.9 million, respectively. Gains from these transactions amounted to P113.1 million and P82.5 million in 2017 and 2016, respectively, which represent the excess of the consideration received over the book value of disposed investment and are presented as Gain on Sale of Investment in Associate in the consolidated statements of comprehensive income. No similar transaction occurred in 2018.

Significant influence that exists in these associates is brought about by the Group's provision of essential technical information for the development of the various projects of these investee companies.

The place of incorporation, which is also the principal place of business, of the Group's associates is presented below.

- (a) BNHGI, NPI, FESI – Renaissance Towers, Meralco Avenue, Pasig City
- (b) FERC, FENI, FERSAI – Paragon Plaza, Reliance St., Mandaluyong City

The aggregated amounts of assets, liabilities, revenues and net loss of the associates are as follows:

		December 31, 2018					
		Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Loss
BNHGI	P	194,282,361	P 1,606,056,250	P 196,755,377	P -	P -	(P 135,712)
NPI		261,236,740	5,411,008,680	1,317,006,155	-	9,713	(1,164,541)
	P	455,519,401	P 7,017,064,930	P 1,513,761,532	P -	P 9,713	(P 1,300,253)

		December 31, 2017					
		Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Loss
BNHGI	P	194,277,153	P 1,606,056,250	P 196,477,895	P -	P -	(P 135,930)
NPI		262,401,281	5,411,008,680	1,317,006,155	-	10,354	(97,096)
FERC		277,874,990	-	209,508,750	-	-	-
FERSAI		157,909,404	-	173,014,080	-	-	-
FESI		9,751,538	51,819,006	9,539,557	6,694,417	-	-
FENI		98,510,739	-	93,113,013	-	-	-
	P	1,000,725,105	P 7,068,883,936	P 1,998,659,450	P 6,694,417	P 10,354	(P 233,026)

The fair values of the associates' shares of stock are not available as of the end of the reporting periods.

Based on the assessment of the management, aside from those that have been written off in 2018, the investments in associates are not impaired due to the active efforts of the Group to raise funds in order to push through with the associates' projects.

10.2 Subsidiaries with Material Non-controlling Interests

The Group includes subsidiaries with material NCI, with details shown below.

Name of Subsidiary	Material NCI	Proportion of Ownership Interest and Voting Rights Held by NCI		Profit (Loss) Allocated to NCI		Accumulated NCI	
		2018	2017	2018	2017	2018	2017
					(As Restated)		(As Restated)
TLC	Various stockholders	49%	49%	P 117,741,464	P 51,613,083	P 3,412,305,956	P 3,299,181,805
SMI	Megaworld	49%	49%	31,093,333	(3,055,333)	963,167,303	932,073,970
SWEC	Various stockholders	40%	40%	30,728,429	8,285,978	246,294,195	235,225,766
OPI	Various stockholders	50%	50%	42,650,492	11,195,392	262,459,179	219,808,687

In 2016, Megaworld fully paid its unpaid shares subscriptions to SMI amounting to P541.6 million as of December 31 2015. In addition, the Company and Megaworld subscribed additional common shares of SMI amounting to P68.1 million and P63.0 million, respectively, maintaining their ownership interests. In 2017, the Company settled its unpaid subscriptions to SMI amounting to P204.2 million and subscribed to additional shares increasing its ownership to 51% as of December 31, 2017.

Management assessed that control is still retained by the Company [see Note 3.1(g)].

No dividends were paid by the above subsidiaries to the NCI in 2018, 2017 and 2016.

The place of incorporation of TLC, SMI, SWEC and OPI is summarized below.

- (a) TLC and SMI – Renaissance Towers, Meralco Avenue, Pasig City
- (b) SWEC – Southwoods Ecocentrum, Brgy. Soro-Soro, Biñan, Laguna
- (c) OPI – 5th Floor, F&M Lopez II Building, 109 C. Palanca St., Legaspi Village, Makati City

In 2017, the SEC approved the change in the registered office and principal place of business of the Company's subsidiaries (TLC and SMI) from its place of incorporation to 16th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

The summarized financial information of TLC, SMI, SWEC and OPI, before intragroup eliminations, is shown below.

	TLC		SMI		SWEC		OPI	
	2018	2017 (As Restated)	2018	2017	2018	2017 (As Restated)	2018	2017 (As Restated)
Total assets	<u>P 9,205,818,908</u>	<u>P 8,847,644,501</u>	<u>P 3,520,260,428</u>	<u>P 3,099,295,906</u>	<u>P 910,936,528</u>	<u>P 779,644,336</u>	<u>P 1,321,356,359</u>	<u>P 1,227,237,916</u>
Total liabilities	<u>P 2,241,929,202</u>	<u>P 2,070,440,042</u>	<u>P 1,554,632,871</u>	<u>P 1,197,104,130</u>	<u>P 295,201,041</u>	<u>P 191,579,921</u>	<u>P 796,438,001</u>	<u>P 787,620,542</u>
Equity attributable to shareholders of the Company	<u>P 3,551,583,750</u>	<u>P 3,433,842,286</u>	<u>P 1,002,480,254</u>	<u>P 970,117,806</u>	<u>P 369,441,292</u>	<u>P 352,838,649</u>	<u>P 262,459,179</u>	<u>P 219,808,687</u>
Non-controlling interests	<u>P 3,412,305,956</u>	<u>P 3,299,181,805</u>	<u>P 963,167,303</u>	<u>P 932,073,970</u>	<u>P 246,294,195</u>	<u>P 235,225,766</u>	<u>P 262,459,179</u>	<u>P 219,808,687</u>
Revenue	<u>P 1,298,005,281</u>	<u>P 984,418,591</u>	<u>P 284,297,670</u>	<u>P 43,493,336</u>	<u>P 178,646,514</u>	<u>P 61,856,537</u>	<u>P 327,451,318</u>	<u>P 150,734,694</u>
Profit (loss) for the year attributable to shareholders of the Company	<u>P 117,741,464</u>	<u>P 51,613,083</u>	<u>P 32,362,448</u>	<u>P 3,180,532</u>	<u>P 46,092,643</u>	<u>P 12,428,966</u>	<u>P 42,650,492</u>	<u>P 11,195,392</u>
Profit (loss) for the year attributable to NCI	<u>113,124,151</u>	<u>49,589,041</u>	<u>31,093,333</u>	<u>(3,055,805)</u>	<u>30,728,429</u>	<u>8,285,278</u>	<u>42,650,492</u>	<u>11,195,392</u>
Profit (loss) for the year	<u>P 230,865,615</u>	<u>P 101,202,124</u>	<u>P 63,455,781</u>	<u>P 6,236,337</u>	<u>P 76,821,072</u>	<u>P 20,714,944</u>	<u>P 85,300,984</u>	<u>P 22,390,784</u>
Net cash from (used) in operating activities	<u>(P 40,515,278)</u>	<u>(P 162,165,427)</u>	<u>P 182,781,152</u>	<u>P 224,447,349</u>	<u>(P 31,964,406)</u>	<u>(P 31,964,406)</u>	<u>(P 19,345,168)</u>	<u>P 30,343,699</u>
Net cash from (used in) investing activities	<u>(325,025,252)</u>	<u>(329,032,193)</u>	<u>(417,171,565)</u>	<u>(981,848,443)</u>	<u>648,934</u>	<u>169,569</u>	<u>117,507</u>	<u>1,134,072</u>
Net cash from (used in) financing activities	<u>230,181,960</u>	<u>1,254,964</u>	<u>233,206,415</u>	<u>637,342,325</u>	<u>-</u>	<u>-</u>	<u>(49,341,907)</u>	<u>(220,583,918)</u>
Effect of foreign exchange rates	<u>1,920,932</u>	<u>(23,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow)	<u>(P 133,437,638)</u>	<u>(P 482,968,482)</u>	<u>(P 1,183,998)</u>	<u>(P 120,058,769)</u>	<u>(P 31,315,472)</u>	<u>(P 31,794,837)</u>	<u>(P 68,569,568)</u>	<u>(P 189,106,147)</u>

TLC, SMI, SWEC and OPI have no other comprehensive income in the year 2018 and 2017; hence, the respective total comprehensive income (loss) of these subsidiaries are the same with the profit (loss) recognized in both years.

10.3 Interest in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

11. INVESTMENT PROPERTY

The Group's investment properties comprise of buildings and several parcels of land which are owned to earn rental income or for capital appreciation or for both. The gross carrying amounts and accumulated depreciation and amortization of investment properties at the beginning and end of the reporting periods are shown below.

	<u>Building and Improvements</u>	<u>Land and Land Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2018				
Cost	P 4,887,003,477	P 6,202,106,714	P 35,373,334	P 11,124,483,525
Accumulated depreciation and amortization	(447,050,266)	(139,705,539)	-	(586,755,805)
Net carrying value	<u>P 4,439,953,211</u>	<u>P 6,062,401,175</u>	<u>P 35,373,334</u>	<u>P 10,537,727,720</u>
December 31, 2017 – As restated				
Cost	P 2,345,772,744	P 5,750,966,547	P 1,892,135,480	P 9,988,874,771
Accumulated depreciation and amortization	(356,091,418)	(139,705,539)	-	(495,796,957)
Net carrying value	<u>P 1,989,681,326</u>	<u>P 5,611,261,008</u>	<u>P 1,892,135,480</u>	<u>P 9,493,077,814</u>
January 1, 2017 – As restated				
Cost	P 628,450,162	P 5,726,077,361	P 2,087,141,989	P 8,441,669,512
Accumulated depreciation and amortization	(263,071,545)	(139,704,564)	-	(402,776,109)
Net carrying value	<u>P 365,378,617</u>	<u>P 5,586,372,797</u>	<u>P 2,087,141,989</u>	<u>P 8,038,893,403</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown in below.

	<u>Building and Improvements</u>	<u>Land and Land Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2018, as restated, net of accumulated depreciation and amortization	P 1,989,681,326	P 5,611,261,008	P 1,892,135,480	P 9,493,077,814
Additions	684,468,587	451,140,167	-	1,135,608,754
Reclassifications – net	1,856,762,146	-	(1,856,762,146)	-
Depreciation and amortization charges for the year	(90,958,848)	-	-	(90,958,848)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 4,439,953,211</u>	<u>P 6,062,401,175</u>	<u>P 35,373,334</u>	<u>P 10,537,727,720</u>
Balance at January 1, 2017, as restated, net of accumulated depreciation and amortization	P 365,378,617	P 5,586,372,797	P 2,087,141,989	P 8,038,893,403
Additions	3,104,057	24,889,187	1,367,224,866	1,395,218,110
Reclassifications – net	1,647,812,719	-	(1,562,231,375)	85,581,344
Depreciation and amortization charges for the year	(26,614,067)	(276)	-	(26,615,043)
Balance at December 31, 2017, as restated net of accumulated depreciation and amortization	<u>P 1,989,681,326</u>	<u>P 5,611,261,008</u>	<u>P 1,892,135,480</u>	<u>P 9,493,077,814</u>

The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*, retrospectively. In previous years, land, including other costs and expenses related to the transfer of title of the property, were presented as Land for Future Development and only reclassified to Property Development Costs account (a real estate inventory account), when the development of the property starts. Upon the adoption of PIC Q&A 2018-11, land with undetermined future use was reclassified to Investment Property [see Note 2.1(c)].

In 2017, the Group reclassified certain building and the related improvements and certain office improvements with carrying amounts of P59.7 million and P25.9 million, respectively, to investment property as such properties are held to earn rentals and(or) for capital appreciation (see Note 12).

The construction of the office towers of SMI was completed in 2018 while the mall building was completed in 2017.

Rental revenues recognized in 2018, 2017 and 2016 amounted to P379.6 million, P114.4 million and P58.0 million, respectively, and are presented as part of Rental Income in the consolidated statements of comprehensive income (see Note 24.2). Depreciation charges substantially represent the direct costs in leasing these properties. Other operating costs in leasing these properties include Real property taxes amounting to P21.6 million, P16.6 million and P12.4 million in 2018, 2017 and 2016, respectively, and Repairs and maintenance amounting to P7.6 million, P6.5 million and P4.8 million in 2018, 2017 and 2016, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is presented under Operating Expenses account in the consolidated statements of comprehensive income (see Note 20).

Except for the Construction in progress and land held for undetermined future use, all of the Group's investment properties generated rental income as at December 31, 2018, 2017 and 2016.

Based on management's estimate, the fair value of building and improvements amounted to P7,447.3 million and P2,331.7 million as at December 31, 2018 and 2017, respectively, as determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 10%.

On the other hand, the fair value of land and land development and improvements amounted to P26,662.9 million and P26,007.2 million as determined through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property as at December 31, 2018 and 2017, respectively.

Moreover, the carrying value of construction in progress approximates its fair value as of December 31, 2018 and 2017.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 30.3.

12. PROPERTY AND EQUIPMENT

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

	Land	Building	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Building and Office Improvements	Total
December 31, 2018						
Cost	P 1,600,000	P 986,116,047	P 221,495,877	P 260,901,369	P 98,896,436	P 1,569,009,729
Accumulated depreciation and amortization	-	(340,365,358)	(162,463,115)	(205,505,026)	(24,729,328)	(733,062,827)
Net carrying amount	<u>P 1,600,000</u>	<u>P 645,750,689</u>	<u>P 59,032,762</u>	<u>P 55,396,343</u>	<u>P 74,167,108</u>	<u>P 835,946,902</u>
December 31, 2017						
Cost	P 1,600,000	P 986,116,047	P 177,825,086	P 241,903,027	P 92,966,874	P 1,500,411,034
Accumulated depreciation and amortization	-	(316,055,475)	(143,641,361)	(162,866,087)	(14,915,123)	(637,478,048)
Net carrying amount	<u>P 1,600,000</u>	<u>P 670,060,572</u>	<u>P 34,183,725</u>	<u>P 79,036,940</u>	<u>P 78,051,749</u>	<u>P 862,932,986</u>
January 1, 2017						
Cost	P 1,600,000	P 1,092,934,684	P 160,131,640	P 212,089,904	P 64,051,595	P 1,530,807,823
Accumulated depreciation and amortization	-	(337,173,790)	(127,204,001)	(122,247,050)	(23,856,988)	(610,481,822)
Net carrying amount	<u>P 1,600,000</u>	<u>P 755,760,894</u>	<u>P 32,927,639</u>	<u>P 89,842,854</u>	<u>P 40,194,607</u>	<u>P 920,325,994</u>

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

	Land	Building	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Building and Office Improvements	Total
Balance at January 1, 2018						
net of accumulated depreciation and amortization	P 1,600,000	P 670,060,572	P 34,183,725	P 79,036,940	P 78,051,749	P 862,932,986
Additions	-	-	41,688,921	18,998,342	5,929,562	66,616,825
Addition due to acquired subsidiary	-	-	2,024,638	-	-	2,024,638
Disposals	-	-	(14,256)	-	-	(14,256)
Depreciation and amortization charges for the year	-	(24,309,883)	(18,850,266)	(42,638,939)	(9,814,203)	(95,613,291)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 1,600,000</u>	<u>P 645,750,689</u>	<u>P 59,032,762</u>	<u>P 55,396,343</u>	<u>P 74,167,108</u>	<u>P 835,946,902</u>
Balance at January 1, 2017						
net of accumulated depreciation and amortization	P 1,600,000	P 755,760,894	P 32,927,639	P 89,842,854	P 40,194,607	P 920,325,994
Additions	-	245,862	18,040,544	31,237,232	73,837,926	123,361,564
Disposals	-	-	(309,151)	(893,678)	-	(1,202,829)
Reclassifications	-	(59,675,853)	-	-	(25,905,491)	(85,581,344)
Depreciation and amortization charges for the year	-	(26,270,331)	(16,475,307)	(41,142,468)	(10,075,293)	(93,970,399)
Balance at December 31, 2017, net of accumulated depreciation and amortization	<u>P 1,600,000</u>	<u>P 670,060,572</u>	<u>P 34,183,725</u>	<u>P 79,036,940</u>	<u>P 78,051,749</u>	<u>P 862,932,986</u>

In 2017, the certain building and the related improvements and office improvements were reclassified to investment property as such properties are solely held to earn rentals (see Note 11).

The Group's fully depreciated assets that are still being used in operations has a total original cost of P152.2 million and P248.5 million as at December 31, 2018 and 2017, respectively.

13. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>Note</u>	<u>2018</u>	<u>2017</u> (As Restated – see Note 2)
Development rights – net		P 265,076,899	P 274,323,765
Advances to contractors		148,909,857	169,961,300
Refundable deposits	28.2	118,009,922	100,812,423
Others		<u>1,715,331</u>	<u>3,265,720</u>
		<u>P 533,712,009</u>	<u>P 548,363,208</u>

On October 29, 2015, the Company acquired development rights over 10,994.86 sq.m. undivided portions of land (the Subject Premises) owned by a government entity located in Quezon City for a period of 32 years.

North Triangle Depot Commercial Corporation (NTDCC), a third party, has offered to lease it from the Company on October 29, 2015 up to the expiration of the development rights. As part of the consideration of the lease between the Company and NTDCC, the Company shall reimburse NTDCC for the accumulated development rights payments related to the Subject Premises in the amount of P294.4 million. In addition to the advance rental, NTDCC is also obliged to pay annual rent to the Company amounting to P62.5 million starting on the third anniversary of the lease up to 2025. The amount of P294.4 million was recognized as Development rights by the Company to be amortized over the term of the lease of 32 years. The advance rental from NTDCC, amounting to P294.4 million at the start of the lease was recognized as Advance rental to be amortized over the lease term and presented as Advance rental under the Other Non-current Liabilities account in the consolidated statements of financial position (see Note 17).

Amortization expense related to the development rights amounted to P9.2 million in 2018, 2017 and 2016 and is included as part of Depreciation and amortization under the Cost of Rentals and Services account (see Note 21.2) while the rental income arising from this transaction amounted to P46.9 million in 2018, 2017 and 2016, and is included as part of Rental Income account in the consolidated statements of comprehensive income. Rental receivable recognized from the aforementioned transactions amounted to P57.7 million and P81.0 million as of December 31, 2018 and 2017, respectively, and is presented as part of Others under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

14. INTEREST-BEARING LOANS

The Group's interest-bearing loans are broken down as follows:

	<u>2018</u>	<u>2017</u>
Current	P1,574,466,462	P1,086,538,462
Non-current	<u>2,486,305,898</u>	<u>3,969,391,025</u>
	<u>P4,060,772,360</u>	<u>P5,055,929,487</u>

In November 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, which shall be used for working capital purposes. In December 2018, initial loan drawdown for this line amounted to P50.0 million, payable within 180 days.

In December 2017, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. The loan bears a floating interest rate and is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P2.0 billion as at December 31, 2018 and 2017.

In 2016, the Company obtained a P2.0 billion loan from a local bank with principal to be paid in quarterly instalments, commencing on the 5th quarter from date of initial drawdown. This loan carries a floating interest rate, which is repriced every 30 to 180 days as agreed by the parties. On October 25, 2018, the interest rate was fixed subject to repricing after one year. The interest is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P1.3 billion and P1.8 billion as at December 31, 2018 and 2017, respectively.

In 2015, the Company obtained a P1.5 billion loan with a term of five years from the initial drawdown, inclusive of a grace period on principal repayment of two years. The loan bears a fixed interest rate payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P0.7 billion and P1.2 billion as at December 31, 2018 and 2017, respectively.

In 2015, OPI obtained a long-term unsecured interest-bearing loan from a local financial institution. The loan will mature on May 28, 2020 and bears a fixed interest rate of 5.04%. The outstanding balance pertaining to this loan amounted to P0.1 billion and P0.2 billion as at December 31, 2018 and 2017, respectively.

The Group has properly complied with the loan agreements' covenants as of the end of the reporting period (see Note 31).

The total accrued interest payable amounted to P14.3 million and P11.1 million as of December 31, 2018 and 2017, respectively, is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

Total interest costs incurred attributable to these loans amounted to P257.9 million, P167.6 million and P125.4 million in 2018, 2017 and 2016, respectively. Of these amounts, P123.2 million, P144.3 million and P101.1 million in 2018, 2017 and 2016, respectively, were capitalized by the Company as part of Inventories account (see Note 7). Interest charged to expense is presented as part of Finance costs under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	<u>2018</u>	2017 (As Restated – see Note 2)
Trade payables		P2,651,529,446	P2,047,134,414
Liabilities for land acquisition		445,025,128	440,082,027
Accrued expenses	14, 25.3	310,161,069	292,031,102
Income tax payable		43,358,180	130,633,870
Retention payable	17	40,383,531	62,800,573
Others	24.6	<u>109,430,827</u>	<u>72,467,138</u>
		<u>P3,599,888,181</u>	<u>P3,045,149,124</u>

Liabilities for land acquisition represent the unpaid portion of raw land acquired by the Group.

Accrued expenses represent accruals for dividends on preferred shares, commission, utilities, professional fees, outside services, interest and other expenses incurred in the normal operations of the Group.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are remitted back to the contractors. Those which are due to be remitted beyond 12 months from the end of the reporting period is presented under Other Non-current Liabilities in the consolidated statements of financial position (see Note 17).

Other payables consist primarily of refund liability [as required by Republic Act (R.A.)6552, *Realty Installment Buyer Act*], unearned rentals, payables to government and other regulatory agencies.

16. DUE TO JOINT VENTURE PARTNERS

This account represents the share of joint venture (JV) partners in the proceeds from the sale of certain projects in accordance with various JV agreements entered into by the Group.

The details of the account are as follows:

	<u>2018</u>	<u>2017</u>
Due to golf share partners and lot owners	P 395,424,643	P 407,655,413
Deferred interest expense	-	(11,280,462)
	<u>P 395,424,643</u>	<u>P 396,374,951</u>

The amortization of deferred interest amounting to P11.3 million in 2018 and P19.8 million in 2017 and 2016 is presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

17. OTHER NON-CURRENT LIABILITIES

The details of the account are as follows:

	Notes	2018	2017
Retention payable	15	P 820,919,633	P 771,756,301
Advance rental	13	265,911,811	277,393,525
Security deposits		134,887,028	42,647,341
Others		<u>10,496,525</u>	<u>13,794,864</u>
		<u>P1,232,214,997</u>	<u>P1,105,592,031</u>

18. REVENUES

18.1 Disaggregation of Revenues

The Group derives revenues mainly from sale of real properties and hotel operations. An analysis of the Group's major sources of revenues is presented below.

	Segments		
	Real Estate	Hotel Operations	Total
2018			
Geographical areas			
Luzon	P 4,287,652,369	P 3,930,738	P 4,291,583,107
Visayas	2,082,370,927	220,027,616	2,302,398,543
Mindanao	<u>532,126</u>	<u>-</u>	<u>532,126</u>
	<u>P 6,370,555,422</u>	<u>P 223,958,354</u>	<u>P 6,594,513,776</u>
Types of product or services			
Residential lots	P 3,117,432,561	P -	P 3,117,432,561
Residential condominium	3,068,377,154	-	3,068,377,154
Commercial lots and spaces	184,745,707	-	184,745,707
Room accommodation	-	194,768,503	194,768,503
Food and beverage	-	28,229,958	28,229,958
Other room services	-	<u>959,893</u>	<u>959,893</u>
	<u>P 6,370,555,422</u>	<u>P 223,958,354</u>	<u>P 6,594,513,776</u>
2017			
Geographical areas			
Luzon	P 3,401,259,785	P -	P 3,401,259,785
Visayas	<u>1,855,499,406</u>	<u>349,155,484</u>	<u>2,204,654,890</u>
	<u>P 5,256,759,191</u>	<u>P 349,155,484</u>	<u>P 5,605,914,675</u>
Types of product or services			
Residential lots	P 2,992,810,359	P -	P 2,992,810,359
Residential condominium	2,032,759,770	-	2,032,759,770
Commercial lots and spaces	231,189,062	-	231,189,062
Room accommodation	-	305,740,597	305,740,597
Food and beverage	-	41,715,777	41,715,777
Other room services	-	<u>1,699,110</u>	<u>1,699,110</u>
	<u>P 5,256,759,191</u>	<u>P 349,155,484</u>	<u>P 5,605,914,675</u>

	Segments		
	Real Estate	Hotel Operations	Total
2016			
Geographical areas			
Luzon	P 1,954,124,484	P -	P 1,954,124,484
Visayas	<u>1,970,537,296</u>	<u>353,274,211</u>	<u>2,323,811,507</u>
	<u>P 3,924,661,780</u>	<u>P 353,274,211</u>	<u>P 4,277,935,991</u>
Types of product or services			
Residential lots	P 1,893,284,305	P -	P 1,893,284,305
Residential condominium	1,504,349,507	-	1,504,349,507
Commercial lots and spaces	527,027,968	-	527,027,968
Room accommodation	-	307,776,494	307,776,494
Food and beverage	-	42,944,255	42,944,255
Other room services	-	2,553,462	2,553,462
	<u>P 3,924,661,780</u>	<u>P 353,274,211</u>	<u>P 4,277,935,991</u>

18.2 Contract Accounts

The significant changes in the contract assets and liabilities balances during the year are as follows:

a. Contract Assets

The Group's contract assets are classified as follows:

	2018	2017 (As Restated – see Note 2)
Current	<u>P2,394,582,192</u>	P 774,308,579
Non-current	<u>1,135,598,493</u>	<u>1,586,225,489</u>
	<u>P3,530,180,685</u>	<u>P2,360,534,068</u>

The significant changes in the contract assets balances during the year are as follows:

	2018	2017 (As Restated – see Note 2)
Balance at beginning of year	<u>P2,360,534,068</u>	P 1,652,900,689
Transfers from contract assets recognized at the beginning of year to installment contract receivables	(571,936,412)	(845,553,164)
Increase as a result of changes in measurement of progress	<u>1,741,583,029</u>	<u>1,553,186,543</u>
Balance at end of year	<u>P3,530,180,685</u>	<u>P2,360,534,068</u>

b. *Contract Liabilities*

The Group's contract liabilities is classified as follows:

	<u>2018</u>	2017 (As Restated – see Note 2)
Current	P 272,728,734	P 18,939,519
Non-current	<u>796,103,382</u>	<u>961,655,540</u>
	<u>P 1,068,832,116</u>	<u>P 980,595,059</u>

The significant changes in the contract liabilities balances during the year are as follows:

	<u>2018</u>	2017 (As Restated – see Note 2)
Balance at beginning of year	P 980,595,059	P1,011,186,355
Revenue recognized that was included in contract liability at the beginning of year	(191,077,440)	(219,959,196)
Increase due to cash received excluding amount recognized as revenue during the year	<u>279,314,497</u>	<u>189,367,900</u>
Balance at end of year	<u>P 1,068,832,116</u>	<u>P 980,595,059</u>

18.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the consolidated statements of financial position (see Note 8). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization for 2018, 2017 and 2016 is presented as part of Commission under Operating Expenses (see Note 20).

The movements in balances of deferred commission in 2018 and 2017 is presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 161,257,704	P 156,817,167
Additional capitalized cost	143,539,325	135,248,182
Amortization for the period	<u>(136,212,466)</u>	<u>(130,807,645)</u>
Balance at end of year	<u>P 168,584,563</u>	<u>P 161,257,704</u>

18.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2018 and 2017 is P2.6 billion and P2.9 billion, respectively. The Company expects to recognize revenue from unsatisfied contracts as of December 31, 2018 as follows:

Within a year	P 1,451,270,899
More than one year to three years	<u>1,142,739,062</u>
	<u>P 2,594,009,961</u>

19. FINANCE INCOME AND FINANCE COSTS

19.1 Finance and Other Income

Presented below are the details of this account.

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
Marketing fees	9	P 156,893,125	P 71,166,750	P 89,544,210
Finance income	5, 6, 9	134,799,289	47,104,806	82,349,717
Gain on bargain purchase	1.2	10,774,664	-	-
Foreign currency gains – net		4,013,772	-	6,480,930
Gain on refunds – net		-	-	9,238,406
Miscellaneous		<u>59,269,199</u>	<u>26,393,210</u>	<u>17,941,859</u>
		<u>P 365,750,049</u>	<u>P 144,664,766</u>	<u>P 205,555,122</u>

A gain or loss on refund arises when the amount required to settle a claim for refund by a customer is lower or higher than the total amount previously collected from the said customer.

Miscellaneous income includes forfeiture of reservation fees from customers.

19.2 Finance Costs and Other Charges

Presented below are the details of this account.

	Notes	2018	2017 (As Restated -- see Note 2)	2016 (As Restated -- see Note 2)
Finance costs	14, 16, 22.2, 24.4, 25.3	P 205,395,234	P 98,101,836	P 85,914,220
Day-one loss	6	64,550,790	58,648,307	4,669,687
Loss on refund		39,163,991	8,447,577	2,085,019
Impairment loss	10.1	4,908,934	-	-
Foreign currency losses – net		-	3,996,459	-
Miscellaneous		-	-	60,775
		<u>P 314,018,949</u>	<u>P 169,194,179</u>	<u>P 92,729,701</u>

20. OPERATING EXPENSE BY NATURE

Presented below are the details of this account.

	Notes	2018	2017 (As Restated -- see Note 2)	2016 (As Restated -- see Note 2)
Cost of real estate sales	21	P 3,018,683,870	P 2,384,998,130	P 1,903,875,810
Cost of hotel operations		158,162,392	218,820,207	225,931,874
Salaries and employee benefits	22.1	322,004,469	284,364,505	264,548,879
Commissions	18.3, 24.5	256,185,501	206,068,277	140,142,605
Depreciation and amortization	11, 12, 13	195,819,007	129,832,310	110,533,127
Taxes and licenses	11	133,313,517	136,568,954	75,614,195
Rental	24.2	124,324,359	93,124,371	66,647,682
Professional fees and outside services		104,655,946	55,329,057	37,628,850
Utilities and supplies		66,194,670	36,154,751	53,664,269
Advertising and promotions		23,985,331	33,122,797	17,592,189
Transportation		20,705,066	29,452,822	28,422,813
Repairs and maintenance	11	7,627,554	6,471,277	4,778,681
Representation		7,050,121	5,308,083	3,964,543
Gas and oil		1,813,747	1,738,812	1,025,794
Miscellaneous	24.6, 6, 28.2	230,827,659	177,904,441	144,656,613
		<u>P 4,671,353,209</u>	<u>P 3,799,258,794</u>	<u>P 3,079,027,924</u>

Miscellaneous expenses mainly include insurance, membership dues, communication expense, service fees charged by a stockholder and cost of materials and overhead incurred in relation to the maintenance of the golf course.

These expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	2018	2017 (As Restated -- see Note 2)	2016 (As restated -- see Note 2)
Cost of real estate sales	21	P 3,018,683,870	P 2,384,998,130	P 1,903,875,810
Cost of rentals and services		202,125,585	139,524,416	99,615,960
Cost of hotel operations		158,162,392	218,820,207	225,931,874
Operating expenses		<u>1,292,381,362</u>	<u>1,055,916,041</u>	<u>849,604,280</u>
		<u>P 4,671,353,209</u>	<u>P 3,799,258,794</u>	<u>P 3,079,027,924</u>

21. DIRECT COSTS

21.1 Cost of Real Estate Sales

The composition of the cost of real estate sales for the year ended December 31 are as follows:

	2018	2017 (As Restated -- see Note 2)	2016 (As Restated -- see Note 2)
Land cost	P 267,567,689	P 304,298,348	P 345,573,907
Construction costs	2,650,921,529	2,026,422,834	1,529,435,382
Borrowing cost	<u>100,194,652</u>	<u>54,276,948</u>	<u>28,866,521</u>
	<u>P 3,018,683,870</u>	<u>P 2,384,998,130</u>	<u>P 1,903,875,810</u>

21.2 Cost of Rentals and Services

The composition of the cost of rentals for the year ended December 31 are as follows:

	2018	2017	2016
Depreciation and amortization	P 126,988,960	P 68,773,329	P 52,939,081
Land development and construction	38,436,901	36,193,434	23,878,030
Maintenance	21,051,763	19,823,025	13,077,918
Civil works and survey	11,276,510	10,618,328	7,005,269
Landscape	<u>4,371,451</u>	<u>4,116,300</u>	<u>2,715,662</u>
	<u>P 202,125,585</u>	<u>P 139,524,416</u>	<u>P 99,615,960</u>

21.3 Cost of Hotel Operations

The composition of the cost of hotel operations for the year ended December 31 are as follows:

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Club bookings	P 40,758,310	P	69,949,254	P	38,488,168
Utilities	35,798,386		42,914,818		53,171,391
Outside services	15,524,569		22,222,771		54,823,824
Food and beverage	15,400,998		23,800,801		19,122,110
Salaries and employee benefits	11,193,765		15,479,178		14,358,408
Commission	8,773,523		14,706,728		-
Depreciation	7,754,502		8,600,171		11,489,669
Repairs and maintenance	5,426,110		4,683,790		1,959,970
Miscellaneous	<u>17,532,229</u>		<u>16,462,696</u>		<u>32,518,334</u>
	<u>P 158,162,392</u>	P	<u>218,820,207</u>	P	<u>225,931,874</u>

22. EMPLOYEE BENEFITS

22.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2018</u>		<u>2017</u>		<u>2016</u>
Short-term benefits		P 307,379,874	P	260,908,938	P	234,702,757
Post-employment defined benefit	22.2	11,317,437		13,416,254		11,319,102
Share-based employee compensation	25.2	<u>3,307,158</u>		<u>10,039,313</u>		<u>18,527,020</u>
	20	<u>P 322,004,469</u>	P	<u>284,364,505</u>	P	<u>264,548,879</u>

22.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 85% to 150% of the employee's monthly salary for every year of service depending on the number of years of service. The normal retirement age is 60 years old and applicable upon completion of five years of faithful and continuous service to the Group. However, an employee who attains the age of 50 with the completion of no less than 10 years of service or has completed 15 years of service and opts for an early retirement is likewise entitled to the same benefits.

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2018 and 2017.

The movements in present value of the retirement benefit obligation are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 63,688,766	P 60,775,015
Current service cost	11,317,437	13,416,254
Interest expense	3,413,723	2,732,094
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(30,309,417)	(10,114,558)
Experience adjustments	2,690,034	(2,638,477)
Benefits paid	(805,223)	(481,562)
Balance at end of year	<u>P 49,995,320</u>	<u>P 63,688,766</u>

The amounts of post-employment benefit recognized in the consolidated statements of comprehensive income are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 11,317,437	P 13,416,254	P 11,319,102
Interest cost	<u>3,413,723</u>	<u>2,732,094</u>	<u>2,168,556</u>
	<u>P 14,731,160</u>	<u>P 16,148,348</u>	<u>P 13,487,658</u>
<i>Reported in other comprehensive income –</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 30,309,417)	(P 10,114,558)	P 683,029
Experience adjustments	<u>2,690,034</u>	<u>(2,638,477)</u>	<u>1,202,089</u>
	<u>(P 27,619,383)</u>	<u>(P 12,753,035)</u>	<u>P 1,885,118</u>

The amounts of current service cost incurred are presented as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of comprehensive income (see Notes 20 and 22.1). The amounts of interest expense related to the retirement benefit obligation are presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

The amount recognized in other comprehensive income is included as an item that will not be reclassified subsequently to profit or loss.

In determining the amount of retirement benefit obligation, the following actuarial assumptions were used for the reporting periods:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Discount rates	8.88%	5.37%	4.55%
Expected rate of salary increase	5.00%	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of employees retiring at the age of 60 is 24 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Interest Risk*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the Group's timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumptions</u>	<u>Increase in Assumptions</u>	<u>Decrease in Assumptions</u>
<u>December 31, 2018</u>			
Discount rate	+/- 0.5%	(P 2,307,258) P	2,621,598
Salary increase rate	+/- 1.0%	5,587,871 (	4,434,027)
<u>December 31, 2017</u>			
Discount rate	+/- 0.5%	(P 5,072,533) P	5,774,156
Salary increase rate	+/- 1.0%	36,063,970 (	9,275,237)

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

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

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded as at December 31, 2018. While there is no minimum funding requirement in the country, the non-funding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

As at December 31, 2018, the Group is yet to determine how much and when to fund the post-employment benefit plan.

The maturity profile for the next 20 years of undiscounted expected benefit payments from the plan follows:

	<u>2018</u>	<u>2017</u>
Within one year	P 1,547,794	P 1,702,285
More than one year to five years	11,252,663	11,148,755
More than five years to ten years	45,763,752	27,167,750
More than ten years to 15 years	46,990,344	44,410,112
More than 15 years to 20 years	<u>92,747,049</u>	<u>69,482,764</u>
	<u>P 198,301,602</u>	<u>P 153,911,666</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 years.

23. CURRENT AND DEFERRED TAXES

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

	<u>2018</u>	<u>2017</u> (As Restated – see Note 2)	<u>2016</u> (As Restated – see Note 2)
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 358,252,655	P 401,248,008	P 367,556,912
Final tax at 20% and 15% in 2018; and 7.5% in 2017	10,392,398	3,736,078	6,632,629
Minimum corporate income tax (MCIT) at 2%	<u>7,336,263</u>	<u>2,681,515</u>	<u>2,700,509</u>
	<u>375,981,316</u>	407,665,601	376,890,050
Utilization of MCIT	-	-	(1,306,447)
Deferred tax expense relating to origination and reversal of temporary differences	<u>435,685,206</u>	<u>268,300,063</u>	<u>94,027,732</u>
	<u>P 811,666,522</u>	<u>P 675,965,664</u>	<u>P 469,611,335</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense (income) relating to remeasurements of retirement benefit plan	<u>P 6,663,399</u>	<u>P 3,495,352</u>	<u>(P 514,538)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the consolidated statements of comprehensive income is as follows:

	<u>2018</u>	<u>2017</u> (As Restated – see Note 2)	<u>2016</u> (As Restated – see Note 2)
Tax on pretax profit at 30%	P 760,786,073	P 657,150,978	P 482,207,111
Adjustments for income subjected to lower income tax rates	(5,257,593)	(2,081,549)	(3,463,493)
Tax effects of:			
Non-taxable income	(3,302,392)	(38,038,981)	(87,201,825)
Non-deductible expenses	57,760,414	48,106,419	60,267,513
Expired deferred tax assets	1,668,387	103,968	14,770,767
Non-deductible interest expense	11,633	1,155,399	1,302,818
Unrecognized deferred tax assets	-	9,517,941	5,232,259
Income tax benefit from previously unrecognized deferred tax assets	-	51,489	(3,503,815)
Tax expense	<u>P 811,666,522</u>	<u>P 675,965,664</u>	<u>P 469,611,335</u>

The Group's net deferred tax liabilities relate to the following as at December 31:

	<u>2018</u>	<u>2017</u> (As Restated – see Note 2)
Deferred tax liabilities:		
Unrealized gross profit on real estate sales	P 1,415,753,628	P 1,013,020,075
Capitalized borrowing cost	91,028,056	89,636,503
Deferred commission	48,990,255	45,699,246
Rental income	42,737,027	25,033,639
Unrealized foreign exchange gains – net	<u>616,707</u>	<u>-</u>
	<u>1,599,125,673</u>	<u>1,173,389,463</u>
Deferred tax assets:		
Allowance for impairment	(145,635,112)	(145,635,112)
Accrued expenses	(74,775,641)	(86,270,882)
Share-based employee compensation	(70,659,784)	(69,667,637)
Net-operating loss carry-over (NOLCO)	(16,493,280)	(16,983,034)
MCIT	(12,718,287)	(7,050,411)
Retirement benefit obligation	(6,738,110)	(16,824,888)
Unrealized forex losses – net	<u>-</u>	<u>(1,200,645)</u>
	<u>(327,020,214)</u>	<u>(343,632,609)</u>
	<u>P 1,272,105,459</u>	<u>P 829,756,854</u>

The components of deferred tax expense (income) are as follows:

	<u>Consolidated Statements of Comprehensive Income</u>					
	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2018</u>	<u>2017</u> (As Restated – see Note 2)	<u>2016</u> (As Restated – see Note 2)	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unrealized profit on real estate sales	P 402,733,553	P 243,459,137	P 83,847,807	P -	P -	P -
Capitalized borrowing cost	1,391,353	17,591,038	13,851,441	-	-	-
Rental income	17,703,388	12,439,420	4,712,042	-	-	-
Deferred commission	3,291,009	(129,300)	10,002,599	-	-	-
Unrealized foreign exchange gains - net	616,707	(1,717,427)	780,584	-	-	-
Accrued expenses	11,495,241	12,625,345	(20,069,377)	-	-	-
Share-based employee compensation	(992,147)	(3,011,794)	(5,558,106)	-	-	-
NOLCO	489,754	(5,184,108)	7,594,637	-	-	-
Retirement benefit obligation	3,423,379	(3,994,056)	(3,322,900)	6,663,399	3,495,352	(514,538)
MCIT	(3,667,876)	(2,577,547)	2,188,905	-	-	-
Unrealized foreign exchange losses - net	<u>1,200,645</u>	<u>(1,200,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax expense (income)	<u>P 435,685,206</u>	<u>P 268,300,061</u>	<u>P 94,027,732</u>	<u>P 6,663,399</u>	<u>P 3,495,352</u>	<u>(P 514,538)</u>

The details of NOLCO, which can be claimed as deduction from the respective entities' future taxable income within three years from the year the loss was incurred, are shown below.

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Applied During the Year</u>	<u>Expired During the Year</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2018	P 25,720,027	P -	P -	P 25,720,027	2021
2017	17,280,360	-	-	17,280,360	2020
2016	11,977,213	-	-	11,977,213	2019
2015	<u>27,352,541</u>	<u>-</u>	<u>(27,352,541)</u>	<u>-</u>	
	<u>P 82,330,141</u>	<u>P -</u>	<u>(P 27,352,541)</u>	<u>P 54,977,600</u>	

Majority of the entities within the Group are subject to the MCIT, which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The total of the MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Year Incurred		Original Amount	Applied During the Year	Expired During the Year	Remaining Balance	Valid Until
2018	P	7,336,263	P -	P -	P 7,336,263	2021
2017		2,681,515	-	-	2,681,515	2020
2016		2,700,509	-	-	2,700,509	2019
2015		1,668,387	-	(1,668,387)	-	
	P	14,386,674	P -	(P 1,668,387)	P 12,718,287	

Certain subsidiaries within the Group did not recognize deferred tax assets in accordance with the relevant accounting standards. The unrecognized deferred tax assets are broken down as follows:

	2018	2017
Allowance for impairment	P 132,294,356	P 131,960,306
NOLCO	11,745,716	5,667,926
Retirement benefit obligation	668,842	705,646
MCIT	377,648	361,323
	P 145,086,562	P 138,695,201

Management has assessed that for other entities within the Group, the net losses incurred as well as the related NOLCO, can be recovered through their respective future operations.

The Group opted to continue claiming itemized deductions for the years ended December 31, 2018, 2017 and 2016 in computing for its income tax due.

24. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associates, stockholder, related parties under common ownership, the Company's key management personnel and others as described below.

24.1 Summary of Related Party Transactions

The summary of the Group's transactions with its related parties for the years ended December 31, 2018, 2017 and 2016, and the related outstanding balances as at December 31, 2018 and 2017 is as follows:

Related Party Category	Notes	Amount of Transactions			Outstanding Balances	
		2018	2017	2016	2018	2017
Parent company:						
Availment of advances – net of interest and repayments	24.4	(P 232,598,725)	(P 421,785,909)	(P 27,421,263)	(P 757,239,595)	(P 524,640,870)
Lease of office spaces	24.2	67,545,144	40,792,632	6,096,964	-	-
Commission expense	24.5	21,051,434	31,477,557	4,355,453	-	-
Services	24.6	8,571,429	8,571,429	17,142,857	-	-
Associates:						
Granting of cash advances – net of collections and reclass	24.3	(128,561,143)	(28,785,461)	(90,724,403)	53,903,282	182,464,425
Lease of office spaces	24.2	-	-	-	580,028	580,028

Related Party Category	Notes	Amount of Transactions			Outstanding Balances	
		2018	2017	2016	2018	2017
Other investors of shareholders:						
Granting of cash advances – net of collections	24.3	(126,550,886)	41,713,191	(38,749,984)	711,332,714	837,883,600
Availment of advances – net of repayments	24.4	(170,261,053)	7,563,419	23,048,972	(244,655,243)	(414,916,296)
Lease of office spaces	24.2	123,418	617,090	617,092	123,418	194,513

Based on management's assessment, there are no impairment losses required to be recognized on the outstanding receivables from related parties with these transactions as of December 31, 2018 and 2017, except for certain advances to associates as discussed in Notes 24.3 and 28.2 (c).

24.2 Lease of Office Spaces

(a) Group as a Lessor

The Company leases portions of its investment property to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rate of 5%. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of comprehensive income (see Note 11). The related outstanding receivables from these transactions are presented as part of Others under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The related receivables from these transactions are short-term, unsecured, noninterest-bearing and are generally settled in cash upon demand.

(b) Company as a Lessee

In 2012, the Company entered into several operating lease agreements as a lessee with Megaworld, covering showrooms for advertising and promotional use. The leases have terms ranging from one to five years with renewal options, and include annual escalation rates of 5% to 10%. Rental expense incurred in relation to these leases is presented as part of Rental under Operating Expenses account in the consolidated statements of comprehensive income (see Note 20). There was no outstanding balance from this transaction as of December 31, 2018 and 2017.

In 2016, the Company entered into a lease agreement as lessee with Megaworld for the new space where the Company transferred its office in 2017. In relation to this, the Company's prepayments and deposits amounted P47.9 million and to P45.2 million as of December 31, 2018 and 2017, respectively, and are included as part of Prepayments and Others under the Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 8). Total rent expense recognized amounted to P67.5 million and 40.7 million in 2018 and 2017, respectively, and is presented as part of Rental under Operating Expenses account in the consolidated statement of comprehensive income (see Note 20).

24.3 Advances to Related Parties

The Group grants advances to its associates and other related parties for working capital purposes. These advances to related parties are unsecured, noninterest-bearing and repayable in cash upon demand. The balances of these advances, shown as Advances to Related Parties account in the consolidated statements of financial position as at December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Associates	P 53,903,282	P 182,464,425
Other investee companies of shareholders	<u>711,332,714</u>	<u>837,883,600</u>
	<u>P 765,235,996</u>	<u>P1,020,348,025</u>

A summary of transactions with these related parties are as follows:

	<u>Amount of Transactions</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Associates:			
Balance at beginning of year	P 182,464,425	P 211,249,886	P 241,974,289
Effect of application of PFRS 9	(11,135,011)	-	-
As restated	171,329,414	211,249,886	241,974,289
Collections	(125,902,066)	(28,834,702)	(30,938,172)
Cash advances granted	12,325,247	49,241	213,769
Impairment	(3,849,313)	-	-
Balance at end of year	<u>P 53,903,282</u>	<u>P 182,464,425</u>	<u>P 211,249,886</u>
Other investee companies of shareholders:			
Balance at beginning of year	P 837,883,600	P 796,170,409	P 834,920,393
Cash advances granted	141,462,681	128,915,926	79,364,859
Collections	(268,013,567)	(87,202,735)	(118,114,843)
Balance at end of year	<u>P 711,332,714</u>	<u>P 837,883,600</u>	<u>P 796,170,409</u>

The Group also has short-term, unsecured and noninterest-bearing outstanding advances to officers and employees amounting to P224.0 million and P196.9 million as of December 31, 2018 and 2017, respectively, which are presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). These are settled through salary deduction or liquidation.

As at December 31, 2018, management assessed that certain advances to associates amounting to P3.8 million are not recoverable [see Note 28.2 (c)]. As at December 31, 2017, based on management's assessment, the outstanding balances of Advances to related parties are not impaired, hence, no allowance for impairment losses was recognized.

24.4 Advances from Related Parties

The Group obtains advances from its parent company and other related parties for working capital purposes. These advances are unsecured and are repayable in cash upon demand. Also, except for the advances from Megaworld, these advances are noninterest-bearing.

The balances of these advances, shown as Advances from Related Parties account in the consolidated statements of financial position as at the end of the reporting periods, are as follows:

	<u>2018</u>	<u>2017</u>
Parent company	P 757,239,595	P 524,640,870
Other investee companies of shareholders	<u>244,655,243</u>	<u>414,916,296</u>
	<u>P1,001,894,838</u>	<u>P 939,557,166</u>

A summary of transactions with these related parties are as follows:

	<u>Amount of Transactions</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Parent company:			
Balance at beginning of year	P 524,640,870	P 102,854,961	P 75,433,698
Cash advances obtained	274,246,676	410,802,780	20,520,439
Repayments	(49,266,395)	-	-
Interest expense	<u>7,618,444</u>	<u>10,983,129</u>	<u>6,900,824</u>
Balance at end of year	<u>P 757,239,595</u>	<u>P 524,640,870</u>	<u>P 102,854,961</u>
Other investee companies of shareholders:			
Balance at beginning of year	P 414,916,296	P 422,479,715	P 445,528,687
Repayments	(291,022,777)	(12,989,000)	(23,048,972)
Cash advances obtained	<u>120,761,724</u>	<u>5,425,581</u>	<u>-</u>
Balance at end of year	<u>P 244,655,243</u>	<u>P 414,916,296</u>	<u>P 422,479,715</u>

The advances from Megaworld bear annual interest of 6.0%. The interest expense incurred in 2018, 2017 and 2016 are presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

The related unpaid interest of the advances from Megaworld amounting to P39.4 million and P31.9 million as at December 31, 2018 and 2017, respectively, is included as part of the Advances from Related Parties account in the consolidated statements of financial position.

24.5 Commissions

In the normal course of business, the Group pays commissions to Megaworld for marketing services rendered by the latter with the purpose of increasing sales from its on-going projects. The commissions are based on pre-agreed rates and are payable once a certain percentage of the contract price has been collected. Commissions incurred in 2018, 2017 and 2016 are presented as part of Commissions under Operating Expenses in the consolidated statements of comprehensive income (see Note 20).

There was no outstanding balance from this transaction as of December 31, 2018 and 2017.

24.6 Services

In 2018 and 2017, the Company obtained services from parent company for a fixed consideration. The amount of expenses incurred from such transaction is recorded as part of Miscellaneous under the Operating Expenses account in the 2018, 2017 and 2016 consolidated statements of comprehensive income while the related outstanding payable, which is short-term, unsecured, noninterest bearing and settled in cash upon demand, is presented as part of Others under Trade and Other Payables account in the consolidated statements of financial position (see Notes 15 and 20).

24.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	Note	2018	2017	2016
Short-term benefits	P	23,613,997	P 21,297,376	P 19,974,925
Share-based employee compensation	25.2	3,307,158	10,039,313	18,527,020
Post-employment defined benefit		<u>4,768,956</u>	<u>5,047,508</u>	<u>3,834,342</u>
	P	<u>31,690,111</u>	P <u>36,384,197</u>	P <u>42,336,287</u>

25. EQUITY AND REDEEMABLE PREFERENCE SHARES

25.1 Capital Stock

Capital stock as of December 31, 2018, 2017 and 2016 consists of:

	Shares	Amount
Common shares – P1 par value		
Authorized	<u>20,000,000,000</u>	<u>P 20,000,000,000</u>
Issued and outstanding		
Balance at end of year	<u>10,986,000,000</u>	<u>P 10,986,000,000</u>

On November 23, 1995, the SEC approved the listing of the Company's common shares totaling 150.0 million. The shares were initially issued at an offer price of P19.50 per common share. As at December 31, 2018 and 2017, there are 4,231 and 4,256 holders of the listed shares, respectively, which closed at P1.13 per share and P1.43 per share, respectively.

The Company also made additional listings of 2.2 billion, 5.0 billion and 2.5 billion shares on January 11, 2007, January 20, 2011 and August 14, 2013, respectively.

25.2 Employee Stock Option Plan

On September 23, 2011, the BOD of the Company approved an Executive Stock Option Plan (the ESOP) for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of the Company, who are largely responsible for its further growth and development, to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The ESOP is being administered by the Executive Compensation Committee of the BOD.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 500.0 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The Company shall receive cash for the stock options.

As of December 31, 2018, pursuant to this ESOP, the Company has granted the option to its key company executives to subscribe to 400.0 million shares of the Company. An option holder may exercise in whole or in part his vested option, provided that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. A total of 383.3 million and 350.0 million options have vested as at December 31, 2018 and 2017, respectively, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below.

Grant dates	:	February 16, 2012, February 18, 2013 March 7, 2014, March 9, 2015, July 14, 2016
Vesting period ends	:	February 15, 2015, February 17, 2016, March 6, 2017, February 16, 2018 July 13, 2019
Option life	:	Seven years
Share price at grant dates	:	P2.10, P2.09, P1.60, P1.63, P1.02
Exercise price at grant dates	:	P1.93, P1.69, P1.50, P1.65, P1.00
Average fair value at grant dates	:	P2.27, P0.74, P0.42, P0.34, P0.24
Average standard deviation of share price returns	:	57.10%, 20.85%, 16.16%, 12.16%, 15.29%
Average risk-free investment rates	:	2.46%, 2.14%, 2.46%, 2.51%, 2.59%

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

A total of P3.3 million, P10.0 million and P18.5 million share-based employee compensation is recognized for the years ended December 31, 2018, 2017 and 2016 respectively, and is included as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of comprehensive income (see Notes 20 and 22.1), and is credited to Retained Earnings in the equity section of the consolidated statements of financial position.

25.3 Redeemable Preferred Shares

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. The accrued interest on these preferred shares amounting to P1.9 million and P2.4 million as at December 31, 2018 and 2017, respectively, is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15). The related interest expense recognized amounting to P28.4 million, P28.9 million, P29.0 million in 2018, 2017 and 2016, respectively, and is presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 19.2).

The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date. The sixth anniversary date was on December 3, 2018. Accordingly, 1/5 of the aggregate face value amounting to P251.6 million has been redeemed as of December 31, 2018.

Based on PAS 32, the preferred shares are considered as financial liabilities due to fixed redemption date and mandatory dividends to the holders. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

26. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
Basic:			
Net profit attributable to Company's shareholders	P 1,495,316,796	P 1,453,107,596	P 1,025,566,443
Divided by weighted number of outstanding common shares	<u>10,986,000,000</u>	<u>10,986,000,000</u>	<u>10,986,000,000</u>
	<u>P 0.136</u>	<u>P 0.132</u>	<u>P 0.093</u>

	<u>2018</u>	<u>2017</u> (As Restated -- see Note 2)	<u>2016</u> (As Restated -- see Note 2)
Diluted:			
Net profit attributable to Company's shareholders	P 1,495,316,796	P 1,453,107,596	P 1,025,566,443
Divided by weighted number of outstanding common shares	<u>11,357,527,777</u>	<u>11,318,638,888</u>	<u>11,252,666,666</u>
	<u>P 0.132</u>	<u>P 0.128</u>	<u>P 0.091</u>

In relation to the approved ESOP for key executive officers, the vested options exercisable by any of the option holders are considered as potentially dilutive shares as at the end of the reporting periods.

27. COMMITMENTS AND CONTINGENCIES

27.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use (see Note 11). The leases, except for the development rights which have a term of 32 years, have terms ranging from 1 to 25 years, with renewal options, and include annual escalation rates of 3% to 10%. The average annual rental covering these agreements amounts to P367.3 million.

Future minimum lease payments receivable under these agreements are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Within one year	P 643,955,467	P 325,857,821	P 31,055,507
After one year but not more than five years	2,556,726,047	1,251,264,214	229,291,977
More than five years	<u>1,912,531,731</u>	<u>1,939,533,936</u>	<u>338,964,309</u>
	<u>P 5,113,213,245</u>	<u>P 3,516,655,971</u>	<u>P 599,311,793</u>

27.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering office spaces and condominium units for administrative use. The leases have terms ranging from one to five years with renewal options, and include a 3% to 10% annual escalation rate. The average annual rental covering these agreements amounts to P115.8 million. The future minimum rental payables under these non-cancelable leases as of the end of the reporting periods are presented below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Within one year	P 65,930,401	P 104,260,390	P 2,485,141
After one year but not more than five years	<u>172,815,440</u>	<u>238,745,459</u>	<u>2,101,270</u>
	<u>P 238,745,841</u>	<u>P 343,005,849</u>	<u>P 4,586,411</u>

27.3 Others

There are other commitments and contingent liabilities that may arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As of the end of the reporting period, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 29.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

28.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Group's United States (U.S.) dollar-denominated cash and cash equivalents.

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

U.S. dollar denominated financial assets, translated into Philippine pesos at December 31, 2018, 2017 and 2016 closing rate, pertain to cash and cash equivalents amounting to P118.9 million, P107.5 million and P75.0 million, respectively. The Group has no U.S. dollar denominated financial liabilities in 2018, 2017 and 2016.

If the Philippine peso had strengthened against the U.S. dollar, profit before tax would have decreased by P13.2 million, P14.0 million and P9.7 million in 2018, 2017 and 2016, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased profit before tax in 2018, 2017 and 2016 by the same amount. This sensitivity of the net result for the year assumes a +/- 11.1%, +/- 13.0% and +/- 12.9% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2018, 2017 and 2016, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months for 2018 and 2017 estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) *Interest Rate Risk*

At December 31, 2018 and 2017, the Group is exposed to changes in market interest rates through its cash and cash equivalents and long-term interest-bearing loans, which are subject to variable interest rates (see Notes 5 and 14). All other financial assets and liabilities have fixed rates.

The sensitivity of the Group's profit before tax is analyzed based on reasonably possible change for the year to a reasonably possible change in interest rates of +/- 1.38%, +/- 0.52%, and +/- 0.26% in 2018, 2017 and 2016, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from beginning of the year. All other variables held constant, if the interest rate increased by 1.38%, 0.52% and 0.26% in 2018, 2017 and 2016, profit before tax would have decreased by P31.5 million, P29.6 million and P5.3 million in 2018, 2017 and 2016, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2018, 2017 and 2016 would have been higher by the same amount.

28.2 Credit Risk

Credit risk is the risk when a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers and related parties and by placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position, as summarized below.

	Notes	2018	2017 (As Restated – see Note 2)
Cash and cash equivalents	5	P 1,771,302,129	P 3,158,177,984
Trade and other receivables – net	6	4,660,544,957	2,913,878,875
Contract assets	18.2	3,530,180,685	2,360,534,068
Advances to related parties	23.3	765,235,996	1,020,348,025
Refundable deposits	13	118,009,922	100,812,423
		P10,845,273,689	P 9,553,751,375

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

(a) *Cash and Cash Equivalents*

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

As part of Group policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

The Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance for impairment will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

As of December 31, 2018 and 2017, impairment allowance is not material.

(b) *Trade and Other Receivables and Contract Assets*

Credit risk of receivables and contract assets from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking information specific to the buyers and the economic environment.

The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to beyond 90 days. Furthermore, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as rental receivables are also evaluated by the Group for impairment and assessed that no ECL should be provided. Rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are in average equivalent to six months.

(c) *Advances to Related Parties*

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from certain related parties as of December 31, 2018 and 2017 are not recoverable since these related parties have no capacity to pay the advances upon demand. Accordingly, impairment losses amounting to P3,849,313 was recognized in 2018 and is presented as part of Miscellaneous under Operating Expenses in the 2018 consolidated statement of comprehensive income. In addition, impairment loss amounting to P11,135,011 was recognized as an adjustment to opening balance of Retained Earnings account (see Note 24.3).

The Group does not consider any significant risks in the remaining advances to related parties since Megaworld and other related parties, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of December 31, 2018 and 2017, impairment allowance is not material.

28.3 Liquidity Risk

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

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of end of the reporting periods, the Group's financial liabilities have contractual maturities which are presented below and in the succeeding page.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
December 31, 2018				
Interest-bearing loans	P 905,840,531	P 928,549,361	P 2,738,365,703	P -
Trade and other payables	1,402,295,584	1,552,493,002	-	-
Advances from related parties	1,001,894,838	-	-	-
Due to joint venture partners	-	-	395,424,643	-
Redeemable preferred shares	-	268,957,813	772,152,973	-
Accrued dividends on preferred shares	-	1,872,369	-	-
Retention payable	-	40,383,531	-	320,919,633
	<u>P 3,310,030,953</u>	<u>P 2,792,256,076</u>	<u>P 3,905,943,319</u>	<u>P 820,919,633</u>

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
December 31, 2017 – As Restated				
Interest-bearing loan	P 666,224,710	P 654,843,686	P 4,312,484,397	P -
Trade and other payables	1,015,741,852	1,316,803,594	-	-
Advances from related parties	939,557,166	-	-	-
Due to joint venture partners	-	-	396,374,951	-
Redeemable preferred shares	-	274,744,557	1,041,110,786	-
Accrued dividends on preferred shares	-	2,363,845	-	-
Retention payable	-	62,800,573	-	771,756,301
	<u>P 2,621,523,728</u>	<u>P 2,311,556,255</u>	<u>P 5,749,970,134</u>	<u>P 771,756,301</u>

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

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

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

Notes	2018		2017 (As Restated – see Note 2)		
	Carrying Values	Fair Values	Carrying Values	Fair Values	
Financial assets					
At amortized cost					
Cash and cash equivalents	5	P 1,771,302,129	P 1,771,302,129	P 3,158,177,984	P 3,158,177,984
Trade and other receivables – net	6	4,660,544,957	4,660,544,957	2,913,878,875	2,913,878,875
Advances to related parties	24.3	765,235,996	765,235,996	1,020,348,025	1,020,348,025
Refundable deposits	13	118,009,922	118,009,922	100,812,423	100,812,423
		<u>P 7,315,093,004</u>	<u>P 7,315,093,004</u>	<u>P 7,193,217,307</u>	<u>P 7,193,217,307</u>
Financial liabilities					
At amortized cost					
Interest-bearing loan	14	P 4,060,772,360	P 3,988,865,408	P 5,055,929,487	P 4,993,095,727
Trade and other payables	15	2,954,788,586	2,954,788,586	2,332,545,445	2,332,545,445
Advances from related parties	24.4	1,001,894,838	1,001,894,838	939,557,166	939,557,166
Due to joint venture partners	16	395,424,643	395,424,643	396,374,951	396,374,951
Retention payable	15, 17	861,303,164	861,303,164	834,556,874	834,556,874
Redeemable preferred shares	25	1,006,390,320	877,096,033	1,257,987,900	1,056,292,185
Accrued dividends on preferred shares	15	1,872,369	1,872,369	2,363,845	2,363,845
		<u>P10,282,446,280</u>	<u>P 10,081,245,041</u>	<u>P10,819,315,668</u>	<u>P 10,554,786,193</u>

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2018 and 2017 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders or upon instruction by the Group. As such, the Group's outstanding advances to related parties amounting to P765.2 million and P1,020.3 million can be offset by the amount of outstanding advances from related parties amounting to P1,001.9 million and P939.6 million as at December 31, 2018 and 2017, respectively (see Note 24).

The Group has cash in certain local banks to which it has outstanding loans (see Note 14). In case of the Group's default on loan amortization, cash in bank amounting to P774.5 million and P2,362.2 million can be applied against its outstanding loans amounting to P4,060.7 million and P5,055.9 million as of December 31, 2018 and 2017, respectively (see Note 14).

30. FAIR VALUE MEASUREMENT AND DISCLOSURES

30.1 Fair Value Hierarchy

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

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

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

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

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

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2018 and 2017 consolidated statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2018:				
Financial Assets:				
Cash and cash equivalents	P1,771,302,129	P -	P -	P 1,771,302,129
Trade and other receivables – net	-	-	4,660,544,957	4,660,544,957
Advances to related parties	-	-	765,235,996	765,235,996
Refundable deposits	-	-	118,009,922	118,009,922
	<u>P1,771,302,129</u>	<u>P -</u>	<u>P 5,543,790,875</u>	<u>P 7,315,093,004</u>
Financial Liabilities:				
Interest-bearing loans	P -	P -	P 3,988,865,408	P 3,988,865,408
Trade and other payables	-	-	2,954,788,586	2,954,788,586
Advances from related parties	-	-	1,001,894,838	1,001,894,838
Due to joint venture partners	-	-	395,424,643	395,424,643
Retention payable	-	-	861,303,164	861,303,164
Redeemable preferred shares	-	-	877,096,033	877,096,033
Accrued dividends on preferred shares	-	-	1,872,369	1,872,369
	<u>P -</u>	<u>P -</u>	<u>P 10,081,245,041</u>	<u>P 10,081,245,041</u>
2017 – As Restated:				
Financial Assets:				
Cash and cash equivalents	P3,158,177,984	P -	P -	P 3,158,177,984
Trade and other receivables – net	-	-	2,913,878,875	2,913,878,875
Advances to related parties	-	-	1,020,348,025	1,020,348,025
Refundable deposits	-	-	100,812,423	100,812,423
	<u>P3,158,177,984</u>	<u>P -</u>	<u>P 4,035,039,323</u>	<u>P 7,193,217,307</u>
Financial Liabilities:				
Interest-bearing loans	P -	P -	P 4,993,095,727	P 4,993,095,727
Trade and other payables	-	-	2,332,545,445	2,332,545,445
Advances from related parties	-	-	939,557,166	939,557,166
Due to joint venture partners	-	-	396,374,951	396,374,951
Retention payable	-	-	834,556,874	834,556,874
Redeemable preferred shares	-	-	1,056,292,185	1,056,292,185
Accrued dividends on preferred shares	-	-	2,363,845	2,363,845
	<u>P -</u>	<u>P -</u>	<u>P 10,554,786,193</u>	<u>P 10,554,786,193</u>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values due to their short-term duration.

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

30.3 Investment Property Measured at Cost for Which Fair Value is Disclosed

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is its current use. The valuation process was conducted by the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of the investment property was determined based on the following approaches:

(i) Fair Value Measurement for Land and Land Development and Improvements

The Level 3 fair value of land and land developments and improvements was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(ii) Fair Value Measurement for Building and Improvements

The fair value of the Group's building and improvements, which are classified under Level 3 of the fair value hierarchy, is determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate applicable to these assets.

(iii) Fair Value Measurement of Construction in Progress

The Level 3 fair value of the construction in progress was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated cost used in the valuation will result in higher fair value of the properties.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2018.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group also monitors its debt coverage ratio (DCR) in each of the reporting periods. As at December 31, 2018 and 2017, the Group's DCR is 1.60:1.00 and 1.95:1.00, respectively.

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

	<u>2018</u>	2017 (As Restated – see Note 2)
Total liabilities	P 14,870,123,288	P 15,145,842,191
Total equity	<u>31,159,907,878</u>	<u>29,442,568,228</u>
Debt-to-equity ratio	<u>0.48 : 1.00</u>	<u>0.51 : 1.00</u>

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2018 and 2017 is presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

	<u>Interest-bearing Loans (See Note 15)</u>	<u>Advances from Related Parties (See Note 24)</u>	<u>Total</u>
Balance as of January 1, 2018	P 5,055,929,487	P 939,557,166	P 5,995,486,653
Cash flows from financing activities:			
Additional borrowings	50,000,000	395,008,400	445,008,400
Interest expense	-	7,618,444	7,618,444
Repayments of borrowings	(1,045,157,127)	(340,289,172)	(1,385,446,299)
Balance as of December 31, 2018	<u>P 4,060,772,360</u>	<u>P 1,001,894,838</u>	<u>P 5,062,667,198</u>
Balance as of January 1, 2017	P 3,927,083,333	P 525,334,676	P 4,452,418,009
Cash flows from financing activities:			
Additional borrowings	2,000,000,000	416,228,361	2,416,228,361
Interest expense	-	10,983,129	10,983,129
Repayments of borrowings	(871,153,846)	(12,989,000)	(884,142,846)
Balance as of December 31, 2017	<u>P 5,055,929,487</u>	<u>P 939,557,166</u>	<u>P 5,995,486,653</u>

33. EVENT AFTER THE END OF THE REPORTING PERIOD

On February 20, 2019, R.A. 11232, *Revised Corporation Code of the Philippines* (Code), was enacted and signed into law. The R.A. amended certain provisions of the Corporation Code of the Philippines effective March 8, 2019. Among the amendments, the removal of the 50-year limitation to corporate term for stock corporations is deemed to be the most relevant to the Group. The management deemed further that other amendments and new provisions contained in the revised Code are not material to the Group.



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**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the Basic
Consolidated Financial Statements**

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

**The Board of Directors and Stockholders
Global-Estate Resorts, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)**

16th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global-Estate Resorts, Inc. and subsidiaries (the Group) for the year ended December 31, 2018, on which we have rendered our report dated April 8, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 7333700, January 3, 2019, Makati City

SEC Group A Accreditation

Partner - No. 1363-AR-1 (until Mar. 1, 2020)

Firm - No. 0002-FR-5 (until Mar. 26, 2021)

BIR AN 08-002511-37-2016 (until Oct. 3, 2019)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

Certified Public Accountants

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

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

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2018

Report of Independent Auditors on Supplementary Schedules Filed Separately
from the Basic Financial Statements

(1) Supplementary Schedules to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule

A	Financial Assets (Marketable Securities)	na
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	Intangible Assets - Other Assets	3
E	Long-Term Debt	4
F	Indebtedness to Related Parties	5
G	Guarantees of Securities of Other Issuers	na
H	Capital Stock	6
(2)	Reconciliation of Retained Earnings Available for Dividend Declaration	7
(3)	Map Showing the Relationship Between and Among Related Parties	8
(4)	List of Standards and Interpretations under Philippine Financial Reporting Standards as of December 31, 2018	9

GLOBAL ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Due from Related Parties							
FENI	P 35,688,400	-	-	P 35,083,400	P -	-	P -
FDRC	25,627,956	-	-	24,262,920	1,365,036	-	1,365,036
FRSAT	49,221,758	-	-	41,703,069	7,518,690	-	7,518,690
FESI	39,232,001	-	-	39,232,001	-	-	-
BNECI	32,694,310	49,220	-	-	32,743,530	-	32,743,530
NPI	-	11,951,130	-	-	11,951,130	-	11,951,130
MEG	-	324,897	-	-	324,897	-	324,897
Other related parties	837,883,690	141,462,681	268,013,569	-	711,332,713	-	711,332,713
TOTAL	P 1,020,348,025	P 353,787,929	P 268,013,569	P 140,896,389	P 765,235,996	-	P 765,235,996
Advances to Officers and Employees							
Marcelo, Catherine	P -	-	-	-	-	-	-
Romaldex, Jennifer	935,577	-	9,455	-	926,123	-	926,123
Binaig, Macaraig, Melody	620,521	-	35,361	-	535,160	-	535,160
Chiebo, Sabrina	47,487	-	39,145	-	8,341	-	8,341
Llagasat, Henzie	2,583,329	3,185,002	-	-	5,768,331	-	5,768,331
Sanson, Ma. Rica	216,337	-	-	-	216,337	-	216,337
Sanchez, Christopher	8,947	-	-	-	8,947	-	8,947
Villanueva, Lanie	221,033	200,073	-	-	421,107	-	421,107
Bravo, Melissa Anne	131,240	5,554	-	-	186,793	-	186,793
Luna, Mediza Anne	223,925	-	-	-	139,768	-	139,768
Carbon, Thomas George M.	66,862	-	84,157	-	66,862	-	66,862
David, Charr S.	216,107	-	-	-	216,107	-	216,107
Lazung, Fred	225,162	-	-	-	135,791	-	135,791
Marguhit, Felipe	252,143	-	89,371	-	170,498	-	170,498
Saura, Kris Norwin	221,033	-	81,645	-	144,597	-	144,597
Lopez, Gerwinia	359,434	-	76,436	-	262,732	-	262,732
Quintana, Allan	310,147	-	96,702	-	310,147	-	310,147
Hierera, Christopher	180,963	-	121,114	-	359,849	-	359,849
TOTAL	P 7,170,247	P 3,390,629	P 683,388	P -	P 9,877,489	-	P 9,567,342

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)

Schedule C - Amounts Receivable from or Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
 December 31, 2018

(Amounts in Philippine Peso)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Fil Estate Property, Inc. Novo Sierra Holdings Corp. Fil Estate Urban Development Corporation Oceanfront Properties Iyva Lakes Corporation Southwoods Mall, Inc. Fil Estate Golf Development, Inc. Megaworld Global Estate Inc. Global Homes and Communities Inc.	7,652,268,333 353,022 140,081,576 175,964,704 1,740,891 438,017,472 - 4,692,753 11,755 8,413,130,506	P 215,450,655 - 1,403,805 40,609,755 78,453,596 146,468,085 - 120,610 106,489,776 588,998,282	- - - - - - - - - -	P - - - - - - - - - -	P 7,867,718,988 353,022 141,487,380 216,574,459 80,194,487 584,485,558 - 4,813,363 106,501,531 9,002,128,788	P - - - - - - - - - -	P 7,867,718,988 353,022 141,487,380 216,574,459 80,194,487 584,485,558 - 4,813,363 106,501,531 9,002,128,788
Amounts Receivable from Related Parties Eliminated During Consolidation:							
Megaworld Global Estate Inc.	P 3,413,141	P -	P 1,413,141	P -	P -	P -	P -
	P 1,413,141	P -	P 1,413,141	P -	P -	P -	P -

Amounts Payable to Related Parties Eliminated During Consolidation

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

(A Subsidiary of Megaworld Corporation)

Schedule D - Intangible/Other Assets

December 31, 2018

(Amounts in Philippine Peso)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Development Rights	P 274,323,765	P -	9,246,866	P -	P -	P 265,076,899

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

(A Subsidiary of Megaworld Corporation)

Schedule E - Long Term Debt

December 31, 2018

(Amounts in Philippine Pesos)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Bank loan	P <u>4,060,772,360</u>	P <u>1,574,466,462</u>	P <u>2,486,305,898</u>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Year	Balance at End of Period
Megaworld Corporation	P 524,640,870	P 757,239,595
Others	<u>414,916,296</u>	<u>244,655,243</u>
TOTAL	<u>P 939,557,166</u>	<u>P 1,001,894,838</u>

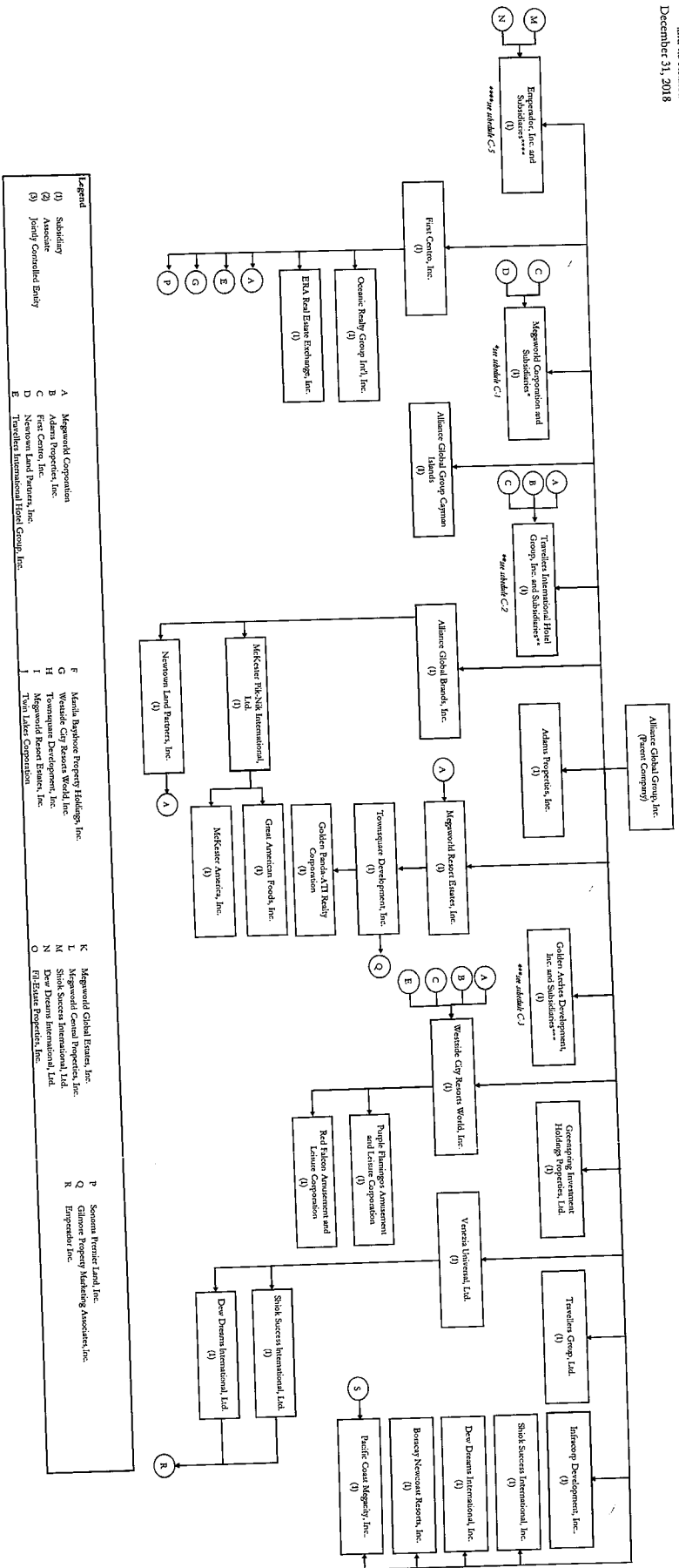
GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares	20,000,000,000	10,986,000,000	-	9,043,850,659	2,722,654	1,939,426,687

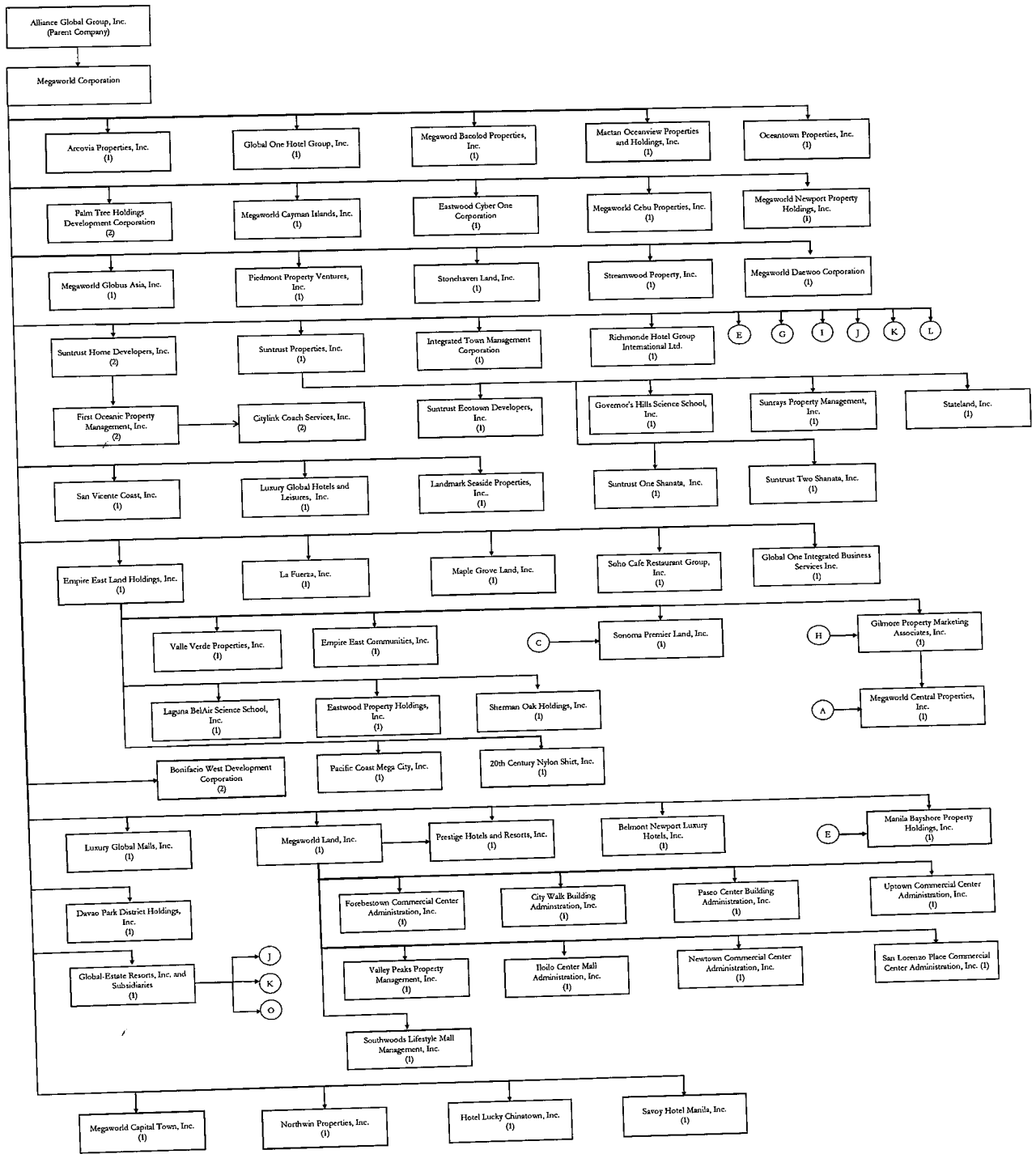
GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2018

Unappropriated Retained Earnings at Beginning of Year	P	3,454,324,603
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax assets	(	<u>83,599,339</u>)
Unappropriated Retained Earnings at Beginning of Year, as Adjusted		3,370,725,264
Net Profit Realized During the Year		
Net profit per audited financial statements	1,169,610,157	
Less: Non-actual/unrealized income, net of tax		
Deferred tax income during the year	(5,722,475)	
Add: Non-actual expense, net of tax		
Share-based employee compensation	<u>2,315,011</u>	<u>1,166,202,693</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>4,536,927,957</u>

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Schedule C - Map Showing the Relationship Between Alliance Global Group, Inc.
 and its Related Parties
 December 31, 2018

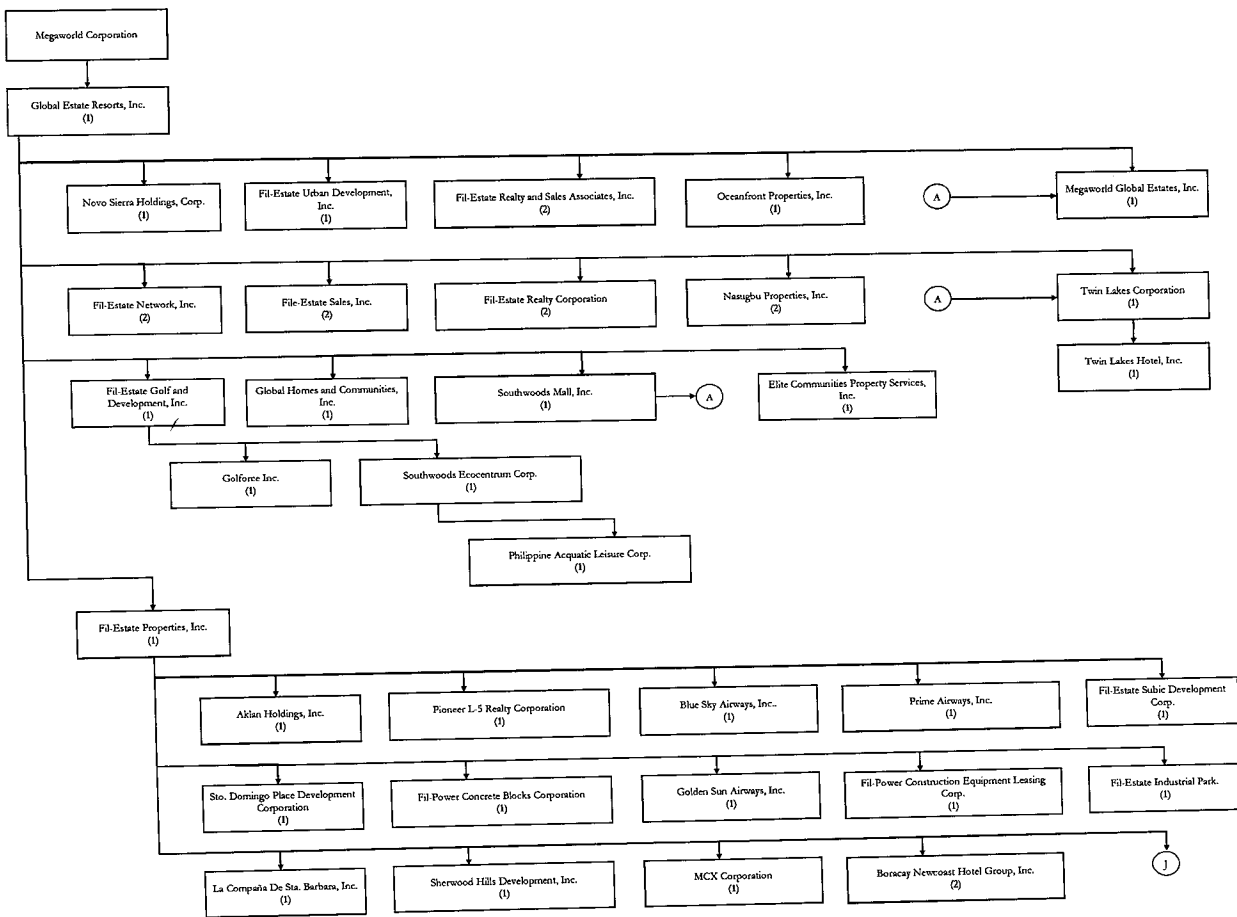


ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Schedule C-1 - Map Showing the Relationship Between Alliance Global Group, Inc.
 and Megaworld Corporation Group
 December 31, 2018



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adarna Properties, Inc.
C	First Centus, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Hill-Estate Properties, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Schedule C-4 - Map Showing the Relationship Between and
 Among Megaworld and Global Estate Resorts Inc. Group
 December 31, 2018



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Tomasquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Fil-Estate Properties, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.

Global-Festate Resorts, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓			
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)	✓		
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers	✓		
PFRS 16	Leases* (effective January 1, 2019)			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Investment in Associates - Measuring an Associate or Joint Venture at Fair Value	✓		
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (effective January 1, 2019)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property - Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants	✓		
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Leases	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective January 1, 2019)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.