VISTA LAND

CREATE. ACHIEVE. EXCEL.

Our Winning Culture

2018 Annual Report

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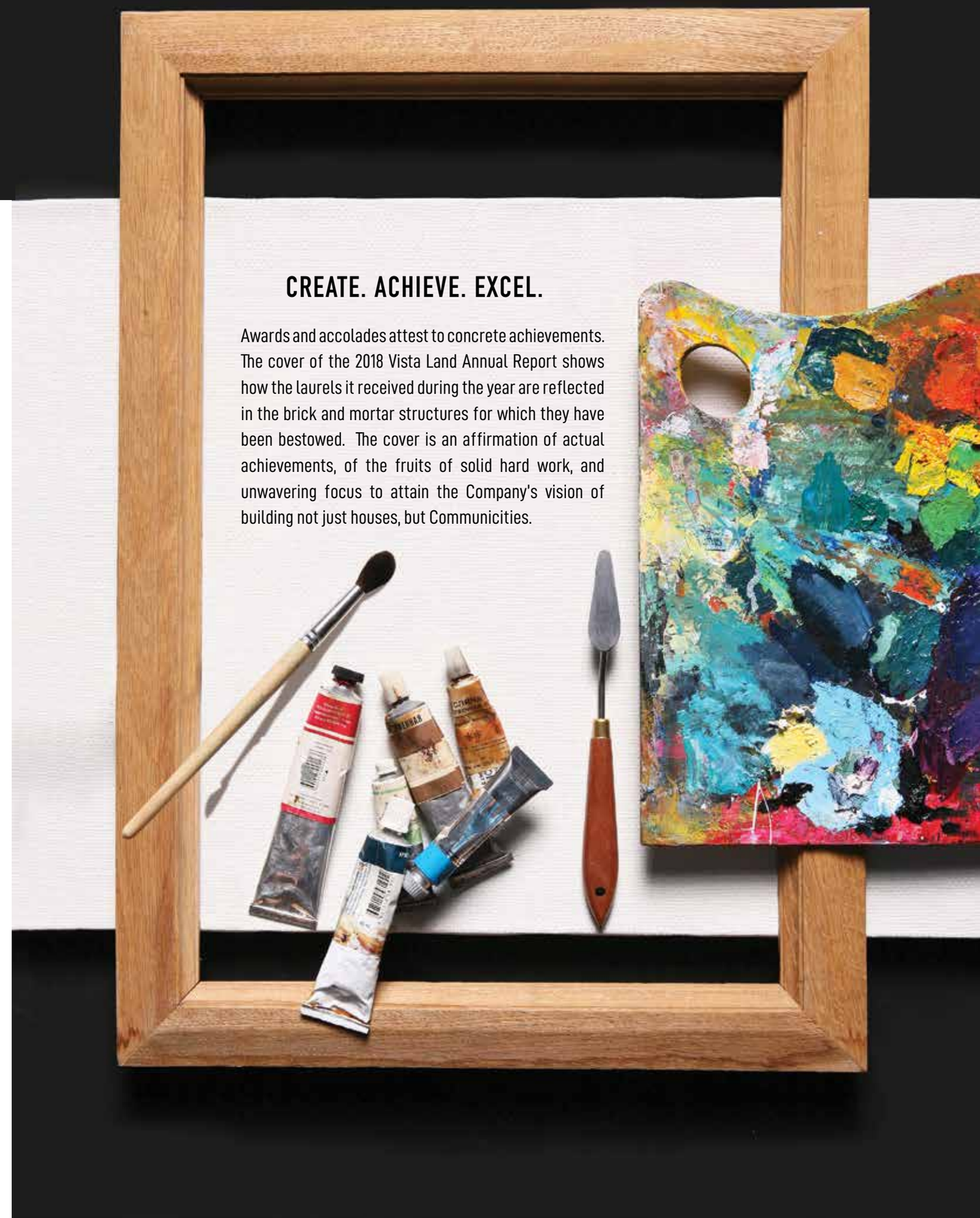
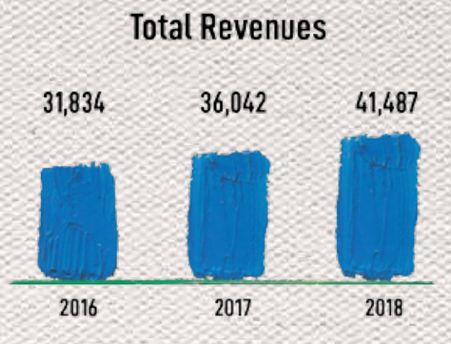
CREATE. ACHIEVE. EXCEL.

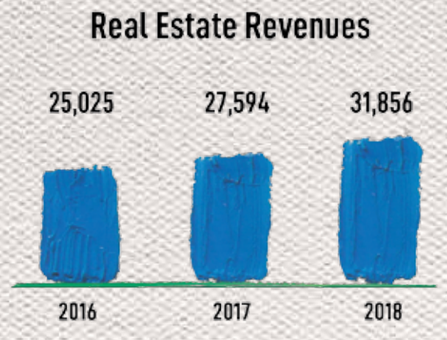
Awards and accolades attest to concrete achievements. The cover of the 2018 Vista Land Annual Report shows how the laurels it received during the year are reflected in the brick and mortar structures for which they have been bestowed. The cover is an affirmation of actual achievements, of the fruits of solid hard work, and unwavering focus to attain the Company's vision of building not just houses, but Communicities.

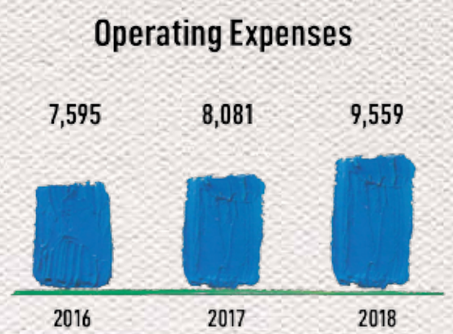


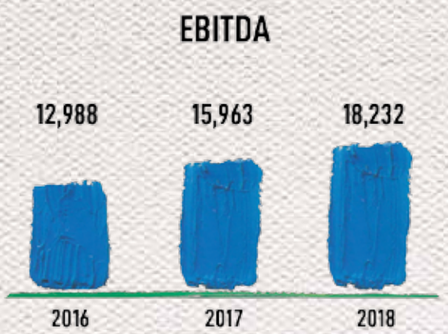
FINANCIAL HIGHLIGHTS

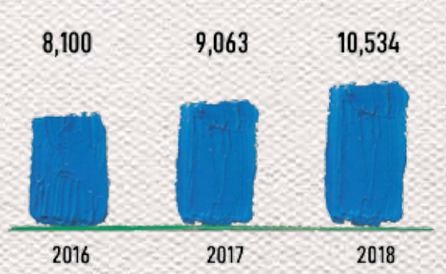
FINANCIAL HIGHLIGHTS (in Php M)	2016	2017	2018
INCOME STATEMENT			
Total Revenues	31,834	36,042	**41,487**
Real Estate Revenues	25,025	27,594	**31,856**
Recurring Revenues	4,671	6,003	**6,972**
Others	2,138	2,445	**2,659**
Operating Expenses	7,595	8,081	**9,559**
EBITDA	12,988	15,963	**18,232**
Net Income	8,100	9,063	**10,534**
BALANCE SHEET			
Cash and Investments	37,933	40,159	**47,645**
Total Assets	174,768	199,935	**238,262**
Total Borrowings	79,500	94,061	**121,547**
Net Debt	37,679	50,142	**71,118**
Total Liabilities	98,273	115,927	**146,355**
Equity	76,495	84,008	**91,907**
Financial Ratios			
Current Ratio	3.28	4.67	**3.77**
Net debt to equity	0.49	0.60	**0.77**
Debt to equity	0.99	1.07	**1.29**
Return on Equity	10.59%	10.79%	**11.46%**
Return on Assets	4.63%	4.53%	**4.42%**
Cashflows			
Net Cash provided by operating activities	5,772.18	1,986.06	**3,066.59**
Net Cash used in investing activities	(10,875.84)	(6,149.5)	**(10,347.86)**
Net Cash provided by financing activities	7,988.82	6,755.26	**15,803.73**

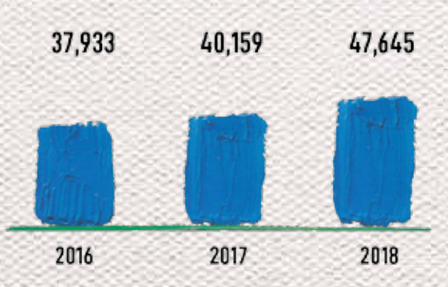


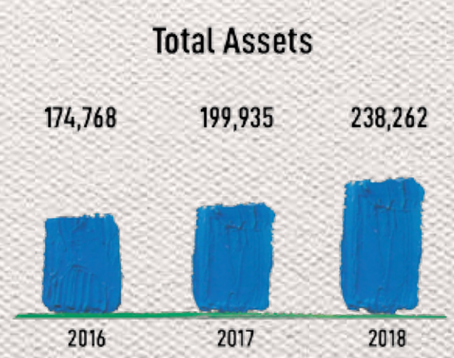


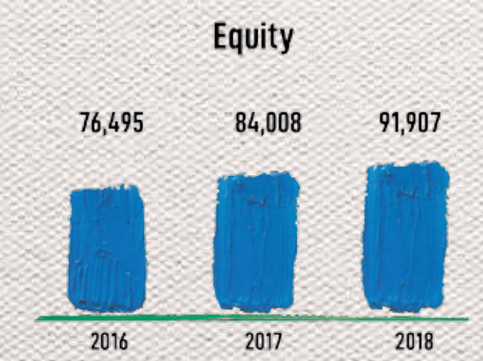












AT A GLANCE

A Leading Integrated Property Developer & The Philippines' Largest Homebuilder

Launched 57 projects with an estimated total value of about P51.7 billion

BRITTANY

Develops luxury houses in masterplanned communities, catering to the high-end market segment in Mega Manila.

Established: 1993

PROJECT PORTFOLIO

La Posada (Sucat, Muntinlupa)
Portofino South (Daang Hari, Alabang)
Portofino Courtyards (Daang Hari, Alabang)
Amore (Daang Hari, Alabang)
Georgia Club (Sta. Rosa, Laguna)
Augusta (Sta. Rosa, Laguna)
Crosswinds (Tagaytay City)
Alpine Tower (Tagaytay City)

DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	**725.87**	1,151.53	-37.0% ▼
Revenues	**481.44**	903.98	-46.7% ▼
Gross Profit	**304.92**	618.06	-50.7% ▼
EBITDA	**194.21**	234.94	–17.3% ▼

CROWNASIA

Caters to the upper middle market housing segment in Mega Manila.

Established: 1995

PROJECT PORTFOLIO

Valenza (Sta. Rosa, Laguna)
Fortezza (Cabuyao, Laguna)
Marina Heights (Sucat, Muntinlupa)
Citta Italia (Bacoor, Cavite)
Augustine Grove (Dasmariñas, Cavite)
Ponticelli (Daang Hari)
Maia Alta (Antipolo, Rizal)
Brescia (Commonwealth, Quezon City)

DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	**1,337.10**	1,500.58	-10.9% ▼
Revenues	**979.47**	1,178.70	-16.9% ▼
Gross Profit	**585.17**	636.57	-8.1% ▼
EBITDA	**269.05**	310.80	-13.4% ▼

Camella

Servicing the affordable and middle-income housing segment in the Mega Manila area.

Established: 1977

PROJECT PORTFOLIO

Camella Verra (Caloocan City)
Camella Ellisande (Taguig City)
Camella Dasma At the IslandS (Dasmariñas, Cavite)
Tierra Nevada (General Trias, Cavite)
Camella Silang (Silang, Cavite)
Cerritos Heights (Daang Hari)
Camella Dos Rios Trails (Cabuyao, Laguna)
Camella East Winds (Pillila, Rizal)

DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	**23,723.30**	21,215.13	11.8% ▲
Revenues	**9,731.46**	8,158.34	19.3% ▲
Gross Profit	**5,082.28**	3,503.36	45.1% ▲
EBITDA	**3,621.89**	1,951.87	85.6% ▲

COMMUNITIES PHILIPPINES

Offers residential properties outside the Mega Manila area in the affordable and middle market segments primarily under the "Camella" and "Lessandra" brands.

Established: 1991

PROJECT PORTFOLIO

Camella Cagayan (Tuguegarao City)
Camella Subic (Subic, Bataan)
Provence (Malolos, Bulacan)
Camella Pinecrest (Bacolod, City)
Camella Prima Butuan (Butuan City)
Camella Taal (Taal, Batangas)
Camella Palawan (Puerto Princesa, Palawan)
The Crest at Gran Europa (Cagayan de Oro City)

DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	**41,108.15**	32,700.71	25.7% ▲
Revenues	**15,358.13**	13,090.68	17.3% ▲
Gross Profit	**8,084.13**	7,613.18	6.2% ▲
EBITDA	**5,296.11**	5,299.19	-0.1% ▼

VISTA RESIDENCES

Builds both mid and high-rise vertical developments.

Acquired: 2009

PROJECT PORTFOLIO

Wil Tower (Eugenio Lopez Drive, Quezon City)
Symphony Tower (South Triangle, Quezon City)
Avant at the Fort (Bonifacio Global City)
Vista Heights (Quiapo,Manila)
Vista Brenthill (Baguio City)
Vista Suarez Cebu (Cebu City)
The Currency (Mandaluyong City)
Vista Shaw (Mandaluyong City)

DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	**8,218.44**	7,979.24	3.0% ▲
Revenues	**5,305.58**	4,262.66	24.5% ▲
Gross Profit	**2,622.42**	1,919.61	36.6% ▲
EBITDA	**1,527.40**	1,134.01	34.7% ▲

starmall

Owner, developer and operator of retail malls that target mass market retail consumers and develops and operates BPO commercial centers.

Acquired: 2015

PROJECT PORTFOLIO

Starmall Las Piñas Annex (Zapote, Las Piñas City
Vista Mall Las Piñas (Zapote, Las Piñas City)
Starmall EDSA Shaw (Wack-wack, Mandaluyong City)
Worldwide Corporate Center (Mandaluyong City)
Starmall Alabang, (Alabang, Muntinlupa City)
Starmall San Jose del Monte (San Jose del Monte, Bulacan)
Vista Mall Daang Hari (Daang Hari)
Vista Mall Sta. Rosa (Sta. Rosa, Laguna)

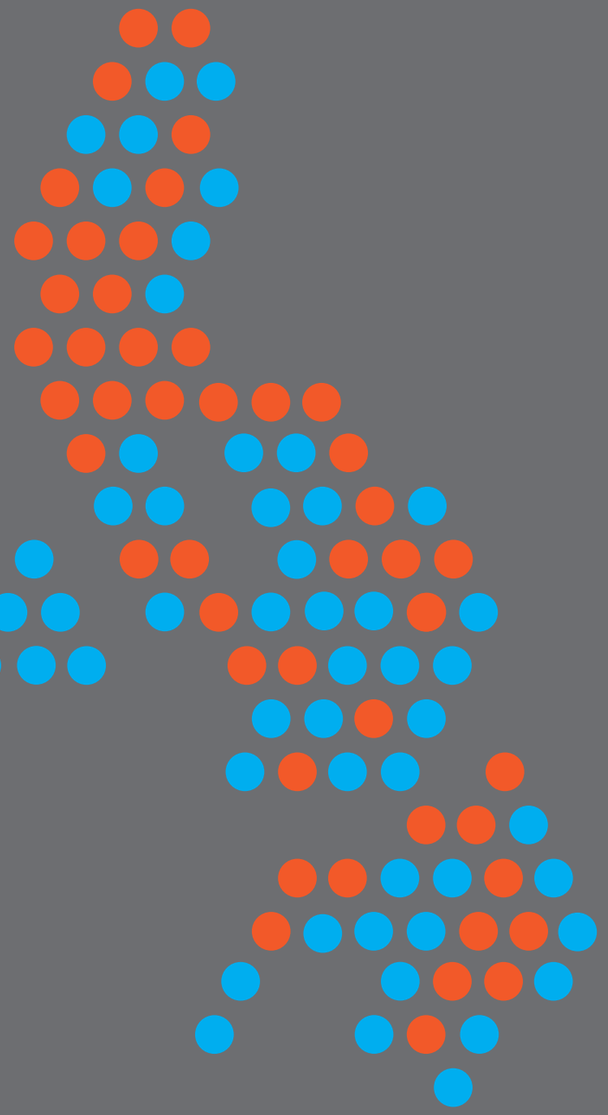
DIVISIONAL INFORMATION (in Php Millions)

	2018	2017	% Change
Reservation Sales	—	—	—
Revenues	**6,285.70**	5,297.20	18.7% ▲
Gross Profit	—	—	—
EBITDA	**4,511.80**	3,939.70	14.5% ▲

GROWTH CHART

Unrivalled nationwide presence in 146 cities and municipalities in 48 provinces across the Philippines

1 Agusan del Norte
2 Agusan del Sur
3 Aklan
4 Albay
5 Bataan
6 Batangas
7 Benguet
8 Bohol
9 Bulacan
10 Bukidnon
11 Cagayan
12 Camarines Sur
13 Camarines Norte
14 Capiz
15 Cavite
16 Cebu
17 Compostela Valley
18 Davao del Norte
19 Davao del Sur
20 Guimaras
21 Ilocos Norte
22 Ilocos Sur
23 Iloilo
24 Isabela
25 Laguna
26 La Union
27 Leyte
28 Masbate
29 Metro Manila
30 Misamis Occidental
31 Misamis Oriental
32 Negros Occidental
33 Negros Oriental
34 North Cotabato
35 Nueva Ecija
36 Nueva Viscaya
37 Palawan
38 Pampanga
39 Pangasinan
40 Quezon
41 Rizal
42 Sorsogon
43 South Cotabato
44 Tarlac
45 Western Samar
46 Zambales
47 Zamboanga Peninsula
48 Zamboanga del Sur



CORPORATE VALUES

Competitive Spirit

Everyday, we step into the battlefield knowing we are well-equipped.
We are a crack team. Better trained. Better skilled. Better motivated.
The competition is there for two reasons: To learn from and to knock out.
We owe it to ourselves to keep building muscle, and we owe it to our customers to keep fighting.

Cost Consciousness

Cost is not a question of numbers, but a question of value. It is not what we can cut out, but what we can save on.
We are lean because we know athat success does not depend on the number of people, but on the number of ideas, and the brilliance of those ideas.
We are not cost conscious to increase our profit margins, but to guarantee that we have sufficient resources for tomorrow.
It is not just the cost to us that we must concern ourselves with, but the cost to our customers as well.

Honesty

We need to be trustworthy, and we need to be trusted.
There must be integrity and reliability in our word, and our character.
Honesty necessitates dependability, fairness, probity, and holding on to high principles.
It is the only way we can believe in each other and our customers can believe in us.

Closeness To Customers

Our future is wrapped up in our customers — along with their dreams, their hopes, their lives.
We must become part of their community — and their family.
What they need is as important as what we do.
It is what drives what we do.
To them, we will always listen. From them, we will always learn.
They are the reason we exist.

Teamwork

Synergy is one of a corporation's greatest assets.
The solitary genius is nice, but teams are stronger.
We have a common goal, and we need each other to get there.
We have each other's back.
We have the company's back.

CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

The idiom "We will not rest on our laurels" may sound cliché. It easily can, when given – and taken – at face value. For us at Vista Land, however, our laurels are both a motivation and a commitment -- the essence that keeps us going.

In 2018, Vista Land got 11 major industry citations.

We were named Agora Marketing Company of the Year by the Philippine Marketing Association; Best Investor Relations Company by Corporate Governance Asia at the Asian Excellence Awards; Homebuilder of the Year by APAC Insider at the Philippine Business Awards; one of the Top Ten Developers in the Philippines at the BCI Asia Awards; Most Innovative Community Developer – Philippines at the International Finance Awards; an Award of Excellence for "Buksan ang Bagong Bukas" by the International Association of Business Communicators-Philippines at the Anvil Awards and a Silver Anvil from the Public Relations Society of the Philippines. In addition, our Starmalls, Inc, was recognized as one of Asia's Most Trusted Companies by the International Brand Consulting Corporation, USA.

Our CEO, Manuel Paolo A. Villar was recognized as the Best CEO in the Philippines at the Asian Excellence Awards, along with Mr. Brian N. Edang who was named Best Investor Relations Officer in the Philippines by the same body. I was honored to be named the Property Man of the Year by FIABC Philippines at the Prix d'Excellence Awards.

These awards and accolades serve as our inspiration, but I know that you all will agree that the best award we can get are the smiles from our satisfied homebuyers. We have always judged ourselves on our ability to fulfill every Filipino's dream for a home in a well-planned integrated community. We can confidently say that over the years, we have succeeded in accomplishing this as can be attested by the sustained growth of our various businesses.

Our overall corporate and business strategy has been evolving through the years and we have stayed true to our vision of providing not just houses but the Vista Land standard of living in homes situated in our integrated Communicities across the Philippines. I thank all of you for sharing this vision and working with us to achieve my personal target of delivering a million homes during my lifetime.

Along with our successful business performance in 2018, we have strengthened Vista Land's position as a company that cares and is a prime partner in national development.The care of our environment and the various socio-economic development projects of VILLAR SIPAG remain the focus of our Corporate Social Responsibility programs. Vista Land recognizes that it is part of a greater national and global community and strives to do its share in alleviating adverse environmental conditions and contributing to a healthy economic balance through its corporate social responsibility programs.

Create. Achieve. Excel. We have used these words to describe Vista Land's winning culture. Our awards and citations attest to the success of our efforts. In our quest to continuously improve our company, we have made a commitment and a solemn promise to our countrymen. It behooves us to stay true to this promise in our pursuit of excellence, thereby enabling Vista Land to be the paradigm for future generations of Filipinos.

I thank all of you, our shareholders and stakeholders, and to all our employees at Vista Land, for your hard work and support in moving towards the attainment of this goal.

Manuel B. Villar, Jr.
Chairman

PRESIDENT'S REPORT

Dear Fellow Shareholders,

We started 2018 with optimism. We closed it with better than expected results and achievements. A year ago, we anticipated that having greater access to low-cost, longer-maturity capital with lower coupon rates will be the key to our evolution as a multi-use developer in a dynamic, and demographic-driven real estate market.

True enough, growth in both our residential and leasing business, each fueled by different factors but centered on the strong macro fundamentals of the Philippine economy resulted in a robust demand. The residential market faces a shortage of quality housing stock and a backlog of over 4 to 6 million units. Leasing is propelled by the steady growth in Filipinos' disposable income and overseas Filipino remittances as well as infrastructure development. Our stable financial position has allowed us to take advantage of these opportunities.

In summary, 2018 is another banner year for the company, we registered record performance brought about by the better than expected growth of our residential business; sustained double digit growth in our leasing portfolio where we ended the year with 1.4 million square meter of gross floor area (GFA). We also saw some challenges during the year as inflation and interest rate went up but having all of our existing debt at fixed rates, we have limited the impact to only borrowings during the year. We also ended the year with a solid residential pipeline, with over P50 billion worth of projects launched across the country.

I am pleased to report that our head line numbers registered mid-teens growth. Total revenue was up 15% to P41.5 billion; Earnings before interest, taxes, depreciation and amortization (EBITDA) reached P18.2 billion or 14% growth and as a result our net income grew 16% to a record P10.5 billion.

Looking at some details, our consolidated total revenues grew 15.1 percent to P41.5 billion last year from P36.0 billion in 2017 was brought about by the real estate revenues increasing by 15.4% to P31.9 billion and our leasing revenues ending the year with P6.9 billion or a growth of 15.2%. We have improved the gross margin of our residential sales to 52.4% from 51.8% a year ago as we are able to sell at a premium especially in areas where Vista Land is the only national housing brand that is available.

In terms of real estate revenue contribution per brand, Camella was 79% (of which 48% from Communities Philippines or sales outside Greater Manila and 31% from Camella Homes, our sales within Greater Manila), Vista Residences added 16% to the total while Crown Asia and Brittany contributed 3% and 2%, respectively.

PRESIDENT'S REPORT

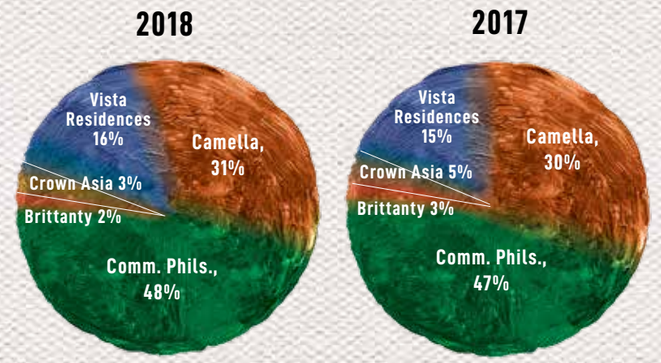
FINANCIAL HIGHLIGHTS

15% ⇧ 41.5B REVENUE

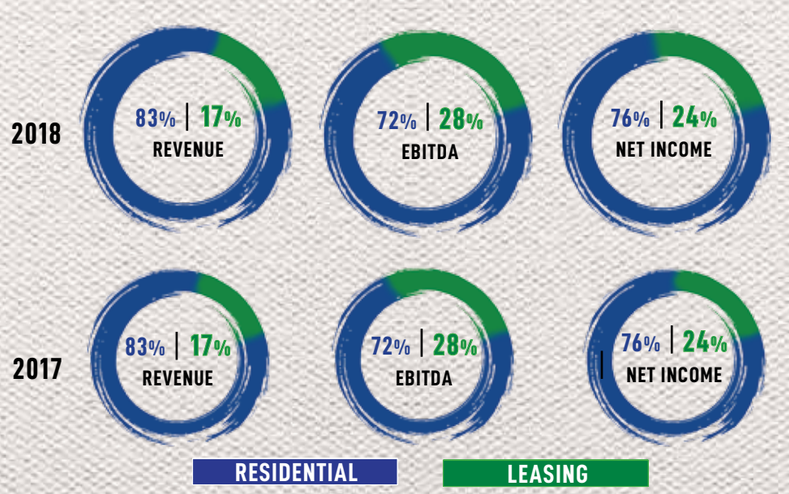
14% ⇧ 18.2B EBITDA

16% ⇧ 10.5B NET INCOME

REAL ESTATE CONTRIBUTION

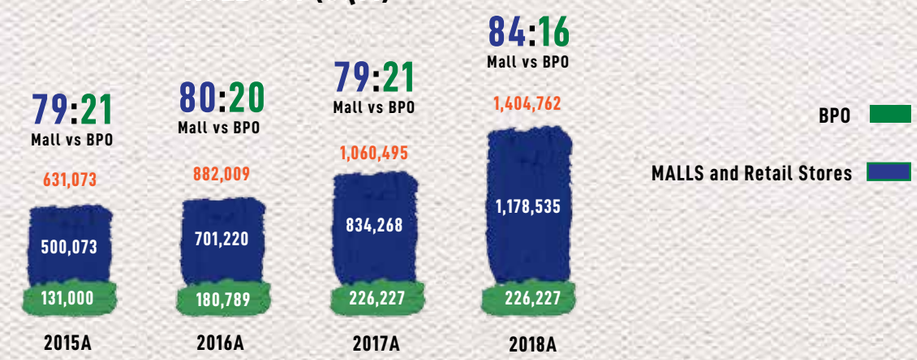


SEGMENT CONTRIBUTION



SUSTAINED RESIDENTIAL GROWTH

COMMERCIAL SPACE ROLL OUT (SQM)



With a sustained growth in our leasing portfolio, it now accounts for a significant portion of our operations. As of end 2018 leasing segment now accounts for 17% of revenues, 28% of EBITDA and 24% of net income.

Rising purchasing power in the provinces, not just in Metro Manila and first-tier provincial cities, has fuelled the need for housing and incentives for real estate developers to establish a presence in less well-known regions. Over 10m overseas Filipino workers whose income is not correlated with the economic development of their regions have provided the purchasing power for affordable or low-cost housing products in relatively underdeveloped areas. Our reservation sales surged 16% to P75 billion, showing the strong demand for residential projects. We have to revise our target for reservation sales growth we set at the beginning of the year of 12% to 15% to 17% when we saw second quarter pre sales to be stronger than the first quarter and was sustained in the remaining quarters of the year. Given the strong growth momentum of our sales we have launched residential projects with an estimated project value of P51.7 billion mostly in the low and affordable segment and outside metro manila area. These projects will serve as a solid project pipeline for the coming years. We launched a total of 57 projects of which 45 are in the low and affordable segment, 11 condominium projects and 1 project in the upper middle income market. 39 of the projects were located in areas outside Metro Manila.

PRESIDENT'S REPORT

On the commercial front, prospects are also very good in the provinces due to strong consumption demand and increasing purchasing power, albeit from a smaller base. Due to the lack of quality commercial retail stock, the provinces offer massive growth areas for the development of retail malls and facilities. The challenge in establishing large commercial and residential centers in the provincial areas is inadequate infrastructure which is being addressed by the government's drive to accelerate economic activities and infrastructure development outside Metro Manila.

We ended 2018 with 1.4 million sq.m. in GFA under our leasing portfolio, with the additions to our malls of 344,267 sqm for the year. Our leasing business now covers 31 malls, 52 commercial centers, and seven office buildings. We have exceeded our target GFA we committed to investors when we acquired Starmalls in 2015. We were looking at ending 2018 with a GFA of 1.3 million sqm from about 630 thousand sqm in 2015 and exceeding such by 100 thousand sqm to end 2018 with 1.4 million sqm. In terms of investment property type, 84% of our GFA are retail malls and 16% office space. We will see sustained growth and increasing contribution from our leasing business next year as we increase occupancy of the malls added during the year.

Our land bank continues to be one of our greatest strengths. By end-2018, we had more than 2,800 hectares, 59% of which are in Metro Manila and the neighboring provinces of Cavite, Laguna, Rizal, Batangas, and Bulacan. We are now present in 146 cities and municipalities nationwide.

For 2018 our operations entailed a capital expenditure spent of P45 billion. We have spent P32.4 billion for construction of both residential and commercial projects; P5.7 billion to land development costs and P6.9 billion for land acquisition.

We continue to maintain a strong balance sheet and healthy financial ratios. Our total asset base rose to P238.3 billion in 2018. Cash and investments were at P47.6 billion; Total receivables at P53.6 billion. By the end of 2018 our real estate inventories and investment properties stood at P41.9 billion and P73.9 billion respectively. Gross interest bearing debt by end of the year amounted to about P118.8 billion and a net debt of P71.1 billion. Debt to equity was 1.29 to 1.00 while our net debt to equity was at 0.77 to 1.00.

Looking at our debt profile, all of our debts have fixed maturity interest rates; dollar-denominated debts are fully-hedged on the principal and majority are maturing 2022 and beyond. We have a diverse funding sources with 37% of our total debts coming from bilateral loans; 31% from dollar bonds; 15% from peso corporate notes and 17% from retail bonds.

In one of my interviews, I said that Vista Land had a "good" year in 2018. On hindsight, I now realize how much of an understatement that was. We, all of us at Vista Land, did GREAT in 2018!

Our efforts haven't gone unnoticed by the industry and our peers. We received no less than 11 major industry citations in 2018. Among these is the highly-coveted Agora Marketing Company of the Year Award from the Philippine Marketing Association.

As we move forward, I am confident that all of our stakeholders will continue to share the vision of our Chairman, Manuel B. Villar, Jr., in nation building by providing quality, affordable and well-planned Communicities around the country for present and future generations of Filipinos .

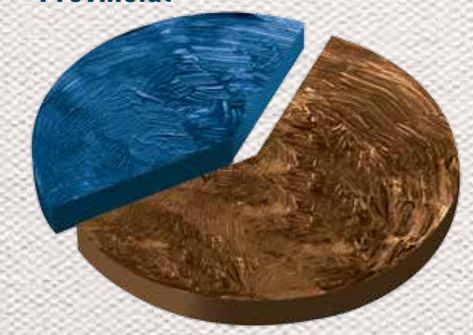
Manuel Paolo A. Villar, Jr.
President and Chief Executive Officer

PROJECT LAUNCHES

Launched projects with an estimated total value of about P 51.7B

LAND BANK LOCATION (in HAs)

41%
Provincial

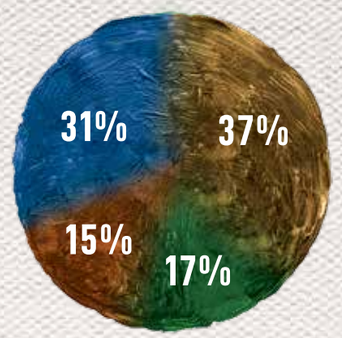


59%
Mega Manila

*Mega Manila- **Metro Manila** and Neighboring Provinces of **Cavite, Laguna, Rizal, Batangas** and **Bulacan***

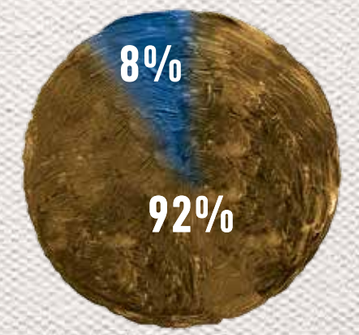
DEBT PROFILE

Funding Sources



- **Bank Loans**
- **Retail Peso Bond**
- **Corporate Note**
- **USD Bonds**

Debt Maturity Profile



- **Long Term**
- **Short Term**

NUMBERS AT A GLANCE

Vista land, as one of the leading integrated property developers and the largest homebuilder in the Philippines, reaches new heights of success in the Philippine real estate industry with its record performance in 2018. Its residential business posted better than expected growth while its leasing portfolio continues to deliver in double-digit earnings growth. It remains the market leader in horizontal residential sector targeted towards end users with strong housing brand recognition across the country and has well-implemented its expansion into mass market retail malls and office space with its 1.4 square meter gross floor area (GFA) leasing portfolio.

Vista Land is the Philippines' foremost homebuilder in the horizontal market having built about **400,000** houses, with **45%** of market in the house & lot market. It has fostered strong brand recognition, with its Camella, Crown Asia, Brittany and Vista Residences brands being four of the most recognized brands in the Philippine real estate industry. In a survey by PSRC, Camella has a brand awareness of 99% -- similar to a "fast moving good" – which is not usual for a house and lot brand that caters to a niche market.

Camella

Vista Land through its subsidiary, Starmalls, a major developer, owner and operator of mass market retail malls and business process outsourcing (BPO) commercial centers, strengthens its position as one of the top four integrated property developers in the Philippines. The Company's current portfolio includes **31** strategically located malls, **7** BPO offices and **52** community centers. This brings Vista Land's total GFA of commercial space to **1,404,762** square meters as of December 31, 2018.

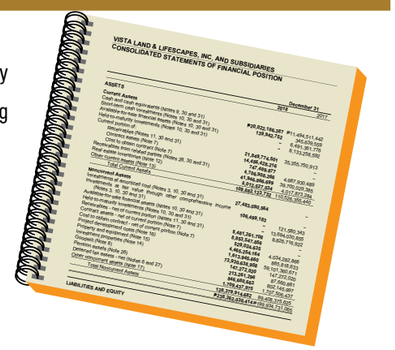
Vista Land is well positioned to benefit from favorable Philippine demographic, with almost 73% of the population aged 39 and below boosted by low mortgage penetration at 3.4% compared to its regional peers. The rising middle class bodes well for the company, as GDP per capita in 2018 stood at **$3,104.**

Vista Land continues to benefit from the sustained demand from Overseas Filipino Workers, as OFWs account between 50% to 60% of Vista Land's sales. OFW sales are basically end users. OFW remittances remain stable which registered at **$32.2** billion as of December 31, 2018.

Vista Land has the widest geographically diverse portfolio, with unrivalled nationwide presence in 146 cities and municipalities across 48 provinces in the Philippines. Vista Land's landbank is about **2,801.8** hectares – mainly situated in areas in close proximity to major areas and primary infrastructure, of which 59% is located in Mega Manila.

Vista Land has a strong and experienced management team with an average of **25** years of sound operational and management experience in real estate, particularly housing, mass market retail and BPO markets.

Vista Land remains prudent, maintaining a favorable net debt to equity ratio of **0.77x**. The current gearing provides more flexibility on funding strategy to support expansion plans.


VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Vista land intends to focus on the development **COMMUNICITIES**, an integrated urban developments combining lifestyle retail, prime office space, university town, healthcare, themed residential developments and leisure components, and already identified **24 innovative masterplanned communicities** spread all over the country.

BRITTANY

Market:
High-end
Offering:
House & Lot (Mega Manila)
Price:
Above Php12M
Real Estate Revenues (in Php Million):
- **Php 481.4 (2018)**
- Php 904.0 (2017)

Revenue Contribution:
- **1% (2018)**
- 3% (2017)

Brittany still is the standard when it comes to high end living with its signature developments in Muntinlupa, Laguna and Cavite. Brittany is the Group's "most innovative" housing brand bringing house and lot packages to the high end segments which are typically dominated by personalized developments and the high end vertical projects. Brittany spells elegance at is finest with its offerings - Italian inspired developments Portofino and Amore; Southern American appeal Georgia Club and Augusta and the Swiss-styled residences of Crosswinds and Alpine Villas.

With the shift of demand to the low and affordable market segment, Brittany is faced with such challenge but it continued to sustain brand building of its flagship developments. The Group believe that it is just a matter of time when the demand would shift back to the high end developments as we see continued rise of the Philippines' middle class. Having developed an expertise in luxury housing development, Brittany will always be ready to expand once there will be a demand shift.

In 2018, Brittany registered P481.4million revenue coming from its developments.

Portofino South, Vista Alabang

Crosswinds, Tagaytay

Promenade Eliot, Sta. Rosa

Portofino Heights, Vista Alabang

CrownAsia

Crown Asia is the group's developments of choice for upper middle market. The company operates on the philosophy that its buyers deserve elegant, comfortable homes that reflect refined tastes, inspired by the various themed architecture and design.

2018 was still the year of affordable housing market, but Crown Asia held its ground and continued to promote its flagship developments, namely: Ponticelli in Daang Hari, and Valenza in Sta. Rosa, Laguna. As we see sustained growth momentum of the country, Crown Asia is poised to take advantage of the potential shift of demand in the future.

Crown Asia delivered P979.5million sales for year.

Market:
Middle - income
Offering:
House & Lot (Mega Manila)
Price:
Php 4M to Php 12m
Real Estate Revenues (in Php Million):
- **Php 979.5 (2018)**
- Php1,178.7 (2017)

Revenue Contribution:
- **3% (2018)**
- 3% (2017)

Presedio, Sucat

Valenza, Sta. Rosa

Franco, Model Unit

Ponticelli, Daang Hari

Camella

For over 40 years of existence, Camella has been able to create a strong brand position through its affordable pricing, excellent build quality, ideal locations, and aggressive marketing campaigns. Camella, the Most Preferred Brand among any housing brands in the country continues to lead the way in sales, which accounts 31% of Vista Land's real estate sales in 2018.

Real Estate industry in the Philippines is becoming more and more competitive by the day that's why the Company makes sure to keep tract of the ever changing needs and preference of the customers. In 2018, we saw that the level of affordability of the customers were affected by the inflation and increase in borrowing costs, thus, Camella created and introduced housing packages that would match the level of affordability of Camella's target market, the L-Series which offers housing packages from 1M to 1.8M or 36 sq.m to 50 sq.m. This move pushed the sales significantly over previous periods.

Market:
Affordable
Offering:
House & Lot (Mega Manila)
Price:
Php 4M and below
Real Estate Revenues (in Php Million):
- **Php 9,731.5 (2018)**
- Php 8,158.3 (2017)

Revenue Contribution:
- **26% (2018)**
- 25% (2017)

COMMUNITIES PHILIPPINES

Communities Philippines is the Group's subsidiary that brings the various housing brands to areas outside Metro Manila. Over last 5 years the Company have been carrying the Camella brand as the group expands its presence around the country.

Communities Philippines has been the choice of housing for most of our Overseas Filipino as we bring developments closer to their hometown. In addition, we have seen infrastructure developments favoring areas outside of Metro Manila which bodes well for the Company.

Camella Tanza, Cavite

Camella Quezon

Market:
All price points: Camella Brand
Offering:
House & Lot (Outside Mega Manila)
Price:
Php 4M and below
Real Estate Revenues (in Php Million):
- **Php 15,358.1 (2018)**
- Php13,090.7 (2017)

Revenue Contribution:
- **40% (2018)**
- 40% (2017)

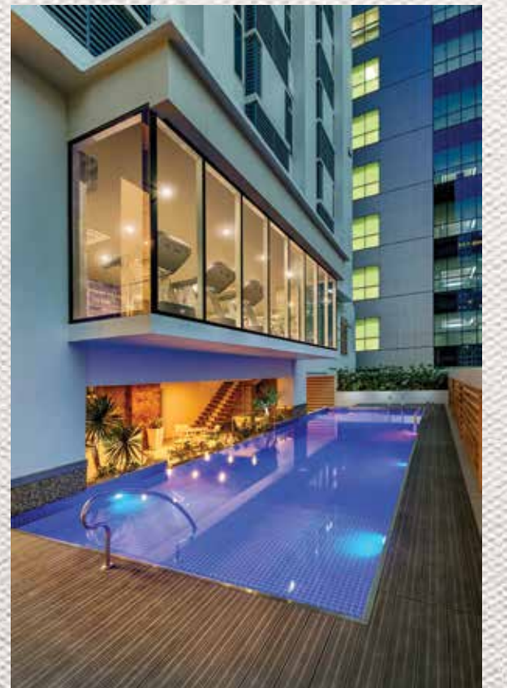
Gran Europa, Cagayan de Oro City

REVIEW OF OPERATIONS

VISTA RESIDENCES

2018 was the year we saw a significant contribution to real estate revenues coming from our vertical developments. The company increased its real estate revenues by 24.5% to P5.3 billion which accounted to 16% of the consolidated real estate revenues.

The key differentiator of Vista Residences against competition is location. It has established a strong foothold in high-density, student-oriented locations with the creation of its University Series, which includes Crown Tower along the University Belt in Manila and Vista Pointe in Katipunan, to name a few. It also offers developments that have quick access to key transit hubs through its Transit-Oriented Developments. The Company also has a collection of exquisitely designed and skillfully engineered towers servings as both residential homes and business headquarters within the country's central business districts being offered under its The Prime Series.



Market:
Low to High-end
Offering:
Vertical projects Price:
Php 1.9M to Php 16M
Real Estate Revenues (in Php Million):
- **Php 5,305.6 (2018)**
- Php 4,262.7 (2017)

Revenue Contribution:
- **14% (2018)**
- 13% (2017)

Avant, Makati

starmall

Starmalls provides majority of the group's leasing revenues. For 2018 Starmalls increased its rental revenue by 19.5% or P6.3 billion. The group ended the year with 1.4 million square meters of Gross Floor Area with the addition of 9 malls with a GFA of 344 thousand.

Starmalls and Vistamalls provide the commercial components to the Vista Land Communities. The new malls opened during the year carries the distinct feature of the Vista malls that carries state-of-the art cinemas, lifestyle oriented tenants and a world class mall experience.

As of end 2018, the group has 31 malls, 7 office buildings and 52 commercial centers of investment properties.

Vista Mall, Sta. Rosa

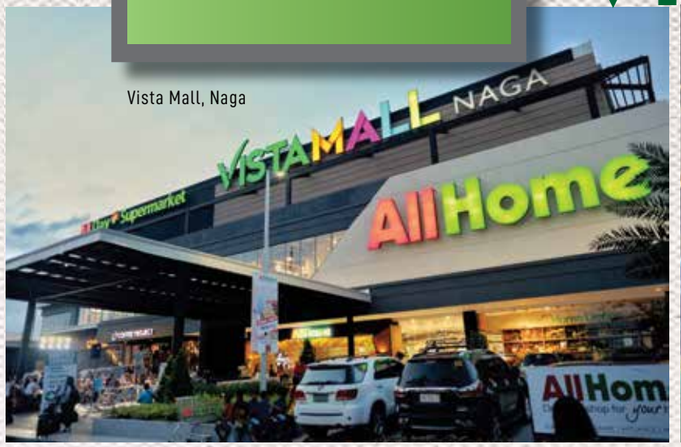
Market:
Commercial
Offering:
Mass Market Retail

Rental Reveue
(in Php Million):
- **Php 6,285.7 (2018)**
- Php 5,297.2 (2017)

Revenue Contribution:
- **16% (2018)**
- 16% (2017)

VISTAMALL

Vista Mall, Naga



Vista Mall, Daang Hari

Vista Mall,General Trias

Vista Mall, Tanza

2018 Agora Awards
Marketing Company of the Year

Vista Land & Lifescapes, Inc., a first-time category nominee, took home the most coveted prize -- The Agora Marketing Company of the Year Award -- at the 39th Agora Awards of the Philippine Marketing Association (PMA) held at the Okada Manila Grand Ballroom, Pasay City on October 19, 2018.

Considered the most prestigious celebration of marketing excellence in the country, the Agora Awards have been honoring individuals and companies who have done exceptional work in the field of marketing for almost four decades. The Marketing Company of the Year category is its highest level and the Award is bestowed only upon a rigorous screening by the PMA of nominees who are deemed best in their class based on their past and current records.

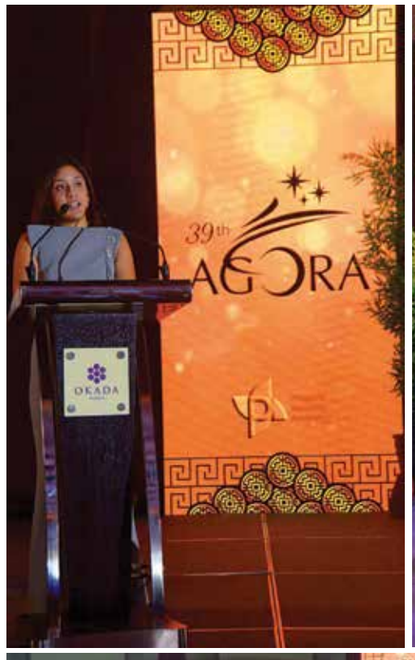
Vista Land aggressively pursues its vision of helping fulfill every Filipino family's dream of owning a home. As of 2018, it has built about 400,000 homes, in projects located across 48 provinces in 146 cities and municipalities all over the Philippines. Its commercial leasing portfolio has grown to more than 1 million square meters of gross floor area.

"We from Vista Land & Lifescapes, Inc. would not be here if we were not inspired by the same passion, hard work, and undying brand love that my father has continuously demonstrated and given to us this past 40 years," said Vista Land Director and Managing Director of Commercial Division Camille Villar as she paid tribute to Vista Land Chairman Manny Villar who received the Agora Award for Outstanding Achievement in Marketing Management in 1989.

Vista Land Director and Managing Director of Vista Land Commercial Division, Ms. Camille A. Villar accepts the Agora Marketing Company of the Year award for Vista Land.

The 2018 Marketing Company of the Year award is a testament to the groundbreaking work that Vista Land does to outpace all competition. With its companies and brands boasting over four decades of industry leadership, Vista Land brings with it a proven track record in building complete communities through its COMMUNICITY model - providing Filipinos with homes surrounded by modern work and lifestyle features including retail complexes, leisure amenities, offices, schools, and places of remembrance and worship.

"We from Vista Land & Lifescapes, Inc. would not be here if we were not inspired by the same passion, hard work, and undying brand love that my father has continuously demonstrated and given to us this past 40 years." - Camille Villar



Manuel B. Villar, Jr., Property Man of the Year
FIABCI-Philippines
FIABCI Prix d'Excellence Award

The Property Man of the Year Award recognizes individuals whose contribution to the Real Estate Industry of the Country satisfies the FIABCI ideal of "providing society with the optimal solution to its property needs".

FIABCI is the French acronym for "Federation Internationale des Administrateurs de Bien-Conselis Immobiliers", which means "The International Real Estate Federation". FIABCI represents the world's real estate professions through its Special Consultative Status with the Economic and Social Council of the United Nations. With chapters currently operating in more than 60 countries, FIABCI represents every discipline in the industry and links thousands of real estate professionals worldwide.

IFA Most Innovative Community Developer- Philippines

Vista Land was named Most Innovative Community Developer - Philippines in the 6th International Finance Awards 2018 during ceremonies held at the Grand Hyatt Erawan, Thailand last January 25, 2019.

The International Finance Awards (IFA) recognizes industry talent, leadership skills, industry net worth and capability on an international platform. After careful consideration of nominations by a qualified research team, winners in various categories are declared on the strength of their application and past accomplishments.

The IFA Real Estate Awards category honors excellence in the Residential and Commercial property space in emerging markets. It cites real estate companies who strive to provide a relentlessly engaging and valuable experience for customers.

"The Most Innovative Community Developer award conferred to us by the International Finance Awards is a testament to the outstanding innovations we are doing in the Philippines -- like our Communicities," said Vista Land Chief Financial Officer and Head Investor Relations, Mr. Brian N. Edang. "This illustrious recognition propels us in Vista Land to continue in our constant pursuit of growth and development."

Best Investor Relations Company
Manuel Paolo A. Villar, Best CEO (Philippines)
Brian N. Edang, Best Investor Relations Officer (Philippines)
Corporate Governance Asia Asian Excellence Awards

The Asian Excellence Awards conferred by Hong Kong-based publication Corporate Governance Asia are designed to recognize the achievements and excellence in management acumen, financial performance, corporate social responsibility, environmental practices and investor relations. This is the fourth consecutive year the Vista Land won in these three major categories.

Feature

Starmalls, Inc., Asia's Most Trusted Company 2018
International Brand Consulting Corporation, USA
Asia's Most Trusted Companies Awards

Asia's Most Trusted Companies Awards honor a company's innovation, international scalability, differentiation and strategic investment in the Asian economy. Hundreds of Asian companies are evaluated by the International Brand Consulting Corporation, USA and the top 50 winners are selected based on an Asia wide quantitative qualified consumer survey, expert analysis and attributes-based qualitative brand research.

Top Ten Developers 2018 (Philippines)
BCI Asia
BCI Asia Awards

Among the most coveted awards for Asian building design and industry, the BCI Top Ten Awards recognize the ten leading design and development enterprises that are shaping the built environment of tomorrow and their impact on society and the environment. The annual awards are held in seven Asian territories—Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The BCI Media Group is the leading provider of building and construction information across the Asia Pacific region with 20 offices across 10 countries and reporting on construction projects across 13 countries.

Homebuilders of the Year
APAC Insider
The APAC Insider-Philippine Business Awards

The APAC Insider-Philippine Business Awards recognize truly outstanding and innovative enterprises and business ventures, which have been instrumental in providing the best products and services in an increasingly competitive business environment. Managed by the APAC Insider Magazine, the Awards bring together firms who, through their commitment, enthusiasm, expertise and willingness to do things differently, are rewriting their industry's rule book while achieving incredible results, both for their clients and themselves.

"Ako Naman Ngayon", Silver Anvil Award
The Public Relations Society of the Philippines
The 2018 Anvil Awards

Camella's 2018 video campaign bagged the Silver Anvil during the 54th Anvil Awards. "Ako Naman Ngayon", an inspiring tribute to the families of Overseas Filipino Workers (OFWs), was recognized as an excellent public relations tool in capturing the interest of potential millennial home buyers while celebrating the perseverance of OFWs -- Camella's primary market.

Presented annually by the Public Relations Society of the Philippines, the ANVIL is the symbol of excellence in public relations. It is awarded to outstanding public relations programs, tools and practitioners after careful screening by select PR professionals and judging by a distinguished multi-sectoral jury. The Bronze, Silver and Gold Anvil Awards are given to the best programs and tools that meet the highest standards set in each category.

"Buksan ang Bagong Bukas", Award of Excellence
International Association of BusinessCommunicators Philippines
Philippine Quill Awards

The Philippine Quill is the country's most prestigious awards program in the field of business communication. It bestows the seal of approval to the most reputable organizations and corporations that use excellent communication to achieve business goals, and to make a difference in society.

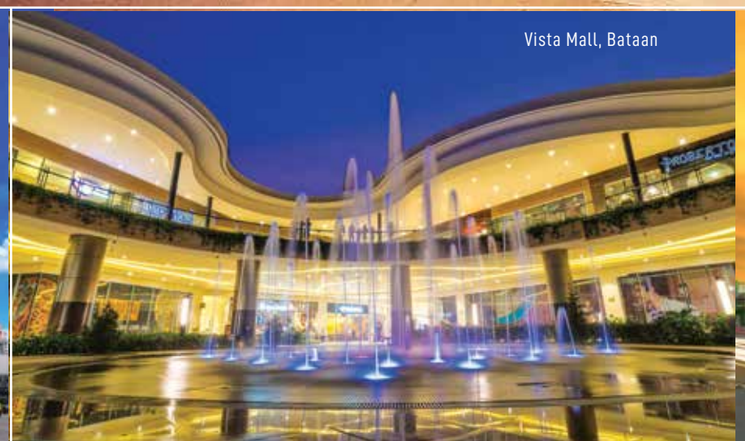
The Quill Awards are given annually by the International Association of Business Communicators (IABC) Philippines, the national professional association of top business, industrial and organizational communicators. Established in 1983, it is the first chapter of IABC outside North America.

Vista Malls: Achieving the Ultimate Philippine Mall Experience

Vista Malls have become a byword in terms of destinations of choice for shopping, leisure and entertainment. With 31 Malls, 52 commercial centers and 7 BPO Offices, Vista Land's growth in the mall business make a significant contribution to total Group revenues. But more than just a profitable business, Vista Malls give life to Vista Land's vision of integrated COMMUNICITIES.

Evia, Vista Alabang

Starmall, Alabang



Vista Mall, Bataan

AllHome, Kawit

StarMall, EDSA Shaw

Starmall, EDSA Shaw

Starmall, Las Piñas

Vista Mall, Taguig

Starmall, Las Piñas Annex

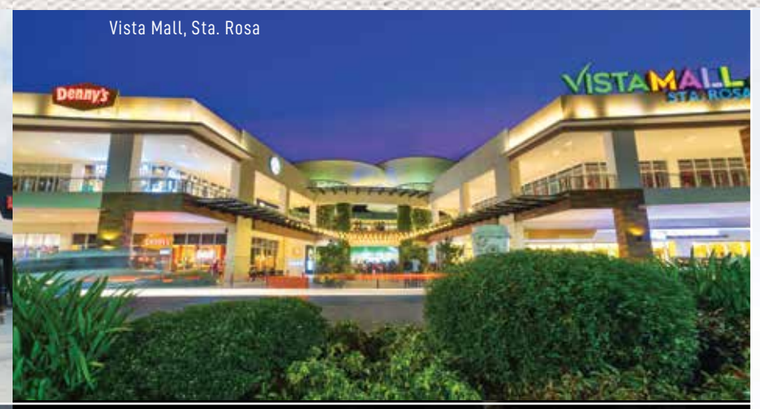
Vista Mall, Iloilo

Vista Mall, General Trias

Feature

Village Center, Antipolo by Vista Malls

Vista Mall, Tanza



Vista Mall, Sta. Rosa

The Coffee Bean & Tea Leaf, Crosswinds Tagaytay

AllHome, C5 Extension Las Piñas

Starmall, San Jose Delmonte

Vista Mall, Naga

AllHome, Libis Quezon City

Cafe Voi La

AllHome, Antipolo

AllHome, Imus

Feature

Vista Mall, Pampanga

Vista Mall, Daang Hari

Boardwalk Lakefront

515 Shaw

Lakefront, Sucat

Feature

VISTA RESIDENCES: A DECADE OF IDEAL URBAN LIVING

Metro Manila's skyline has continually changed due to the high urbanization and rapid development of residential and commercial properties. Growing population, worsening traffic, increasing number of foreign investors and tourists have raised the demand for vertical developments – a challenge being met by Vista Residences, the condominium development arm of Vista Land.

Since 2009, Vista Residences has provided hundreds of families, professionals and students the opportunity to live the ideal urban lifestyle with condominium developments that cater to their specific needs.

Vista Residences are utilized for end-use or investments. Depending on location, the properties can be used as modern family homes, initial abodes for young professionals, learning nests for students, even vacation getaways.

Group studies are now more fun at Vista Taft.

Studio unit

Study area.

Multiple unit options -- studio, one-bedroom, two-bedroom and three-bedroom – along with amenities and facilities designed for multiple interests and activities, allow residents to sustain a comfortable and active lifestyle.

"Vista Residences make the difference between subsistence and true, existential experience," said Karl Tabucal, Vista Land International Sales Head. "We not only want our owners to love their units but also to be proud of where they live."

The Vista Residences University Series meet the demand for high-quality, comfortable yet affordable housing near and around educational institutions, particularly in Metro Manila.

Vista Residences Taft, a 39-storey mixed-use premium development located along Taft Avenue is now home to many students of De La Salle University Manila, De La Salle College of St. Benilde, St. Scholastica's College Manila, Adamson University and other nearby schools. It is a short walk to and from the universities, easily accessible to public and mass transport and close to major commercial, leisure and historical landmarks.

As the actual clients of Vista Taft are the parents of the students, security is a prime feature. As with other developments in the University Series, Vista Residences Taft has CCTV and round-the-clock security. The studio and one-bedroom units are designed to create a conducive environment for studying and relaxation. Standard amenities include a swimming pool and lounge, a study and library area, an outdoor rooftop garden and a function room. Four high speed elevators serve the residential and amenity floors.

At the Ground Floor, Vista Taft features a fully-loaded All Day Convenience Store, a Coffee Project outlet and an automated utility and bills payment kiosk.

Like Vista Residences Taft, Vista Heights is surrounded by some of the country's most prominent colleges and universities. An eight-storey, mid-rise, it is located

Gym

Have great tasting coffee with friends without leaving your condo home.

on Nepomuceno Street corner C. Aguila in Manila, near San Beda College, Centro Escolar University and La Consolacion College. It stands out from the other cramped and crowded student residential options common in the area. Vista Heights has a wide frontage easily accessible via public transport. Other features include An All Day Convenience Store and Coffee Project, a fully-equipped gym and study hall, and a roof deck that holds the multi-purpose function room and a meditation garden.

Vista Shaw is located on Shaw Boulevard in Mandaluyong City, in the site of the residence of former President Jose P. Laurel. Its historic location is matched by Vista Shaw's grand and opulent design with strong influences of old world charm and grace. The wide driveway opens up to a high-ceilinged lobby reminiscent of golden era architecture. Sandstone claddings give the building an imposing image of strength and stability. The amenities are in the roof deck: gym, function room and the swimming pool overlooking one of the most notable golf courses and country clubs in the country and the Metro Manila landscape.

Vista Shaw caters to an upscale market in search of a relaxing lifestyle in a highly urbanized setting. It has immediate access to Shangri-La Plaza Mall, SM Megamall, Star Mall, as well as the busy Shaw MRT Station and EDSA thoroughfare. It is also near major medical institutions Lourdes Hospital, Medical City and Cardinal Santos Hospital; and schools La Salle Greenhills, Xavier School and the Immaculate Concepcion Academy. The ground floor caters to several commercial establishments — a casual dining outlet, two coffee shops, and a convenience store.

Vista Residences recently launched four developments within the University Belt, a cosmopolitan building within the Ortigas Business District in Pasig, a mixed-use complex in Malate, a vacation sanctuary in Baguio and a residential address along Timog Avenue and Tomas Morato in Quezon City. Another twenty-one projects with over 31,000 units and valued at P60B are set to be announced in the next three years.

Villar SIPAG:
The CSR arm of Vista Land

The Villar Social Institute for Poverty Alleviation and Governance or Villar SIPAG is the Corporate Social Responsibility (CSR) arm of Vista Land. It was established through the efforts of Vista Land Founding Chairman Manuel B. Villar, Jr., and his wife, Senator Cynthia A. Villar, to help empower Filipinos to overcome poverty in all its forms and manifestations.

It is anchored on 'sipag' or hard work coupled with 'tiyaga' or perseverance, which are values that the Villar family holds in high regard in themselves and in other people as well. There are the same values that they believe can uplift the lives of Filipinos.

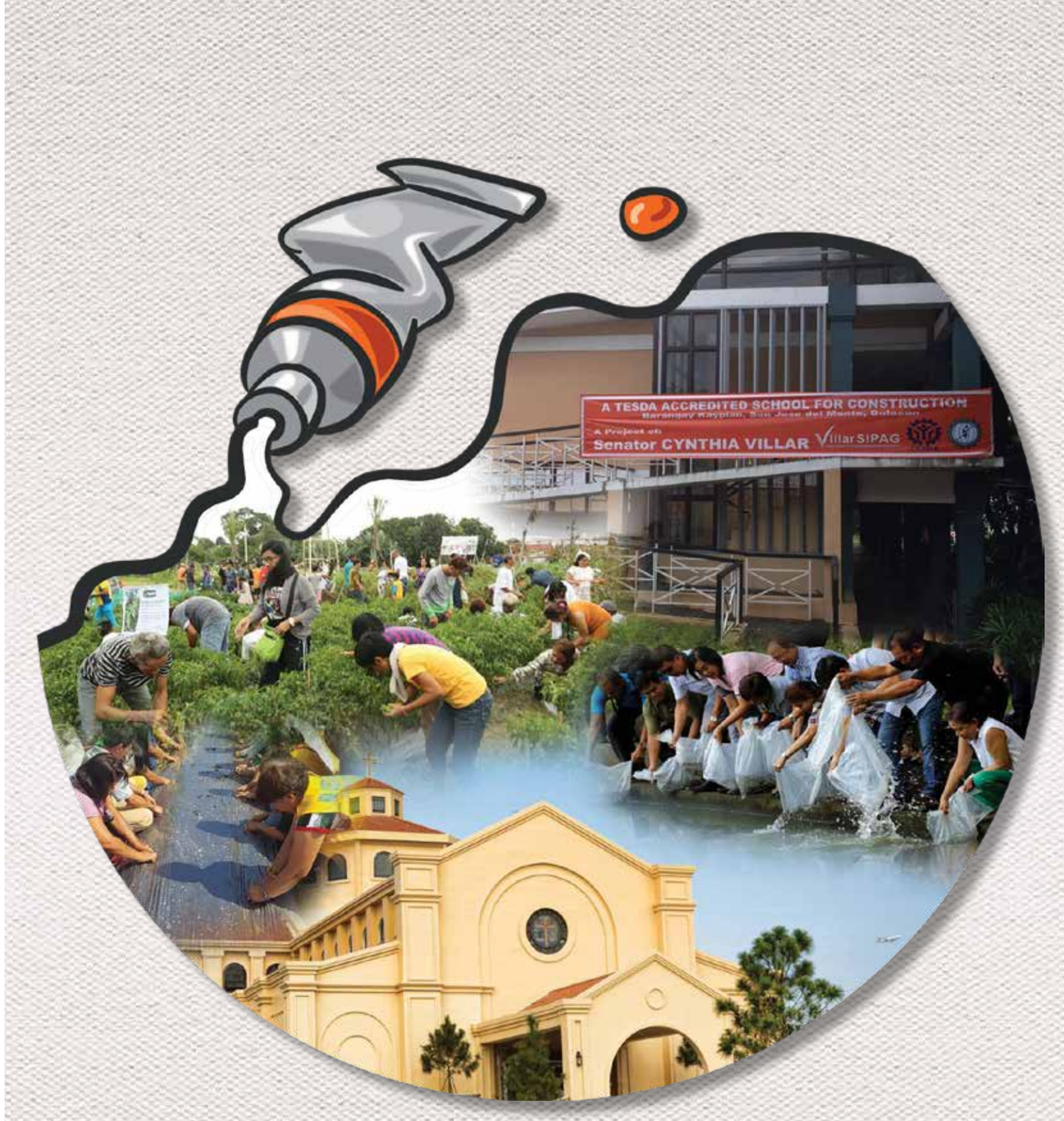
Villar SIPAG's key advocacies are livelihood generation, jobs creation, environment protection, assistance to overseas Filipino workers (OFWs), development of community enterprises, church-building, agricultural training through the Villar Farm Schools, and recently construction training schools to address the shortage of skilled workers in the construction sector.

When it comes to awards and achievements, Villar SIPAG is both a recipient of many and an award-giving organization, too. It has been recognized for its programs and projects over the years. Likewise, in its aim to encourage the participation and involvement of individuals and groups in its poverty reduction initiatives, Villar SIPAG has been giving out awards year in year out as well.

Villar SIPAG Awards on Poverty Reduction

Villar SIPAG recognizes outstanding community enterprises from all over the country through the yearly Villar SIPAG Awards on Poverty Reduction.

Nominations for the award are accepted from eligible community-based enterprises from Luzon, Visayas and Mindanao. The awarding ceremony is held every December and each of the most outstanding community enterprises receives a plaque and P250,000 in cash prizes. The winners are selected for their effectiveness, significance, financial viability, sustainability and adaptability.



In 2018, there were 22 outstanding cooperatives who were awarded for their significant contributions in poverty reduction and economic growth in their respective communities. Cooperatives play an important role in the government's continued fight against poverty.

They help bridge the gap between communities and the government. They complement the efforts of the local government units and the national government. They deal directly with affected families to improve the quality of their lives.

The recipients of the 2018 Villar SIPAG Awards on Poverty Reduction are:

1. Kapatiran-Kaunlaran Foundation Inc. of NCR;
2. Mission to Seafarers Philippines Family Network of NCR;
3. Piwong Multipurpose Cooperative of Ifugao;
4. Sarrat Namnama Multipurpose Cooperative of Ilocos Norte;
5. San Fabian Pangasinan Council of Women Inc. Multipurpose Cooperative of Pangasinan;
6. Magapuy Farmers Multi-Purpose Cooperative of Nueva Vizcaya;
7. Nueva Ecija Seed Grower Multipurpose Cooperative;
8. St. Jude Multi-Purpose Cooperative from Quezon Province;
9. Kabalikat Para Sa Diyos at Bayan Multi-Purpose Cooperative from Romblon;
10. Labo Progressive Multi-Purpose Cooperative from Camarines Norte;
11. Pavia Entrepreneurs Multi-Purpose Cooperative from Iloilo,
12. Compostela Market Vendors from Cebu;
13. Santa Barbara Katilingbanong Credit Cooperative from Siquijor;
14. Maripipi Multi-Purpose Cooperative from Biliran;
15. Aurora Integrated Multi-Purpose Cooperative from Zamboanga del Sur;
16. Malinao Community Services Multi-Purpose Cooperative from Lanao del Norte;
    Pantukan Chess Club Cooperative from Compostela Valley;
17. Davao Oriental Seed Producers from Davao,
18. City Food Terminal Multi-Purpose Cooperative from General Santos City;
19. Kankitap Consumers Cooperative from Sulu.

Two community enterprises were given Special Awards of P150,000 each for their poverty reduction initiatives. These were the Bohol Dairy Cooperative and the Tarlac Okra Growers Primary Multi-Purpose Cooperative.

Villar SIPAG also publishes a book containing the success stories of the yearly winners to inspire and empower others. It also provides trainings and workshops to the people running the award-winning community enterprises.

The winners in the 2nd Villar SIPAG Youth awards

10 outstanding youth groups (seated from L-R): Rayjand Gellamucho - Youth first initiative Philippines Inc., Ma. Arlene P. Toledo - Tigbao 4th Club 3, Rafael Dionisio - The circle hostels tribes and treks and the plastic solution, Reymark P. Marcos- Monteverde 4-H Club, Kyle Isaac Tan Kua - Adopt A Barangay, Metodia B. Maraguinot- Youthlead Philippine, Brian Justin E. Sta Ana - Gubat Young Farmers Association, Gil Anthony Lafuente- Soldiers of God, Crisner Lagazo-Sulbec 4H Club, Pasuquiz, Ilocos Norte and Jay S. Cutanda- New Leyte National High School 4th Club. Also in the photo are (Standing L-R): Justice Usec, ex-Rep. Em Aglipay Villar and daughter Emma Therese Villar, Camille Villar and son Tristan, Sen. Cynthia Villar and former Senate President Manny Villar. The Villar SIPAG Youth Poverty Reduction Challenge recognizes outstanding youth organizations for their unique and innovative solutions and undertakings to address in poor communities.

The youth (with age ranging from 15 to 29) a key component in the growth and development of the Philippines. Villar SIPAG encourages them to get involved in poverty reduction efforts.

Villar SIPAG Youth Poverty Reduction Challenge

Villar SIPAG launched the Villar SIPAG Youth Poverty Reduction Challenge on September 2016. It is a friendly competition among Filipino youth and their social enterprises or community organizations that help alleviate the poverty situation in the country.

The youth are a key component in the growth and development of the Philippines. They comprise 27 percent of the Philippine population. As such, they have one of the highest potentials in breaking the cycle of inter-generational poverty.

That is among the driving forces why Villar SIPAG is engaging the youth through the yearly competition. It aims to inspire and empower the youth to really be the change that they want to see and not to be mere bystanders as changes unfold around them. Instead, be change-makers.

Ten (10) Most Outstanding Social Enterprises with existing poverty alleviation programs are chosen as winners every year and provided with P150,000 each. The winners were selected from among the 150 nominees from all over the country. The winners in 2018 are as follows:

1. Soldiers of God
2. Sulbec 4H Club
3. The Circle Hostel: Tribes & Treks, and The Plastic Solution
4. Adopt-A-Barangay: Brgy. Puray, Rodriguez, Rizal
5. Gubat Young Farmers Association
6. Tigbao 4H Club
7. Youth First Initiative Philippines, Inc.
8. Youthlead Philippines, Inc.
9. Monteverde 4H Club
10. New Leyte National High School 4H Club

The Youth Poverty Reduction challenge is open to 16 to 29 year-old college students, out-of-school youth, young professionals, social enterprise groups, young entrepreneurs, youth organizations and other community organizations. The social enterprises must have at least two youth members and must have been in operation for a minimum of one year.

The focus of social enterprises should be on food or agricultural products, recycling waste materials or agricultural waste products; green or environment-friendly inventions or technology; water/waste/energy solutions; rural and urban innovations, information technology and livelihood development.

Each entry will go through rigid evaluation, comprehensive screenings and rational project defense. Entries will be judged and selected by a panel of social entrepreneurs and socio-civic specialists. The criteria for judging are: originality and uniqueness of the entry, 25%; adaptability and flexibility in adapting to any given community situation, 25%; sustainability, 25%; and community upliftment or the ability of the social enterprise to improve the condition of the poor and disadvantaged communities, 25%. Social enterprises must creatively demonstrate how they have solved or will solve the poverty problem in their communities.

Championing Clean Water & Environment

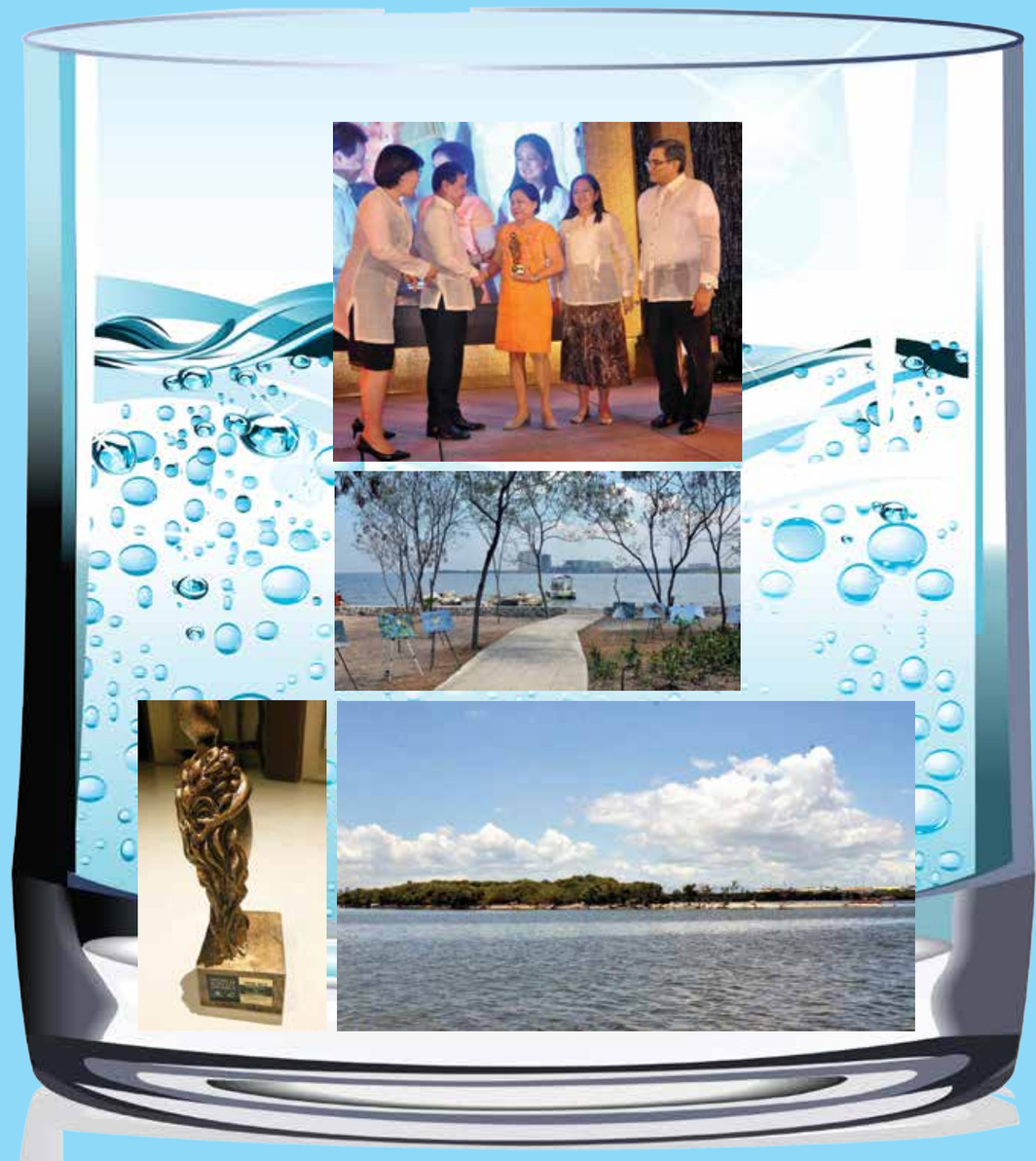
One of the most memorable and cherished awards received by the Villar Social Institute for Poverty Alleviation and Governance (Villar SIPAG) was the United Nations (UN) Water for Life Best Water Management Practices, which was given during World Water Day celebration in 2011. It was even received by Vista Land Chairman Manny Villar and Senator Cynthia Villar in Zaragosa, Spain. Villar SIPAG's river rehabilitation program (Sagip Ilog) bested 38 countries.

Villar SIPAG's Sagip-Ilog Program bested similar programs from 38 countries

Seven years after, Villar SIPAG once again received recognition during the 2018 World Water Day celebration. Senator Cynthia Villar received the "Kampeon ng Katubigan" award for unrelenting efforts in saving bodies of water including the Manila Bay and the Las Piñas Zapote River. The award was given by the Department of Environment and Natural Resources—National Capital Region (DENR-NCR) and the Manila Bay Site Coordinating Management Office.

Then, until now, water-related problems persist in many parts of the Philippines and worldwide in fact. According to the World Economic Forum, water crisis that includes water scarcity, flooding and pollution remain the biggest threats to global economy. Thus, it is a must to continue and even intensify efforts to protect waterways and bodies of water to ensure they are safe, clean, and healthy for the people's own safety, health and survival.

"Kampeon ng Katubigan" award for unrelenting efforts in saving bodies of water including the Manila Bay and the Las Piñas Zapote Bay River. The award was given by the Department of Environment and Natural Resources-National Capital (DENR-NCR) and the Manila Bay Site Coordinating Mangement Office.



Thus, environment protection remains an important aspect of Villar SIPAG's advocacies, especially in livelihood generation for poor communities and solving the problem of wastes, especially those reaching and polluting waterways and bodies of water. Villar SIPAG conducts regular coastal cleanups in Manila Bay, Las Piñas Parañaque Wetland Park, Baseco in Tondo and other areas all over the country.

DENR Recognition for Manila Bay Cleanup

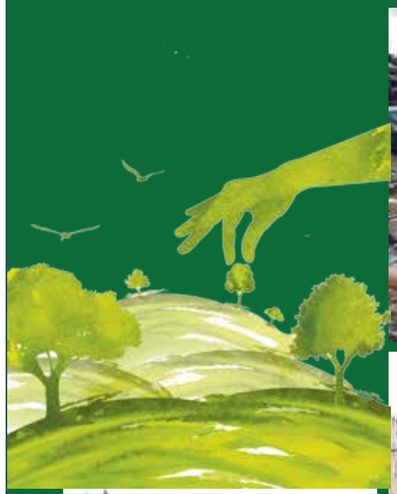
Senator Cynthia Villar received from Department of Environment and Natural Resources a plaque of appreciation in recognition of the senator's work in the clean up and rehabilitation of Manila Bay. Environment protection is a key advocacy of Villar SIPAG

Environment protection is among the key advocacies of Villar SIPAG. It is active in the regular cleanup and continuous rehabilitation of Manila Bay. Villar SIPAG's managing director Senator Cynthia Villar was recognized by the Department of Environment and Natural Resources (DENR) for "her unwavering support and relentless effort in championing the Manila Bay Rehabilitation cause."

Villar SIPAG has ongoing projects in Manila Bay that serve as models in cleaning the area. These include the Las Piñas-Parañaque Wetland Park where a monthly coastal cleanup and tree planting activity are held.

Villar SIPAG also conducts similar activities in Tondo, Manila. On a monthly basis, clean-up drive and mangrove-planting activity are also held at Barangay 649 Gasangan in order to inculcate cleanliness and environmental protection to the residents. BFAR and Cavitex provide the seedlings.

Toilet facilities were also built for the residents to stop the practice of open defecation, which pollutes the waters of Manila Bay. Villar SIPAG addressed a most basic sanitation and hygiene requirement. Communal septic tanks were built and 5,000 toilet bowls will be distributed in tranches to households.



Building Up Skills of Construction Workers

To complement the Build Build Build program of the government and to ensure that more Filipinos will benefit from it, Villar SIPAG is helping in the efforts to train skilled construction workers.

The government needs to increase its number of newly-trained construction workers by an average of 30,000 per year to meet increasing demand. According to the Department of Labor and Employment (DOLE), the construction industry would continue to generate thousands of jobs up to 2022. Vista Land alone needs 15,000 construction workers yearly.

Villar SIPAG is bringing construction training courses to the communities via ten mobile construction schools that can be deployed to different areas in the country to teach courses on masonry for men and painting for women.

On top of those mobile schools, Villar SIPAG also established five physical schools located in Cavite, Bulacan, Cagayan de Oro, Iloilo and Davao. The Technical Education and Skills Development Authority (TESDA) provides the trainors.

The trainees are also assisted by Villar SIPAG to get employment after undergoing one and a half months of training. To date, construction trainees from Baseco, Tondo have been deployed in one of Vista Land's construction sites in Calamba. They stay in on-site dormitories during working days and go home to their families on weekends.

The Construction School will not only provide employable skills to trainers, it will also help address the need for skilled workers in the real estate & construction industry.

Continuing Support to OFWs & Their Families

Villar SIPAG has been consistent in providing assistance to Overseas Filipino Workers (OFWs), who hold a special place in Founding Chairman Manuel B. Villar Jr.'s heart. The first ever customer of Camella Homes was seafarer Emil Magtibay and until now, a significant number of homebuyers of Vista Land are OFWs.

Villar SIPAG's assistance to OFWs and OFW returnees includes repatriation of distressed OFWs; medical/financial assistance; livelihood assistance; skills-up training on employable skills such as housekeeping, commercial cooking and bartending; workshops or symposia on relevant topics such as financial literacy, how to avoid investment scams among others; and the yearly OFW and Family Summit.

Vista Land is the principal sponsor the yearly OFW and Family Summit, which was launched in 2011 to help displaced OFWs or returnees re-establish themselves as productive members of Philippine society through entrepreneurship. The 8th OFW and Family Summit, like the previous ones, was attended by OFWs and their beneficiaries, such as spouse, children, parents or siblings. The theme for 2018 was "OFW: Perang Pinaghirapan, Palaguin".

Experts were invited to discuss various subjects such as financial literacy; business start-ups and financing facilities; new business opportunities such as farming, franchising and online selling; career development program; and OFW-turned-entrepreneur success stories.

The summit also features exhibits or booths of various enterprises to give OFWs and their families, options or ideas on how to start their own businesses. The highlight of the summit is the raffle draw with big prizes including grocery packages from AllDay Supermarket and the grand prize of a house and lot from Camella Homes, this year's winner was Edmundo C. Enguero of Cabuyao City Laguna, an OFW from Qatar.

Senator Cynthia A. Villar and Vista Land Director Camille Villar led the ribbon-cutting ceremony during the opening of the 8th OFW and Family Summit 2018 at the World Trade Center in Pasay City. The summit aims to provide our OFWs and their family the tools to guide them in protecting their hard-earned money and savings to ensure a better future. The senator was joined by (L-R) Engr. Albert Paredes, Pasay Mayor Tony Calixto COS, Trade Sec. Ramon Lopez, Pasay Rep. Emy Calixto-Rubiano and Fr. Anton Pascual of Radio Veritas.

Festivals

Villar SIPAG also supports various festivals that do not only celebrate the rich history and colorful culture of the place but also highlight the Filipinos' talents, enterprising spirit, artistry and concern for the environment.

Yearly Festivals: Chorale Festival (April), Food Festival (May), Water Lily Festival (July) and Parol Festival (December)

CORPORATE GOVERNANCE

The Vista Land "Manual on Corporate Governance," which was formalized in March of 2007, guides the Company's strategies towards management and investor relations. It ensures that the Company and its employees adhere to set standards and ethics, and requires regular assessments and benchmarking. The Governance Code evolves to adapt to changes within the organization and the industry.

The Vista Land Governance Code

Board of Directors

The Board of Directors (the "Board") shall be primarily responsible for the governance of the Corporation. In addition to setting the policies for the accomplishment of corporate objectives, it shall provide independent checks on Management. The term "Management," as used herein, shall refer to the body given authority by the Board to implement the policies it has laid down in conducting of the business of the Corporation.

Composition

The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders, and at least two (2) Independent Directors or such number of Independent Directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser but in no case less than two (2).

The membership of the Board may be a combination of Executive and Non-executive Directors (which include Independent Directors) in order that no Director or small group of Directors can dominate the decision making process.

The Non-executive Directors should possess such qualifications and stature that would enable them to participate effectively in the deliberations of the Board.

Chairman

The Chairman of the Board, and President and Chief Executive Officer have been separated to ensure balance of power, increased accountability, and better capacity for independent decision making by the Board.

Board Performance

The Board holds regular meetings. To assist the Directors in the discharge of their duties, each Director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the Board and at the same time communicate with the company shareholders and investing public.

Board Committees

To comply with the principles of good corporate governance, the Board created six (6) Committees.

Nomination Committee. Three (3) Directors comprise the Nomination Committee, one of whom is an Independent Director: Chairman Manuel B. Villar, Jr., Frances Rosalie T. Coloma, and Ruben O. Fruto. This committee formulates screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and conducts nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time.

Compensation and Remuneration Committee. Three (3) Directors comprise the Compensation and Remuneration Committee, one of whom is an Independent Director: Chairman Manuel Paolo A. Villar, Camille A. Villar, and Marilou O. Adea. This committee establishes the formal and transparent procedure for developing a policy on executive remunerations, and fixing remuneration packages of Corporate Officers and Directors. It also provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment.

Audit Committee. The Audit Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Marilou O. Adea, Cynthia J. Javarez, and Ruben O. Fruto. This committee assists the Board in providing oversight for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also provides oversight over Management's activities in managing credit, the market, liquidity, operations, legal, and other risks of the Corporation. This includes regularly receiving information on risk exposures and risk management activities from Management.

In compliance with SEC Memo Circular No. 4 series of 2012, the Board approved and adopted the Audit Committee Charter. The Audit Committee will hereafter meet to assess its compliance with the aforementioned SEC Memo Circular.

Corporate Governance Committee. The Corporate Governance Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Ruben O. Fruto, Manuel B. Villar, Jr., and Marilou O. Adea. This committee assists the Board in the performance of its corporate governance responsibilities. It shall also be tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

Board Risk Oversight Committee. The Board Risk Oversight Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Marilou O. Adea, Manuel Paolo A. Villar, and Ruben O. Fruto. This committee is responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.

Related Party Transactions Committee. The Related Party Transactions Committee is composed of three (3) non-executive members, two (2) of which are Independent Directors: Chairman Ruben O. Fruto, Frances Rosalie T. Coloma, and Marilou O. Adea. This committee is tasked with reviewing all material related party transactions of the Corporation.

Management

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the Chairman, CEO, and the top five (5) Senior Executives of the Company are set out in the Definitive Information Statement distributed to Shareholders.

Compliance Monitoring

The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good Corporate Governance.

On May of 2017, the Board of Directors amended its "Manual of Corporate Governance" in compliance with the revised code of Corporate Governance issued by the Securities and Exchange Commission.

Annual Corporate Governance Report

In compliance with SEC Memorandum Circular No. 15 Series of 2017, the Company submits an Integrated Annual Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange every year. This report shall contain the Company's compliance/ non-compliance with the recommendation provided under the Code of Corporate Governance for publicly-listed companies (PLCs).

http://www.vistaland.com.ph/corporate_governance.php

Website

Up-to-date information on the Company's corporate structure, products and services, results of business operations, financial statements, career opportunities, and other relevant information on the Company may be found on its official website: www.vistaland.com.ph.

To view the Manual on Corporate Governance please refer to the link below.
http://www.vistaland.com.ph/corporate_governance.php

In 2018, the Board held 15 meetings. The record of attendance is indicated in the chart below:

Board Meeting Attendance

	Jan	Jan	Feb	Mar	Apr	May	May	Jun	Jul	Aug	Sep	Sep	Nov	Nov	Dec
Director's Name	10	29	26	27	16	09	28	18	11	10	28	30	05	13	03
Manuel B. Villar, Jr.	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Cynthia J. Javarez	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P
Camille A. Villar	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P
Frances Rosalie T. Coloma	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Marilou Adea	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Ruben O. Fruto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

Legend: (A) Absent, (P) Present

BOARD OF DIRECTORS

Manuel B. Villar, Jr.
Chairman of the Board

Manuel Paolo A. Villar
Vice Chairman of the Board and President &
Chief Executive Officer

Cynthia J. Javarez
Director and Chief Operating Officer

Camille A. Villar
Director and Managing Director,
Vista Land Commercial

Frances Rosalie T. Coloma
Director

Ruben O. Fruto
Independent Director

Marilou O. Adea
Independent Director

Gemma M. Santos
Corporate Secretary

BOARD OF DIRECTORS

Manuel B. Villar, Jr. Chairman of the Board. Mr. Villar, 69, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become one of the leading integrated property developers in the country and the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Starmalls, Inc. and Golden Bria Holdings, Inc.

Manuel Paolo A. Villar, Vice Chairman of the Board and President & Chief Executive Officer. Mr. Villar, 42, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was a consultant for McKinsey &Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning. He was elected President and Chief Executive Officer of the Company in July 2011. In addition he is the CEO and Chairman of St. Augustine Gold and Copper Limited from October 2012 and Chairman of TVI Resources Development Philippines, Inc. from December 2013. Mr. Villar also is the majority shareholder of Prime Asset Ventures, Inc.

Cynthia J. Javarez, Director, Chief Operating Officer, Treasurer and Chief Risk Officer. Ms. Javarez, 55, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She took a Management Development Program at the Asian Institute of Management. She was the Controllerand Chief Financial Officer of Vista Land since 2013 until she was elected as Chief Operating Officer in November 2018 and Head of the Tax and Audit group of Vista Land after holding various other positions in the MB Villar Group of Companies since 1985. She is also the President of Fine Properties, Inc.

Camille A. Villar, Managing Director, Vista Land Commercial. Ms. Villar, 33, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She took Management in Business Administration, Global Executive MBA Program in IESE Business School, Barcelona, Spain. She joined the Corporate Communications Group of Brittany in 2007 until she assumed the position of Managing Director of Vista Land Commercial. She is also a Director of Starmalls, Inc., Golden Bria Holdings, Inc. and AllValue Holdings Corp.

Frances Rosalie T. Coloma, Director. Ms. Coloma, 56, graduated cum laude from the University of the Philippines with the degree of Bachelor of Science in Business Administration and Accountancy. She is a Certified Public Accountant. She was previously the Finance Manager of Alcatel Philippines, Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines, Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. She was also the Assistant General Manager of Maersk Global Services, Philippines, and is currently the Chief Financial Officer of Golden Bria Holdings, Inc.

Ruben O. Fruto, Independent Director. Mr. Fruto, 80, graduated with the degree of Bachelor of Laws from the Ateneo de Manila University in 1961. He was formerly a partner in the law firm of Feria, Feria, Lugtu & La O' and the Oben, Fruto & Ventura Law Office. In February 1987, he was the Chief Legal Counsel and Senior Vice President of the Development Bank of the Philippines and Director from 1991 to 1998. He was the Undersecretary of Finance from March 1990 to May 15, 1991. Presently aside from private practice in corporate and civil litigation, he is also Of Counsel of Feria Tantoco Daos Law Office. He is also currently General Counsel of Wallem Philippines Shipping, Inc. and Wallem Maritime Services, Inc.; Vice-Chairman of Toyota Balintawak, Inc.; and Director and Chairman of Padre Burgos Realty, Inc.

Marilou O. Adea, Independent Director. Ms. Adea, 67, is currently a consultant for FBO Management Network, Inc. and is Independent Director for Malarayat Rural Bank. She was until recently the Court Appointed Rehabilitation Receiver of Anna-Lynns, Inc. and Manuela Corporation. Ms. Adea served previously as Project Director for Site Acquisition of Digital Telecommunications Phils. Inc. from 2000 to 2002, Executive Director for FBO Management Network, Inc. from 1989 to 2000 and BF Homes Inc. in Receivership from 1988 to 1994 and Vice President for Finance & Administration for L&H Resources Management Corporation from 1986 to 1988. Ms. Adea worked with the Home Development Mutual Fund from 1978 to 1986. Ms. Adea holds a Degree in Bachelor of Science in Business Administration Major in Marketing Management from the University of the Philippines.

Gemma M. Santos, Corporate Secretary. Atty. Santos, 56, graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices.

MANAGEMENT COMMITTEE

Manuel Paolo A. Villar
President & Chief Executive Officer

Cynthia J. Javarez
Chief Operating Officer

Brian N. Edang
Chief Financial Officer & Head, Investor Relations

Camille A. Villar
Managing Director- Vista Land Commercial

Benjamarie Therese N. Serrano
President-Starmall, Inc.

Ma. Nalen S.J. Rosero
Asst. Corporate Secretary

Estrellita S.Tan
President-Prima Casa

Lorelyn D. Mercado
Controller

Eduardo T. Aguilar
Vice President–Sales

Eva Rose D. Estampador
Chief Technology Officer

Management's Discussion and Analysis

REVIEW OF YEAR END 2018 VS YEAR END 2017

RESULTS OF OPERATIONS

Revenues

Real Estate
The Company recorded revenue from real estate sales amounting to ₱ 31,856.1 million for the year ended December 31, 2018, an increase of 15% from ₱ 27,594.4 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue from Vista Residences increased by 24% to ₱ 5,305.6 million for the year ended December 31, 2018 from P 4,262.7 million for the year ended December 31, 2017. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the year. The Company is currently delivering a number of condominium projects launched from 2-3 years ago. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

- Real estate revenue of Camella Homes increased by 19% to ₱ 9,731.5 million for the year ended December 31, 2018 from ₱ 8,158.3 million for the year ended December 31, 2017. This was principally attributable to the higher number of sold homes completed or under construction in the Mega Manila area in the low-cost and affordable housing segment during the year.

- Real estate revenue of Communities Philippines increased by 17% to P 15,358.1 million for the year ended December 31, 2018 from P 13,090.7 million for the year ended December 31, 2017. This was principally attributable to the higher number of sold homes completed or under construction outside the Mega Manila area in the low-cost and affordable housing segment during the year.

- Real estate revenue of Crown Asia decreased by 17% to P979.5 million for the year ended December 31, 2018 from P1,178.7 million for the year ended December 31, 2017. The decrease was principally attributable to the decrease in the number of completed units sold for the year of projects in the Mega Manila area in the middle-income housing segment.

- Real estate revenue of Brittany decreased by 47% to ₱481.4 million for the year ended December 31, 2018 from ₱ 904.0 million in the same period last year. The decrease was principally attributable to the decrease in the number of completed sold units for the year of projects in the Mega Manila area in the high-end housing segment.

Rental income
Rental income increased by 15% from ₱ 5,625.2 million for the year ended December 31, 2017 to ₱6,464.7 million for the year ended December 31, 2018. The increase was primarily attributable to the additional gross floor area leased out of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable and investments
Interest income from installment contract receivable and investments increased by 9% from ₱1,746.2 million for the year ended December 31, 2017 to ₱1,905.8 million for the year ended December 31, 2018. The increase was primarily attributable to the slight increase in interest income from investments of 2% to ₱1,225.8 million for the year ended December 31, 2018 and the increase in the interest income from receivables of 25% to ₱680.1 million for the year ended December 31, 2018 primarily due to the increase in the interest income from leasing related receivables.

Miscellaneous Income
Miscellaneous income increased by 17% from ₱1,076.6 million for the year ended December 31, 2017 to ₱1,260.5 million for the year ended December 31, 2018. The increase was primarily attributable to the 19% increase of the other operating income and parking fees from our malls to ₱453.1 million for the year ended December 31, 2018 and the increase of 17% to ₱807.4 million pertaining to forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment.

Costs and Expenses

Cost and expenses increased by 16% to ₱24,735.7 million for the year ended December 31, 2018 from ₱21,384.5 million for the year ended December 31, 2017.

- Cost of real estate sales increased by 14% from ₱13,303.6 million for the year ended December 31, 2017 to ₱15,177.2 million for the year ended December 31, 2018 primarily due to the increase in the overall recorded sales of Vista Land's business units.

- Operating expenses increased by 18% from ₱8,080.9 million for the year ended December 31, 2017 to ₱9,558.5 million for the year ended December 31, 2018 primarily due to the following:

  - an increase in commissions from P 1,482.5 million for the year ended December 31, 2017 to P 1,692.3 million for the year ended December 31, 2018 resulting from increase in sales of the Company during the year and the adoption of the new accounting standards on recording commission.

  - an increase in depreciation and amortization from ₱1,350.2 million for the year ended December 31, 2017 to ₱1,480.1 million in the year ended December 31, 2018 due to the increase in investment properties and additions to property and equipment for the year.

  - an occupancy costs from ₱ 898.3 million for the year ended December 31, 2017 to ₱1,173.1 million for the year ended December 31, 2018 due to increase in the number of malls as well as projects during the year,

Interest and other financing charges
Interest and other financing charges increased by 23% from ₱3,384.2 million for the year ended December 31, 2017 to ₱4,169.8 million for the year ended December 31, 2018. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year and reduced capitalization for qualifying assets that are already completed during the year.

Provision for Income Tax

Provision for income tax decreased by 7% from ₱2,210.8 million for the year ended December 31, 2017 to ₱2,047.3 million for the year ended December 31, 2018 primarily due to a lower taxable base for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 16% to ₱10,534.5 million for the year ended December 31, 2018 from ₱9,062.8 million for the year ended December 31, 2017.

For the year ended December 31, 2018, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2018 vs. December 31, 2017

Total assets as of December 31, 2018 were 199,934.7 million compared to ₱ 238,262 million as of December 31, 2017, or a 19% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities), held-to-maturity investments and investments at amortized costs increased by 19% from ₱40,158.8 million as of December 31, 2017 to ₱47,645.2 million as of December 31, 2018 primarily due to the higher internal cash generated and net proceeds from the debt issuance for the year.

- Available-for-sale financial assets (equity securities) in December 31, 2017 now classified as Investments at fair value through other comprehensive income decreased by 12% from ₱ 121.6 million as of December 31, 2017 to ₱ 106.5 million as of December 31, 2018 due to disposals during the year.

- Receivables and contract assets including non-current portion thereof increased by 21% from ₱44,182.5 million as of December 31, 2017 to ₱53,641.0 million as of December 31, 2018 due to an increase in the installment contracts receivables and contract assets from the current year sale, increase in other non-trade receivables and the a decrease in the receivable from tenants.

- Receivables from related parties decreased by 6% from ₱4,987.9 million as of December 31, 2017 to ₱4,706.9 million as of December 31, 2018 due to settlements made by affiliates during the year.

- Real estate inventories including raw land for residential development which was reclassified increased by 6% from P39,700.0 million as of December 31, 2017 to P41,946.9 million as of December 31, 2018 due primarily to the increase in the project launched and land acquired for housing development during the year.

- Project development costs increased by 11% from ₱4,043.3 million as of December 31, 2017 to ₱4,465.3 million as of December 31, 2018 due primarily to the advances made during the year for to joint venture partners for land development.

- Property and equipment increased by 82% from ₱885.8 million as of December 31, 2017 to ₱1,613.9 million as of December 31, 2018 due primarily to acquisitions of equipment and furniture and the additions to building and improvements pertaining to the Mella hotel building the second hotel of the group.

- Investment properties including raw land for commercial development which was reclassified increased by 25% from ₱59,101.4 million as of December 31, 2017 to ₱73,930.6 million as of December 31, 2018 due primarily to the additions to commercial developments and acquisition of land for commercial development during the year.

- Pension assets increased by 143% to ₱213.3 million as of December 31, 2018 from ₱87.7 million as of December 31, 2017 as a result of actuarial adjustment for the company's retirement program.

- Other assets, cost to obtain contract including current portion thereof increased by 57% from ₱5,725.4 million as of December 31, 2017 to ₱8,998.5 million as of December 31, 2018 due primarily to the recognition of the cost to obtain contract (commission due to sales agent) P1,276.5 million of as a result of the adoption of the PFRS 15, increase in input vat coming from mall constructions, increase in creditable withholding taxes and constructions materials as the company shifted to in-house constructions for its housing development.

Total liabilities as of December 31, 2018 were ₱146,355.4 million compared to ₱115,926.8 million as of December 31, 2017, or a 26% increase. This was due to the following:

- Accounts and other payables increased by 19% to ₱15,736.9 million as of December 31, 2018 from ₱13,275.0 million as of December 31, 2017 due to the increase in trade payables and other payables specifically commission payable as a result of the adoption of PFRS 15.

- Customers' advances and deposit including contract liabilities was flat to ₱3,622.7 million as of December 31, 2018 from ₱3,617.9 million as of December 31, 2017.

- Income tax payable decreased by 17% from ₱53.2 million as of December 31, 2017 to ₱44.4 million as of December 31, 2018 due primarily to a settlements during the year.

- Dividend payable increased by 15% million from ₱29.0 million as of December 31, 2017 to ₱33.4 million as of December 31, 2018 due primarily to the dividend declared during the year.

- Notes payable including non-current portion increased by 36% from ₱54,501.0 million as of December 31, 2017 to ₱74,287.0 million as of December 31, 2018 due primarily to the issuance of peso corporate notes and retail bond for the year.

- Bank loans including non-current portion increased by 24% from ₱35,799.8 million as of December 31, 2017 to ₱44,476.1 million as of December 31, 2018 due primarily to the issuance of bilateral loans.

- Loans payable including non-current portion decreased by 26% from ₱3,760.5 million as of December 31, 2017 to ₱2,784.2 million as of December 31, 2018 due settlement for the year.

- Deferred tax liabilities – net increased by 27% from ₱2,414.2 million as of December 31, 2017 to ₱3,073.6 million as of December 31, 2018 due to the additional deferred liabilities recognized for the year.

- Other noncurrent liabilities decreased by 13% from ₱1,674.1 million as of December 31, 2017 to ₱1,450.5 million as of December 31, 2018 due to the settlements for the period.

Total stockholder's equity increased by 9% from ₱84,007.9 million as of December 31, 2017 to ₱91,906.6 million as of December 31, 2017 due to the net income recorded for the year ended December 31, 2018, increase in non-controlling interest with a reduction due to the acquisition of treasury shares for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2018	12/31/2017
Current ratio [a]	**3.77:1**	5.19:1
Liability-to-equity ratio [b]	**1.59:1**	1.38:1
Interest expense/Income before Interest expense [c]	**24.9%**	23.1%
Return on assets [d]	**4.4%**	4.5%
Return on equity [e]	**11.5%**	10.8%

Notes:
(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.
(b) Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.
(c) Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably
(d) Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.
(e) Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders. Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2018 decreased from that of December 31, 2017 due primarily to the decrease in the current portion of AFS and HTM investments and the increase in current liabilities.

Liability-to-equity ratio increased due to the increase in the total liabilities brought by the proceeds from bank loans and notes payable and increase in accounts and other payables.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2018 compared to the ratio for the year ended December 31, 2017 due to the higher interest expense for the year.

Return on asset remained constant for December 31, 2018 compared to that on December 31, 2017.

Return on equity increased due primarily to the higher net income reported for the year ended December 31, 2018.

Material Changes to the Company's Balance Sheet as of December 31, 2018 compared to December 31, 2017 (increase/decrease of 5% or more)

Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities), held-to-maturity investments and investments at amortized costs increased by 19% from ₱40,158.8 million as of December 31, 2017 to ₱47,645.2 million as of December 31, 2018 primarily due to the higher internal cash generated and net proceeds from the debt issuance for the year.

Available-for-sale financial assets (equity securities) in December 31, 2017 now classified as Investments at fair value through other comprehensive income decreased by 12% from ₱121.6 million as of December 31, 2017 to ₱106.5 million as of December 31, 2018 due to disposals during the year.

Receivables and contract assets including non-current portion thereof increased by 21% from ₱44,182.5 million as of December 31, 2017 to ₱53,641.0 million as of December 31, 2018 due to an increase in the installment contracts receivables and contract assets from the current year sale, increase in other non-trade receivables and the a decrease in the receivable from tenants.

Receivables from related parties decreased by 6% from ₱4,987.9 million as of December 31, 2017 to ₱4,706.9 million as of December 31, 2018 due to settlements made by affiliates during the year.

Real estate inventories including raw land for residential development which was reclassified increased by 6% from ₱39,700.0 million as of December 31, 2017 to ₱41,946.9 million as of December 31, 2018 due primarily to the increase in the project launched and land acquired for housing developement during the year.

Project development costs increased by 11% from ₱4,043.3 million as of December 31, 2017 to ₱4,465.3 million as of December 31, 2018 due primarily to the advances made during the year for to joint venture partners for land development.

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Investment properties including raw land for commercial development which was reclassified increased by 25% from ₱59,101.4 million as of December 31, 2017 to ₱73,930.6 million as of December 31, 2018 due primarily to the additions to commercial developments and acquisition of land for commercial development during the year.

Pension assets increased by 143% to ₱213.3 million as of December 31, 2018 from ₱87.7 million as of December 31, 2017 as a result of actuarial adjustment for the company's retirement program.

- Other assets, cost to obtain contract including current portion thereof increased by 57% from P5,725.4 million as of December 31, 2017 to ₱8,998.5 million as of December 31, 2018 due primarily to the recognition of the cost to obtain contract (commission due to sales agent) ₱1,276.5 million of as a result of the adoption of the PFRS 15, increase in input vat coming from mall constructions, increase in creditable withholding taxes and constructions materials as the company shifted to in-house constructions for its housing development.

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Customers' advances and deposit including contract liabilities was flat to ₱3,622.7 million as of December 31, 2018 from ₱3,617.9 million as of December 31, 2017.

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Dividend payable increased by 15% million from ₱29.0 million as of December 31, 2017 to ₱33.4 million as of December 31, 2018 due primarily to the dividend declared during the year.

Notes payable including non-current portion increased by 36% from ₱54,501.0 million as of December 31, 2017 to ₱74,287.0 million as of December 31, 2018 due primarily to the issuance of peso corporate notes and retail bond for the year.

Bank loans including non-current portion increased by 24% from ₱35,799.8 million as of December 31, 2017 to ₱44,476.1 million as of December 31, 2018 due primarily to the issuance of bilateral loans.

Loans payable including non-current portion decreased by 26% from ₱3,760.5 million as of December 31, 2017 to ₱2,784.2 million as of

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2018 due settlement for the year.

Deferred tax liabilities – net increased by 27% from ₱2,414.2 million as of December 31, 2017 to ₱3,073.6 million as of December 31, 2018 due to the additional deferred liabilities recognized for the year.

Other noncurrent liabilities decreased by 13% from ₱1,674.1 million as of December 31, 2017 to ₱1,450.5 million as of December 31, 2018 due to the settlements for the period.

Total stockholder's equity increased by 9% from ₱84,007.9 million as of December 31, 2017 to ₱91,906.6 million as of December 31, 2017 due to the net income recorded for the year ended December 31, 2018, increase in non-controlling interest with a reduction due to the acquisition of treasury shares for the year.

Material Changes to the Company's Statement of Income for the year ended December 31, 2018 compared to the year ended December 31, 2017 (increase/decrease of 5% or more)

Real estate sales amounting to ₱31,856.1 million for the year ended December 31, 2018, an increase of 15% from ₱27,594.4 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units.

Rental income increased by 15% from ₱5,625.2 million for the year ended December 31, 2017 to ₱6,464.7 million for the year ended December 31, 2018. The increase was primarily attributable to the additional gross floor area leased out of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable and investments increased by 9% from ₱1,746.2 million for the year ended December 31, 2017 to ₱1,905.8 million for the year ended December 31, 2018. The increase was primarily attributable to the slight increase in interest income from investments of 2% to ₱1,225.8 million for the year ended December 31, 2018 and the increase in the interest income from receivables of 25% to ₱680.1 million for the year ended December 31, 2018 primarily due to the increase in the interest income from leasing related receivables.

Miscellaneous income increased by 17% from ₱1,076.6 million for the year ended December 31, 2017 to ₱1,260.5 million for the year ended December 31, 2018. The increase was primarily attributable to the 19% increase of the other operating income and parking fees from our malls to ₱453.1 million for the year ended December 31, 2018 and the increase of 17% to ₱807.4 million pertaining to forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment.

Cost of real estate sales increased by 14% from ₱13,303.6 million for the year ended December 31, 2017 to ₱15,177.2 million for the year ended December 31, 2018 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 18% from ₱8,080.9 million for the year ended December 31, 2017 to ₱9,558.5 million for the year ended December 31, 2018 primarily due to the following an increase in commissions from ₱1,482.5 million for the year ended December 31, 2017 to ₱1,692.3 million for the year ended December 31, 2018 resulting from increase in sales of the Company during the year and the adoption of the new accounting standards on recording commission, an increase in depreciation and amortization from ₱1,350.2 million for the year ended December 31, 2017 to ₱1,480.1 million in the year ended December 31, 2018 due to the increase in investment properties and additions to property and equipment for the year and an occupancy costs from ₱898.3 million for the year ended December 31, 2017 to ₱1,173.1 million for the year ended December 31, 2018 due to increase in the number of malls as well as projects during the year,

Interest and other financing charges increased by 23% from ₱3,384.2 million for the year ended December 31, 2017 to ₱4,169.8 million for the year ended December 31, 2018. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year and reduced capitalization for qualifying assets that are already completed during the year.

Provision for income tax decreased by 7% from ₱2,210.8 million for the year ended December 31, 2017 to ₱2,047.3 million for the year ended December 31, 2018 primarily due to a lower taxable base for the year.

As a result of the foregoing, the Company's net income increased by 16% to ₱10,534.5 million for the year ended December 31, 2018 from ₱9,062.8 million for the year ended December 31, 2017.

For the year ended December 31, 2018, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL STATEMENT 2018

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Vista Land & Lifescapes, Inc. and Subsidiaries (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether 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.

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

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members.

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

MANUEL B. VILLAR, JR.
Chairman of the Board

MANUEL PAOLO A. VILLAR
President and Chief Executive Officer

BRIAN N. EDANG
Chief Financial Officer and Head Investor Relations

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's 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 audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue process, policies and procedures and revenue recognition accounting policy. The following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of input method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of sales; and (6) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if these would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy.

The adoption of PFRS 15 resulted to transition adjustments resulting to increase in the opening balance of retained earnings of ₱145.10 million as of January 1, 2018.

The disclosures related to the adoption of PFRS 15, including available practical expedients applied by the Group, are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as official receipts, deposit slips, and bank statements.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as construction contracts, subsequent billings, and other documents evidencing receipt of materials and services from contractors. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such opening fact sheet and addendum thereof for revisions. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

We test computed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, *Financial Instruments*

On January 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

Classification of Financial Assets

As at January 1, 2018, the Group classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted in transition adjustments that increased retained earnings and decreased other comprehensive income by ₱703.03 million. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were also classified based on the PFRS 9 classification criteria.

The Group's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's contracts review process to establish the contractual cash flow characteristics of financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the approved business models for the Group's portfolios of financial assets. We compared the parameters set within the business models with the investment/risk management policies of the Group. For significant portfolios, we assessed frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We test computed the transition adjustments and evaluated the disclosures on the adoption of the PFRS 9 classification criteria made in the financial statements.

Expected Credit Loss (ECL)

The Group's adoption of the expected credit loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased retained earnings by ₱232.71 million as of January 1, 2018. There was no provision for credit losses in 2018 using the ECL model.

Refer to Notes 3 and 11 of the financial statements for the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumption and formula used, (d) tested historical loss rates by inspecting historical recoveries including the timing, related direct costs and write-offs; (e) checked the classification of outstanding exposures to their corresponding aging buckets; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices, and; (g) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We test computed the transition adjustments and evaluated the disclosures made in the financial statements on allowance for credit losses using the ECL model.

We involved our internal specialists in the performance of the above procedures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's 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 auditor's 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 PFRSs, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs 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 PSAs, 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 auditor's 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 auditor's 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1737-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332622, January 3, 2019, Makati City

April 2, 2019

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 30 and 31)	**₱20,022,186,387**	₱11,494,511,442
Short-term cash investments (Notes 10, 30 and 31)	**139,942,752**	345,639,559
Available-for-sale financial assets (Notes 10, 30 and 31)	**–**	6,491,361,776
Held-to-maturity investments (Notes 10, 30 and 31)	**–**	8,133,258,592
Current portion of:		
Receivables (Notes 11, 30 and 31)	**21,849,774,501**	35,355,750,913
Contract assets (Note 7)	**14,456,428,216**	–
Cost to obtain contract (Note 7)	**747,489,877**	–
Receivables from related parties (Notes 28, 30 and 31)	**4,706,908,266**	4,987,930,489
Real estate inventories (Note 12)	**41,946,866,699**	39,700,029,385
Other current assets (Note 13)	**6,012,527,034**	4,017,873,284
Total Current Assets	**109,882,123,732**	110,526,355,440
Noncurrent Assets		
Investments at amortized cost (Notes 3, 10, 30 and 31)	**27,483,090,564**	–
Investments at fair value through other comprehensive income (Notes 3, 10, 30 and 31)	**106,499,183**	–
Available-for-sale financial assets (Notes 10, 30 and 31)	**–**	121,580,343
Held-to-maturity investments (Notes 10, 30 and 31)	**–**	13,694,030,855
Receivables - net of current portion (Notes 11, 30 and 31)	**8,481,261,708**	8,826,716,922
Contract assets - net of current portion (Note 7)	**8,853,547,856**	–
Cost to obtain contract - net of current portion (Note 7)	**529,024,635**	–
Project development costs (Note 16)	**4,465,254,164**	4,034,282,866
Property and equipment (Note 15)	**1,613,945,660**	885,818,633
Investment properties (Note 14)	**73,930,638,958**	59,101,360,671
Goodwill (Note 8)	**147,272,020**	147,272,020
Pension assets (Note 26)	**213,261,296**	87,660,881
Deferred tax assets - net (Notes 6 and 27)	**846,680,663**	802,145,997
Other noncurrent assets (Note 17)	**1,709,437,975**	1,707,506,437
Total Noncurrent Assets	**128,379,914,682**	89,408,375,625
	₱238,262,038,414	₱199,934,731,065
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 18, 30 and 31)	**₱15,736,890,359**	₱13,274,954,736
Customers' advances and deposits (Note 19)	**1,297,839,418**	3,617,888,803
Income tax payable	**44,362,283**	53,215,024
Dividends payable (Note 23)	**33,368,139**	28,959,615
Current portion of:		
Contract liabilities (Note 7)	**1,617,322,395**	–
Notes payable (Notes 21, 30 and 31)	**4,760,986,563**	60,890,732
Bank loans (Notes 20, 30 and 31)	**5,332,822,509**	3,620,352,953
Loans payables (Notes 20, 30 and 31)	**336,726,340**	644,355,649
Total Current Liabilities	**29,160,318,006**	21,300,617,512

(Forward)

	December 31	
	2018	2017
Noncurrent Liabilities		
Contract liabilities - net of current portion	**₱707,564,686**	**₱–**
Notes payable - net of current portion (Notes 21, 30 and 31)	**69,526,008,960**	54,440,151,506
Bank loans - net of current portion (Notes 20, 30 and 31)	**39,143,230,006**	32,179,459,075
Loans payable - net of current portion (Notes 20, 30 and 31)	**2,447,444,225**	3,116,110,334
Deferred tax liabilities - net (Notes 6 and 27)	**3,920,324,321**	3,216,367,742
Other noncurrent liabilities (Notes 22 and 31)	**1,450,547,615**	1,674,082,315
Total Noncurrent Liabilities	**117,195,119,813**	94,626,170,972
Total Liabilities	**146,355,437,819**	115,926,788,484
Equity (Note 23)		
Attributable to equity holders of the Parent Company		
Common stock	**13,114,136,376**	13,114,136,376
Preferred stock	**33,000,000**	33,000,000
Additional paid-in capital	**30,655,429,349**	30,655,429,349
Treasury shares (Note 4)	**(7,184,331,182)**	(6,980,294,580)
Retained earnings	**52,736,780,731**	44,136,812,797
Other comprehensive income (Notes 10 and 26)	**534,538,519**	1,280,960,358
	89,889,553,793	82,240,044,300
Non-controlling interest (Note 29)	**2,017,046,802**	1,767,898,281
Total Equity	**91,906,600,595**	84,007,942,581
	₱238,262,038,414	₱199,934,731,065

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Real estate (Notes 6 and 7)	**₱31,856,087,078**	₱27,594,357,784	₱25,025,209,355
Rental income (Notes 6 and 7)	**6,464,740,183**	5,625,226,916	4,375,326,206
Interest income from installment contracts receivable (Notes 6 and 11)	**680,058,436**	543,523,766	642,642,195
Miscellaneous income (Notes 6 and 24)	**1,260,519,593**	1,076,585,595	952,508,345
	40,261,405,290	34,839,694,061	30,995,686,101
COSTS AND EXPENSES			
Costs of real estate sales (Notes 6, 12, and 25)	**15,177,160,125**	13,303,578,388	12,320,996,040
Operating expenses (Notes 6 and 25)	**9,558,527,842**	8,080,888,177	7,594,509,417
	24,735,687,967	21,384,466,565	19,915,505,457
OTHER INCOME (EXPENSES)			
Interest income from investments and other income (Notes 10, 21, 24 and 25)	**1,225,783,467**	1,202,632,812	864,375,335
Interest and other financing charges (Note 24)	**(4,169,762,915)**	(3,384,244,575)	(2,261,952,641)
	(2,943,979,448)	(2,181,611,763)	(1,397,577,306)
INCOME BEFORE INCOME TAX	**12,581,737,875**	11,273,615,733	9,682,603,338
PROVISION FOR INCOME TAX (Note 27)	**2,047,274,160**	2,210,845,245	1,582,235,418
NET INCOME	**₱10,534,463,715**	₱9,062,770,488	₱8,100,367,920
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 29)	**₱10,238,356,840**	₱8,803,658,211	₱7,906,941,679
Non-controlling interest (Note 29)	**296,106,875**	259,112,277	193,426,241
NET INCOME	**₱10,534,463,715**	₱9,062,770,488	₱8,100,367,920
BASIC/DILUTED EARNINGS PER SHARE (Notes 4, 8 and 29)	**₱0.798**	₱0.686	₱0.615

(Forward)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱10,534,463,715**	₱9,062,770,488	₱8,100,367,920
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive gain (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of investments at fair value through other comprehensive income (Note 10)	**23,000,000**	–	–
Cumulative translation adjustments (Note 4)	**(145,712,074)**	(227,817,585)	(25,685,005)
Changes in fair value of available-for-sale financial assets (Note 10)	**–**	250,341,800	479,370,673
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit obligation - net of tax (Note 26)	**80,423,397**	147,240,947	30,275,144
	(42,288,677)	169,765,162	483,960,812
TOTAL COMPREHENSIVE INCOME	**₱10,492,175,038**	₱9,232,535,650	₱8,584,328,732
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱10,194,965,582**	₱8,973,612,240	₱8,395,129,349
Non-controlling interest	**297,209,456**	258,923,410	189,199,383
	₱10,492,175,038	₱9,232,535,650	₱8,584,328,732

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 23)		Additional Paid-in Capital	Other Comprehensive Income				
	Common Stock	Preferred Stock	(Notes 8 and 23)	Cumulative Translation Adjustments (Note 4)	Remeasurement Gains (Losses) on Retirement Obligation (Note 26)	Retained Earnings (Notes 3 and 23)	Treasury Shares (Notes 8 and 23)	Non-Controlling Interest (Note 8)	Total
Balances as at January 1, 2018, as previously presented	**₱13,114,136,376**	**₱33,000,000**	**₱30,655,429,349**	**(₱228,414,387)**	**₱435,606,599**	**₱44,136,812,797**	**(₱6,980,294,580)**	**₱1,767,898,281**	**₱84,007,942,581**
Effect of adoption of new standards (Notes 3, 10 and 11)	–	–	–	–	–	1,080,837,556	–	–	377,806,975
Balances as at January 1, 2018, as restated	13,114,136,376	33,000,000	30,655,429,349	(228,414,387)	435,606,599	45,217,650,353	(6,980,294,580)	1,767,898,281	84,385,749,556
Net income	–	–	–	–	–	10,238,356,840	–	296,106,875	10,534,463,715
Other comprehensive income	–	–	–	–	79,320,816	–	–	1,102,581	103,423,397
Cumulative translation adjustments	–	–	–	(145,712,074)	–	–	–	–	(145,712,074)
Total comprehensive income (loss) for the year	–	–	–	(145,712,074)	79,320,816	10,238,356,840	–	297,209,456	10,492,175,038
Treasury shares	–	–	–	–	–	–	(204,036,602)	–	(204,036,602)
Cash dividend declared	–	–	–	–	–	(2,719,226,462)	–	(48,060,935)	(2,767,287,397)
Balances as at December 31, 2018	**₱13,114,136,376**	**₱33,000,000**	**₱30,655,429,349**	**(₱374,126,461)**	**₱514,927,415**	**₱52,736,780,731**	**(₱7,184,331,182)**	**₱2,017,046,802**	**₱91,906,600,595**
Balances as at January 1, 2017	₱13,114,136,376	₱33,000,000	₱30,655,429,349	(₱596,802)	₱288,176,785	₱36,953,581,723	(₱6,917,014,956)	₱1,545,167,378	₱76,495,306,199
Net income	–	–	–	–	–	8,803,658,211	–	259,112,277	9,062,770,488
Other comprehensive income	–	–	–	–	147,429,814	–	–	(188,867)	397,582,747
Cumulative translation adjustments	–	–	–	(227,817,585)	–	–	–	–	(227,817,585)
Total comprehensive income (loss) for the year	–	–	–	(227,817,585)	147,429,814	8,803,658,211	–	258,923,410	9,232,535,650
Treasury shares	–	–	–	–	–	–	(63,279,624)	–	(63,279,624)
Cash dividend declared	–	–	–	–	–	(1,620,427,137)	–	(36,192,507)	(1,656,619,644)
Balances as at December 31, 2017	₱13,114,136,376	₱33,000,000	₱30,655,429,349	(₱228,414,387)	₱435,606,599	₱44,136,812,797	(₱6,980,294,580)	₱1,767,898,281	₱84,007,942,581
Balances as at January 1, 2016	₱12,654,891,753	₱33,000,000	₱29,470,640,861	₱25,088,203	₱254,701,182	₱30,483,778,682	(₱6,297,793,026)	₱2,878,040,833	₱69,965,089,359
Net income	–	–	–	–	–	7,906,941,679	–	193,426,241	8,100,367,920
Other comprehensive income	–	–	–	–	34,502,002	–	–	(4,226,858)	509,645,817
Cumulative translation adjustments	–	–	–	(25,685,005)	–	–	–	–	(25,685,005)
Total comprehensive income (loss) for the year	–	–	–	(25,685,005)	34,502,002	7,906,941,679	–	189,199,383	8,584,328,732
Treasury shares	–	–	–	–	–	–	(619,221,930)	–	(619,221,930)
Cash dividend declared	–	–	–	–	–	(1,437,138,638)	–	(21,367,435)	(1,458,506,073)
Issuance (acquisition) of additional shares (Notes 8 and 23)	459,244,623	–	1,184,788,488	–	(1,026,399)	–	–	(1,500,705,403)	23,616,111
Balances as at December 31, 2016	₱13,114,136,376	₱33,000,000	₱30,655,429,349	(₱596,802)	₱288,176,785	₱36,953,581,723	(₱6,917,014,956)	₱1,545,167,378	₱76,495,306,199

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱12,581,737,875**	₱11,273,615,733	₱9,682,603,338
Adjustments for:			
Interest and other financing charges (Note 24)	**4,169,762,915**	3,384,244,575	2,236,266,176
Depreciation and amortization (Notes 14, 15, 17 and 25)	**1,480,129,055**	1,305,156,158	1,043,631,634
Retirement expense (Note 26)	**42,072,681**	76,494,102	91,276,855
Unrealized foreign exchange loss (gain)	**(5,206,818)**	(397,643)	25,686,466
Interest income and other income from installment contracts receivable and investments (Note 24)	**(2,038,341,481)**	(1,746,156,578)	(1,507,017,530)
Operating income before working capital changes	**16,230,154,227**	14,292,956,347	11,572,446,939
Increase in:			
Receivables and contract assets	**(10,711,162,105)**	(6,549,131,508)	(3,167,563,600)
Real estate inventories	**(679,224,356)**	(3,836,302,453)	(671,399,126)
Other current assets and cost to obtain contract	**(3,919,745,252)**	(1,295,943,803)	(1,085,417,762)
Increase (decrease) in:			
Accounts and other payables	**2,983,828,071**	(1,385,654,543)	179,476,714
Customers' advances and deposits and contract liabilities	**(61,432,429)**	946,143,256	(458,787,618)
Other noncurrent liabilities (Note 22)	**(223,534,700)**	286,041,944	(400,002,077)
Plan assets contributions paid (Note 26)	**(52,782,529)**	(51,624,792)	(39,636,583)
Net cash flows generated from operations	**3,566,100,927**	2,406,484,448	5,929,116,887
Income tax paid	**(499,506,046)**	(420,419,468)	(156,934,010)
Net cash flows provided by operating activities	**3,066,594,881**	1,986,064,980	5,772,182,877
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Maturity of held-to-maturity investments (Note 10)	**9,260,928,462**	3,061,266,532	–
Disposal of investments in FVTPL (Note 10)	**6,623,861,354**	–	–
Disposal of investments in FVOCI (Note 10)	**38,081,160**	–	–
Disposal of investment in AFS (Note 10)	**–**	2,211,910,556	–
Short-term cash investments	**205,696,807**	–	2,097,301,354
Interest received	**1,970,178,086**	1,486,957,249	1,387,371,148
Acquisitions of:			
AFS financial assets (Note 10)	**–**	(7,288,847)	(386,727,521)
System development costs (Note 17)	**(67,917,997)**	(43,315,656)	(48,198,547)
Property and equipment (Note 15)	**(817,353,180)**	(115,872,259)	(277,907,204)
Short-term cash investments	**–**	(245,640,997)	(99,998,562)
Investments at amortized cost (Note 10)	**(13,825,193,654)**	–	–
HTM investments (Note 10)	**–**	(4,127,777,173)	(7,330,048,203)
Investment properties (Note 14)	**(12,270,155,313)**	(6,051,285,636)	(4,963,319,563)
Decrease (increase) in:			
Project development costs	**(₱430,971,298)**	(₱801,971,626)	(₱377,386,114)
Receivables from related parties	**(1,070,156,204)**	(1,071,261,031)	(491,051,066)
Other noncurrent assets	**35,141,452**	(445,466,574)	(385,875,522)
Net cash flows used in investing activities	**(10,347,860,325)**	(6,149,745,462)	(10,875,839,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Notes payable (Note 21)	**18,069,798,418**	15,844,753,409	12,478,282,420
Bank loans (Note 20)	**11,880,116,880**	6,618,873,486	6,966,686,959
Loans payable (Note 20)	**1,727,577,197**	2,318,488,025	2,243,998,245
Payments of:			
Interest paid (including capitalized cost) (Notes 12 and 14)	**(6,882,568,034)**	(6,182,038,605)	(4,759,217,196)
Notes payable (Note 21)	**(193,056,183)**	(777,150,342)	(724,398,603)
Dividends paid (Note 23)	**(2,762,878,873)**	(1,652,811,607)	(1,453,656,460)
Loans payable (Note 20)	**(2,703,872,615)**	(2,445,274,649)	(2,051,634,740)
Bank loans (Note 20)	**(3,203,876,393)**	(6,906,303,750)	(4,076,861,331)
Acquisitions of:			
Non-controlling interest (Note 8)	**–**	–	(15,152,473)
Treasury shares (Note 23)	**(127,506,826)**	(63,279,624)	(619,221,930)
Net cash flows provided by financing activities	**15,803,733,571**	6,755,256,343	7,988,824,891
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**5,206,818**	397,643	(25,686,466)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,527,674,945**	2,591,973,504	2,859,481,502
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,494,511,442**	8,902,537,938	6,043,056,436
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱20,022,186,387**	₱11,494,511,442	₱8,902,537,938

See accompanying Notes to Consolidated Financial Statements.

(Forward)

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007 with a corporate life of 50 years. The Parent Company's registered office address is at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City. Formerly, the registered office address is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. The change in address was approved by the Board of Directors (BOD) and SEC on May 15, 2017 and on December 29, 2017, respectively. The Parent Company is a publicly-listed investment holding company which is 52.01% owned by Fine Properties, Inc., (Ultimate Parent Company), 47.99% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate industry. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Starmalls, Inc. The Group is divided into horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential lots and units and residential high-rise condominium through its horizontal and vertical projects, respectively. Its commercial and others segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income (FVOCI) in 2018 and available-for-sale financial assets in 2017 which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018.

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Percentage of Ownership		
	2018	2017	2016
Brittany	100.00%	100.00%	100.00%
Balmoral Resources Corporation*	36.93	36.93	–
CAPI	100.00	100.00	100.00
Balmoral Resources Corporation*	16.93	16.93	–
VRI	100.00	100.00	100.00
Vista Leisure Club Corporation (VLCC)	100.00	100.00	100.00
Malay Resorts Holdings, Inc. (MRHI)	100.00	100.00	100.00
Mella Hotel, Inc.	100.00	–	–
Balmoral Resources Corporation*	37.22	37.22	–

(Forward)

	Percentage of Ownership		
	2018	2017	2016
CHI			
Household Development Corporation (HDC)	100.00	100.00	100.00
Balmoral Resources Corporation*	8.92	8.92	–
Mandalay Resources Corp.	100.00	100.00	100.00
C&P International Limited	100.00	100.00	100.00
Brittany Estates Corporation	100.00	100.00	100.00
Camella Sales Specialists, Inc.	100.00	100.00	–
Prima Casa Land & Houses, Inc. (PCLHI)	100.00	100.00	100.00
CPI	100.00	100.00	100.00
Communities Batangas, Inc.	100.00	100.00	100.00
Communities Bulacan, Inc.	100.00	100.00	100.00
Communities Cebu, Inc.	100.00	100.00	100.00
Communities Cagayan, Inc.	100.00	100.00	100.00
Communities Davao, Inc.	100.00	100.00	100.00
Communities General Santos, Inc.	100.00	100.00	100.00
Communities Isabela, Inc.	100.00	100.00	100.00
Communities Leyte, Inc.	100.00	100.00	100.00
Communities Naga, Inc.	100.00	100.00	100.00
Communities Iloilo, Inc.	100.00	100.00	100.00
Communities Negros, Inc.	100.00	100.00	100.00
Communities Pampanga, Inc.	100.00	100.00	100.00
Communities Pangasinan, Inc.	100.00	100.00	100.00
Communities Tarlac, Inc.	100.00	100.00	100.00
Communities Zamboanga, Inc.	100.00	100.00	100.00
Communities Ilocos, Inc.	100.00	100.00	100.00
Communities Bohol, Inc.	100.00	100.00	100.00
Communities Quezon, Inc.	100.00	100.00	100.00
Communities Palawan, Inc.	100.00	100.00	100.00
Communities Panay, Inc.	100.00	100.00	100.00
VII	100.00	100.00	100.00
Starmalls, Inc.	88.34	88.34	88.34
Manuela Corporation	98.40	98.40	98.40
Masterpiece Asia Properties, Inc.	100.00	100.00	100.00

**The Group effectively owns 100% of Balmoral Resources Corporation through Brittany, CAPI, VRI and HDC.*

Acquisition of Balmoral Resources Corporation (BRC)
On October 16, 2017, in a Deed of Exchange, Brittany, VRI, CAPI, HDC, (Vista subsidiaries for the purpose of this note) purchased from United Coconut Planters Bank (UCPB) the entire outstanding shares of BRC representing 100% ownership. The respective ownership in the shares of BRC of each of the Vista subsidiaries are disclosed above.

The Group paid UCPB real estate inventories of the Group with cost of ₱983.24 million and paid cash of ₱575.45 million aggregating to ₱1,558.69 in exchange for the above shares of BRC. Inventories given up are composed of condominium units, parking units, house and lot and lot only properties of the Vista Subsidiaries. The above transaction was treated as sale of inventories in the normal course of business with the resulting gross profit of ₱867.32 million. As at the time of acquisition of BRC shares, the net assets in the books of BRC are inventories with fair value of ₱2,469.01 million. These are composed of various raw and developed lots in Dasmariñas and Bacoor, Cavite areas which will complement the overall plans of the Group and will integrate the related land holdings and developments in the area.

Noncontrolling Interests
Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at December 31, 2018 and 2017, percentage of noncontrolling interests pertaining to Starmalls, Inc. and its subsidiaries amounted to 11.66%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

Starmalls, Inc. was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval on November 10, 2004, it later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business.

The Parent and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of real estate development, leasing of commercial spaces and buildings and hotel and resorts operation, except for VII and C&P International Limited. The latter are incorporated in Grand Cayman Island and domiciled in Hong Kong and operates as holding companies.

3. Changes in Accounting Policies

The Group applied PFRS 15 and PFRS 9 for the first time effective January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Unless otherwise stated, several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.
PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three (3) years:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
d. Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A No. 2018-14.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. Discussion of the deferral of the subject implementation issues in the PIC Q&A
b. Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.
c. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A, except for the treatment of CUSA charges as discussed under PIC Q&A No. 2018-12-H wherein the current accounting policy of the Group is consistent with the conclusion of PIC Q&A. Had these deferred provisions been adopted, it would have the following impact to the financial statements:

a. The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting to the decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018.
b. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income is recognized for contract assets and interest expense for contract liabilities using effective interest rate method which would have impacted retained earnings as at January 1, 2018 and impacted the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at original cost.

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

The effect of adopting PFRS 15 at January 1, 2018 follows:

	December 31, 2017 As previously reported	Reference	Adjustment	January 1, 2018 As restated
Current Assets				
Current portion of:				
Receivables	₱37,664,761,951	(c)	(₱16,510,880,873)	₱21,153,881,078
Contract assets	–	(a, c, d)	11,185,439,860	11,185,439,860
Cost to obtain contract	–	(b)	569,073,606	569,073,606
Real estate inventories	61,050,860,792	(d)	99,004,029	61,149,864,821
Other current assets	4,017,873,284	(b)	(621,906,747)	3,395,966,537
Noncurrent Assets				
Receivables - net of current portion	6,517,705,884	(c)	–	6,517,705,884
Contract assets - net of current portion	–	(c)	5,630,150,751	5,630,150,751
Cost to obtain contract - net of current portion	–	(b)	384,776,659	384,776,659
Total Assets	109,251,201,911		735,657,285	109,986,859,196
Current Liabilities				
Accounts and other payables	13,274,954,736	(b)	462,104,499	13,737,059,235
Customers' advances and deposits	3,617,888,803	(c)	(2,403,352,854)	1,214,535,949
Current portion of contract liabilities	–	(c, d)	1,586,991,914	1,586,991,914
Noncurrent Liabilities				
Contract liabilities - net of current portion	–	(c)	882,631,065	882,631,065
Deferred tax liabilities - net	3,216,367,742	(d)	62,184,799	3,278,552,541
Total Liabilities	20,109,211,281		590,559,423	20,699,770,704
Equity				
Retained earnings	44,136,812,797	(a, b, d)	145,097,864	44,281,910,661
Non-controlling interest	1,767,898,281		–	1,767,898,281
Total Equity	45,904,711,078		145,097,864	46,049,808,942

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

The consolidated statement of comprehensive income for the year ended December 31, 2018 follows:

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase (Decrease)
Revenue				
Real estate sales	(a)	₱31,856,087,078	₱31,677,014,965	₱179,072,113
Rental income		6,464,740,183	6,464,740,183	–
Interest income from installment contracts receivable		680,058,436	680,058,436	–
Miscellaneous income		1,260,519,593	1,260,519,593	–
		40,261,405,290	40,082,333,177	179,072,113
Cost and expenses				
Cost of real estate sales	(d)	15,177,160,125	15,127,058,296	50,101,829
Operating expenses	(b)	9,558,527,842	9,558,527,842	–
		24,735,687,967	24,685,586,138	50,101,829
Other income (expense)				
Interest income		1,225,783,467	1,225,783,467	–
Interest and other financing charges		(4,169,762,915)	(4,169,762,915)	–
		(2,943,979,448)	(2,943,979,448)	–
Income before income tax		12,581,737,875	12,452,767,591	128,970,284
Provision for income tax	(d)	2,047,274,160	2,039,535,943	7,738,217
Net income		₱10,534,463,715	₱10,413,231,648	₱121,232,067
Attributable to:				
Equity holders of the Parent Company		₱10,238,356,840	₱10,117,124,773	₱121,232,067
Non-controlling interest		296,106,875	296,106,875	–
Basic / Diluted Earnings per Share (Note 29)		₱0.798	₱0.789	₱0.009

The consolidated statement of financial position as of December 31, 2018 follows:

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase/ (Decrease)
ASSETS				
Current Assets				
Receivables	(c)	₱21,849,774,501	₱44,711,907,887	(₱22,862,133,386)
Contract assets	(a, c, d)	14,456,428,216	–	14,456,428,216
Cost to obtain contract	(b)	747,489,877	–	747,489,877
Real estate inventories	(d)	63,297,698,106	63,248,795,906	48,902,200
Other current assets	(b)	6,071,421,411	6,960,570,611	(889,149,200)
Noncurrent Assets				
Receivables - net of current portion	(c)	8,481,261,708	8,481,261,708	–
Contract assets - net of current portion	(c)	8,853,547,856	–	8,853,547,856
Cost to obtain contract - net of current portion	(b)	529,024,635	–	529,024,635
Total Assets		₱124,286,646,310	₱123,402,536,112	₱884,110,198
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	(b)	₱15,736,890,359	₱15,219,364,067	₱517,526,292
Customers' advances and deposits	(c)	1,297,839,418	3,592,395,540	(2,294,556,122)
Current portion of contract liabilities	(c, d)	1,617,322,395	–	1,617,322,395
Noncurrent Liabilities				
Contract liabilities - net of current portion	(c)	707,564,686	–	707,564,686
Deferred tax liabilities - net	(d)	3,820,591,845	3,750,668,829	69,923,016
Total Liabilities		23,180,208,703	22,562,428,436	617,780,267
Equity				
Retained earnings	(a, b, d)	52,836,513,207	52,570,183,277	266,329,930
Non-controlling interest		2,017,046,802	2,017,046,802	–
Total Equity		₱54,853,560,009	₱54,587,230,079	₱266,329,930

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income for the year ended December 31, 2018 are described below:

a. The Group has determined that there is only one performance obligation in the contract to sell. The Group has determined that each of its contracts to sell covering subdivision land, condominium units and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Input method was used for the measure of progress. Before the adoption of PFRS 15, the Group has treated the serviced land and land improvements (condominium and residential house units) as two separate performance obligations. The previous basis of measurement of progress was input method for serviced land and output method for land improvements. In addition, revenue from the service for title transfer was recognized as revenue at a point in time when the transfer of the title happened.

   The above resulted to increase in Contract assets and Retained earnings by ₱238.44 million as of January 1, 2018.

   This also resulted to increase in Contract assets and Retained earnings by ₱417.51 million as of December 31, 2018 and increase in Real estate sales by ₱179.07 million for the year ended December 31, 2018.

b. The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive sales commissions equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payments. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before PFRS 15, the sales commissions are recorded as prepayment but accrual for the unpaid portion is done only after a certain payment milestone and not during meeting the criteria of a contract. The prepaid commission was previously amortized using percentage of completion, consistent with the requirements of PFRS 15.

   The above resulted to increase in Commission payable under "Accounts and other payables" by ₱462.10 million, increase in Cost to obtain contract by ₱953.85 million, decrease in Prepaid commission under "Other current assets" by ₱621.91 million and decrease in Retained earnings by ₱130.16 million as of January 1, 2018 in the consolidated statements of financial position.

   This also resulted to increase in Commission payable under "Accounts and other payables" by ₱517.53 million, increase in Cost to obtain contract by ₱1,276.51 million, decrease in Prepaid commission under "Other current assets" by ₱889.15 million, and decrease in Retained earnings by ₱130.16 million as of December 31, 2018.

c. The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivable, as contract asset while the excess of collection or receivable over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as customer deposit. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate while for those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

The above resulted to reclassification of Installment contracts receivable under "Receivables" by ₱16,510.88 million to Contract assets and reclassification of Customers' advances and deposits of ₱2,403.35 million to Contract liabilities in the consolidated statements of financial position as of January 1, 2018.

This also resulted to increase in Contract asset by ₱22,862.13 million, increase in Contract liabilities by ₱2,294.56 million, decrease in Installment contracts receivable under "Receivables" by ₱22,862.13 million, and decrease in Customers' advances and deposits by ₱2,294.56 million as of December 31, 2018.

d. In addition to the adjustments described above, other items in the consolidated financial statements were adjusted to increase Contract assets, Real estate inventories, Contract liabilities, Deferred tax liabilities and Retained earnings by ₱66.27 million, ₱99.00 million, ₱66.27 million, ₱62.18 million and ₱36.82 million, respectively, as at January 1, 2018.

Additional adjustments also resulted to increase in Contract assets by ₱30.33 million, increase in Contract liabilities by ₱30.33 million, increase in Deferred tax liabilities by ₱69.92 million, and decrease in Retained earnings by ₱21.02 million as of December 31, 2018. The adoption further resulted to increase in Cost of real estate sales by ₱50.10 million, increase Provision for income tax by ₱7.74 million, and increase in Real estate inventories by ₱48.90 million for the year ended December 31, 2018.

The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after 1 January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- There was no difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application that was recognized in the opening 'Retained earnings' or other component of equity, as appropriate.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

As of January 1, 2018, the Group has reviewed and assessed all of its existing financial assets, and financial liabilities. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed in a separate section of this note.

Classification and measurement

The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	Original Measurement Category under PAS 39	Original Carrying Amount under PAS 39	New Measurement Category under PFRS 9	New Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	₱10,642,888,364	Financial assets at amortized cost	₱10,642,888,364
Cash equivalents	Loans and receivables	836,501,312	Financial assets at amortized cost	836,501,312
Short-term cash investments	Loans and receivables	345,639,559	Financial assets at amortized cost	345,639,559
Restricted cash	Loans and receivables	934,220,201	Financial assets at amortized cost	934,220,201
Quoted debt securities	Available for sale financial assets	6,491,361,776	Financial assets at fair value through profit or loss	6,491,361,776
Quoted and unquoted equity securities	Available for sale financial assets	121,580,343	Financial assets at fair value through other comprehensive income	121,580,343
Held-to-maturity investments	Held-to-maturity financial assets	21,827,289,447	Financial assets at amortized cost	21,827,289,447
Installment contracts receivables	Loans and receivables	30,943,358,823	Financial assets at amortized cost	30,943,358,823
Accounts receivables	Loans and receivables	7,449,417,822	Financial assets at amortized cost	7,449,417,822
Receivable from related parties	Loans and receivables	4,987,930,489	Financial assets at amortized cost	4,987,930,489

The classification of quoted debt securities to FVTPL, previously from AFS, resulted to the transfer of accumulated unrealized gain on changes in fair value of ₱703.03 million from accumulated OCI to retained earnings beginning as at January 1, 2018.

There were no changes to the classification and measurement of financial liabilities.

The Group does not have financial assets and financial liabilities which had previously been designated at FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or FVOCI upon transition to PFRS 9.

Impairment testing under expected credit loss (ECL) model

There is no re-measurement loss recognized in retained earnings as at January 1, 2018. The use of ECL upon adoption of PFRS 9 as explained below, did not result to any additional impairment loss. The adoption resulted to reversal of allowance for impairment losses of ₱332.44 million of the Group's receivables as at January 1, 2018 resulting to increase in

retained earnings beginning as at January 1, 2018 of ₱232.71 million and deferred tax assets of ₱99.73 million.

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. PFRS 9 requires the Group to record an allowance for impairment losses for all loans and other debt financial assets not held at fair value through profit or loss (FVPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include net cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) presented under receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on inflation rates, purchasing power, gross domestic product (GDP) growth rate and GDP were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of nine years for the origination, maturity date and default date. The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. However, 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.

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

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

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

For cash and cash equivalents, the Group applies the low credit risk simplification in determining significant increase in credit risk since initial recognition. 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 will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Further, upon implementation of PFRS 9, all financial assets (i.e. debt investments at FVOCI, financial assets at amortized cost and nontrade receivables) except installment contracts receivable, are assessed for 12-month ECL (Stage 1, General Approach). Accordingly, the ECL for these financial assets are assessed to be insignificant.

PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification

The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as of December 31, 2017 and January 1, 2017.

As of December 31, 2017

	Reference	As previously reported	Adjustment	As restated
Current assets				
Real estate inventories	(a)	₱26,333,859,417	₱13,366,169,968	₱39,700,029,385
Advances to contractors and suppliers	(b)	5,235,913,291	(2,309,011,038)	2,926,902,253
(Forward)				
Noncurrent assets				
Land and improvements	(a)	35,029,871,677	(35,029,871,677)	–
Investment properties	(a)	37,437,658,962	21,663,701,709	59,101,360,671
Advances to contractors and suppliers	(b)	–	2,309,011,038	2,309,011,038

As of January 1, 2017

	Reference	As previously reported	Adjustment	As restated
Current assets				
Real estate inventories	(a)	₱22,954,662,398	₱11,217,743,850	₱34,172,406,248
Advances to contractors and suppliers	(b)	3,570,126,329	(357,772,814)	3,212,353,515
Noncurrent assets				
Land and improvements	(a)	30,486,623,405	(30,486,623,405)	–
Investment properties	(a)	35,855,803,306	19,268,879,555	55,124,682,861
Advances to contractors and suppliers	(b)	–	357,772,814	357,772,814

a. Land and improvements includes land which are composed of land properties previously approved by the Board of Directors upon purchase, to be develop into either (1) real estate development for sale, (2) property, plant and equipment for hotel operations and (3) commercial properties for leasing and for capital appreciation. Before the adoption of PIC Q&A 2018-11, these were classified as one line item under land and land improvements and the classification into current and non-current asset was based on the Group's timing to start the development of the property. Upon adoption of PIC Q&A 2018-11 effective January 1, 2018, these were classified accordingly into real estate inventories or investment property as applicable; and the related current and non-current classification based on the eventual classification of the asset in the balance sheet.

b. Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to non-current asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property, property plant and equipment).

   The restatement did not result to the presentation of the third statement of financial position given the limited accounts affected.

   The effect of adoption of these PIC Q&As resulted to retrospective reclassification on the Group's operating and investing cash flows as disclosed in Note 33.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  Adoption of these amendments did not have any impact to the Group because it does not have share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since the Group has no activities that are connected with insurance contracts.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments are not applicable to the Group since the Group is not a venture capital organization or alike.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the

amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group applied the amendments prospectively for all transfer into or out of investment property.

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The adoption of the interpretation did not have any significant impact to the Group.

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income.
  An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group will apply this amendment if there are transactions of this nature in the future. None of its current transactions will fall under this feature.

- PFRS 16, *Leases*

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

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

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

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

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The new lease standard will impact its operating lease agreements with its branch offices which are currently accounted for as operating leases, which will now require to be recorded as right of use asset and the related lease liability. There is no significant impact to the Group as a lessor for its investment portfolio. There will be more disclosures as required by the new standard.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group does not expect this amendment to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

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

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

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

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

The Group is currently assessing the impact of adopting this interpretation.

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

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

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

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

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

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

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

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

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

These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

  The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The Group is not engaged in the business of insurance; hence, this standard is not applicable to the Group.

Deferred effectivity

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

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

  On January 13, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial assets at FVOCI and FVTPL at fair values at each reporting date. Also, fair values of loans and receivables, other financial liabilities and non-financial assets measured at cost such as investment properties are disclosed in Notes 12 and 36.

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Short-term Cash Investments
Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to twelve (12) months. These investments earn interest at the respective short-term rates.

Financial Instruments

Financial Instruments effective January 1, 2018
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies for *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term cash investments, receivables (except for advances to contractors, suppliers and brokers), receivable from related parties, and restricted cash under "Other current assets", and "Other noncurrent assets" and investments at amortized cost.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
(a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and;
(b) Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group does not have debt instruments classified as financial assets at FVOCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under
PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's equity instruments classified as financial assets designated at FVOCI includes investments in golf club shares and preferred shares of utility companies (Note 10).

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

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

The Group's quoted debt securities are classified as financial assets at FVTPL (Note 10).

Impairment of Financial Assets
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:
- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

General Approach
Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. This approach was applied to the ECL calculation of cash and cash equivalents, short term cash investments, restricted cash, accounts receivable, investments at amortized cost and receivables from related parties.

Simplified Approach
The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to installment contracts receivable and contract assets. The Group has established a provision matrix for accounts receivable and a vintage analysis for installment contracts receivable that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include accounts and other payables, dividends payable, notes payable, bank loans, loans payable, "Other noncurrent liabilities" (except for deferred output tax and other statutory liabilities).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

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

This category generally applies to accounts and other payables, dividends payable, notes payable, bank loans, loans payable and "Other noncurrent liabilities" (except for deferred output tax and other statutory liabilities) presented in the consolidated statement of financial position.

Financial Instruments prior to January 1, 2018

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents, short-term cash investments, receivables (except for advances to private companies, brokers and contractors), receivables from related parties and cash restricted for use included in other current and noncurrent assets.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included as part of interest and other income from investments in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the HTM investments are derecognized. Any impairment losses are charged to current operations.

As of December 31, 2017, the Group has investments in HTM (Note 9).

AFS financial assets
AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognized in OCI and credited to the OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the OCI to the consolidated statement of comprehensive income in interest and other financing charges. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest and other income from investments using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2017 and 2016, AFS financial assets comprise of quoted and unquoted equity securities and quoted debt instruments. The quoted and unquoted equity securities are reclassified as FVOCI as at January 1, 2018. The quoted debt securities are reclassified as FVTPL as at January 1, 2018.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and other noncurrent liabilities. The financial liabilities measured at amortized cost are notes payable, bank loans and loans payable (except for deferred output tax and other statutory liabilities).

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The fact that title of the real estate properties are transferred only to the buyer upon full payment of the contract price is considered in the evaluation of impairment. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities under PFRS 9 and PAS 39
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

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

Offsetting Financial Instruments under PFRS 9 and PAS 39
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

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

Creditable Withholding Tax
Creditable withholding tax pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period.

Value-Added Tax
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the BIR for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current assets in the statement of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Construction Materials and Others
Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Hotel Inventories
Hotel inventories consists of food and beverage and hotel suppliers and are carried at the lower of cost or NRV.

Deposit for Real Estate Purchases and Others
Deposit for real estate purchases and others consist of advance payments to land owners which will be applied against the selling price of the real properties that will be acquired. The application is expected to be within 12 months after the reporting date.

Project Development Costs
Project development costs pertain to costs incurred on various on-going projects under a Land Development Agreements (LDAs) entered into by the Group with individuals, private companies and entities under common control.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

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

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

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	Years
Building and building improvements	10 to 40
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Systems Development Costs
Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond

one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

System development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment, investment properties, project development costs, deposits, model house accessories, systems development costs and other assets.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the

operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Revenue and Cost Recognition for Real Estate Sales Effective January 1, 2018

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of developed horizontal and vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity services in its mall retail spaces and office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

Real estate sales
The Group derives its real estate revenue from sale of developed house and lot and condominium units. Revenue from the sale of these real estate project spread over time across the course of the construction since the Group's performance does not create an asset with an alternative use and the Group has an enforceable right for performance completed to date.

In measuring the progress of performance obligation over time, the Group uses input method. input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs include costs of land, land development, house construction costs, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivable, under trade receivables, are included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contracts receivable and contract asset are included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

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

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

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the

related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of comprehensive income.

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

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

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

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

Revenue Recognition for Real Estate Sales Prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in certain revenue arrangements and as agent in certain transactions.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished, and the costs incurred or to be incurred can be measured reliably). Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

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

Rental income
Rental income from investment property is accounted for on a straight-line basis over the lease term.

Interest income
Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income
Dividend and miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets,

adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Commissions

The Group recognizes commissions as contract costs for services rendered by the broker and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage-of-completion method consistent with the measure of progress for revenue recognition.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" and "Investment properties" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

The functional currency of C&P International Limited and VII is the US Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI under "Cumulative Translation Adjustment". On disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2018, 2017 and 2016, the Group has no potential dilutive common shares (Note 29).

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

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

Events After the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.
Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Real estate revenue recognition upon adoption of PFRS 15

Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

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

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

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

Principal versus agent considerations
The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Real estate revenue recognition prior to adoption of PFRS 15

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Collectability of the sales price
For real estate sales, the buyer's commitment is evaluated based on collections, credit standing and historical collection from buyers. In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 5% would demonstrate the buyer's commitment to pay.

Impairment testing of financial assets and contract assets upon adoption of PFRS 9

Definition of default and credit-impaired installment contracts receivable and contract assets
The Group defines the account as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The customer receives a notice of cancellation and does not continue the payments.

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

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

Classification of financial instruments upon adoption of PFRS 9
Management exercises certain judgments in determining the cash flow characteristics of its financial assets and the Group's business model for managing them. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

- How the performance of the business model and the financial assets and contract assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets and contract assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

Classification of financial instruments prior to adoption of PFRS 9
The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

Operating lease commitments - the Group as lessee
The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Classification of property as investment property or real estate inventories
The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) 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.
- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

Business Combination
The Group determined that Starmalls and its subsidiaries are under common control and accounted the acquisition of Starmalls Group under the pooling of interest method. No goodwill is recognized (Note 8).

The Group determined that Malay Resorts is not under common control and accounted the acquisition of Malay Resorts under the acquisition method. The Group determines whether there are separate intangible assets and contingent liabilities and assessed that there are none at acquisition date. Goodwill arising from this business combination amounted to ₱ 147.27 million (Note 8).

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

Revenue recognition upon adoption of PFRS 15
The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15

Revenue and cost recognition
The assessment process for the percentage of completion (POC) and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies the POC method in determining real estate revenue and costs. For residential house and lots and condominium units, the POC is based the physical proportion of work determined based on the bill of quantities applied to the construction. The cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

The related balances from real estate transactions follow:

	2018	2017
Contract assets (Note 7)	**₱23,309,976,072**	**₱–**
Installment contracts receivable (Note 11)	**14,491,282,897**	30,943,358,823
Real estate inventories (Note 12)	**41,946,866,699**	39,700,029,385
Customers' deposits (Note 19)	**–**	2,531,778,443
Contract liabilities (Note 7)	**2,324,887,081**	–

Impairment testing of financial assets and contract assets upon adoption of PFRS 9

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets and contract assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets and contract assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

Except for installment contracts receivable and contract assets, the Group uses low credit risk operational simplification to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

  The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, The Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or the customer's borrowing rates.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the contractual repayments owed by the customer. Early repayment/refinance assumptions, when allowed, are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For installment contracts receivables, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

General approach for cash and cash equivalents, short term investments, accounts receivable, investments at amortized cost, receivables from related parties and restricted cash
The Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group uses external credit rating approach to calculate ECL for cash and cash equivalents, accounts receivable, receivables from related parties and restricted cash. This approach leverages on available market data (i.e., S&P and Moody's and Fitch credit ratings for default rates). S&P, Moody's, Fitch and Reuters are reliable market data sources that provide default and recovery rate data. These information are widely used by investors and stakeholders in decision-making in terms of investment, credit activities, etc.

As of December 31, 2018, the Group calculated the loss allowance of cash and cash equivalents, accounts receivable, receivables from related parties and restricted cash based on 12-month ECLs.

Simplified approach for installment contracts receivable and contract assets
The Group uses vintage analysis to calculate ECLs for installment contracts receivable and contract assets. The PD rates using vintage analysis are based on default counts of contract issuances in a given period for groupings of various customer segments that have similar loss patterns (i.e., by customer's type of financing and employment).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

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

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The economic scenarios used as at December 31, 2018 and January 1, 2018 included the following ranges of key indicators and the expected movements within the overlay period for the Philippines:

	December 31, 2018	January 1, 2018
Inflation rate	**Base 4.70%**	Base 3.60%
	Range between 3.76% and 5.64%	Range between 2.88% and 4.32%
Purchasing Power	**Base 0.85**	Base 0.90
	Range between 0.68 and 1.02	Range between 0.72 and 1.08
GDP growth rate	**Base 6.50%**	Base 6.20%
	Range between 5.20% and 7.80%	Range between 4.96% and 7.44%
GDP	**Base 1.06**	Base 1.06
	Range between 0.85 and 1.28	Range between 0.85 and 1.28

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

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

Grouping of instruments for losses measured on collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for The Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below.

- *Installment contracts receivable and contract assets - Groupings for collective measurement*
  a. Bank
  b. In-house financing - locally employed
  c. In-house financing - overseas Filipinos
  d. In-house financing - self-employed
- *Corporate - Groupings for collective measurement*
  a. Industry
  b. Credit risk rating band
  c. Geographical region of risk exposures

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Group. In 2018, the total gross carrying amount of installment contracts receivable, contract assets and accounts receivable for which lifetime ECLs have been measured on a collective basis amounted to ₱14,491.28 million, ₱23,309.98 million, and ₱5,870.48 million, respectively (Notes 7 and 11).

Installment contracts receivable amounted to ₱14,491.28 million and ₱30,943.36 million as of December 31, 2018 and 2017, respectively (Note 11). Contract assets amounted to ₱23,309.98 million as of December 31, 2018 (Note 7).

As of December 31, 2018, no expected credit losses were recognized for all financial assets subject to impairment testing.

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

Impairment of loans and receivables prior to adoption of PFRS 9
The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱44,182.47 million as of December 31, 2017. The allowance for impairment on loans and receivables amounted to ₱397.03 million as of December 31, 2017 (Note 11).

Determining fair values of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time. Fair value disclosures are provided in Note 30.

Evaluation of net realizable value of real estate inventories and land and improvements
Real estate inventories and land and improvements are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories and land and improvements to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate inventories amounted to ₱41,946.87 million and ₱39,700.03 million as of December 31, 2018 and 2017, respectively (Note 12).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 30 to the consolidated financial statements for the related balances.

Impairment of goodwill on the acquisition of MRHI
Goodwill impairment testing requires an estimation of the recoverable amount which is the fair value less cost to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use amount requires management to make an estimate of the expected future cash flows for the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The Group's impairment test for goodwill related to the acquisition of MRHI through VLCC is based on value in use calculations using a discounted cash flow model. Major assumptions used in the calculation of value in use include annual growth rate of 10% and discount rate of 7.2%.

The carrying value of goodwill on the acquisition of MRHI in the consolidated statements of financial position amounted to ₱147.27 million as of December 31, 2018 and 2017. No impairment loss was recognized as a result of the impairment testing performed.

6. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

Horizontal Projects
This segment pertains to the development and sale of residential lots and units across the Philippines.

Vertical Projects
This segment caters on the development and sale of residential high-rise condominium projects across the Philippines.

Commercial and others
This segment pertains to rental of malls and commercial spaces and activities of holding companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax, depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, investments at FVOCI (previously AFS financial assets), investments at amortized cost (previously HTM investments) and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these operating segments is summarized below:

	December 31, 2018				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue	**₱25,946,584**	**₱5,909,503**	**₱–**	**₱–**	**₱31,856,087**
Rental income	**–**	**–**	**6,511,882**	**(47,142)**	**6,464,740**
Miscellaneous income	**235,129**	**47,909**	**977,482**	**–**	**1,260,520**
	26,181,713	**5,957,412**	**7,489,364**	**(47,142)**	**39,581,347**
Costs and operating expenses	**16,181,477**	**4,118,920**	**3,002,304**	**(47,142)**	**23,255,559**
Segment income (loss) before income tax	**10,000,236**	**1,838,492**	**4,487,060**	**–**	**16,325,788**
Interest income from investments and other income (Note 24)	**660,056**	**32,935**	**1,212,850**	**–**	**1,905,841**
EBITDA	**10,660,292**	**1,871,427**	**5,699,910**	**–**	**18,231,629**
Interest and other financing charges (Note 24)	**(46,398)**	**(27,658)**	**(4,095,707)**	**–**	**(4,169,763)**
Depreciation and amortization (Notes 14, 15, 17 and 25)	**(129,558)**	**(13,786)**	**(1,336,785)**	**–**	**(1,480,129)**
Income before income tax	**10,484,336**	**1,829,983**	**267,418**	**–**	**12,581,737**
Provision for income tax (Note 27)	**1,809,577**	**122,472**	**115,225**	**–**	**2,047,274**
Net income	**₱8,674,759**	**₱1,707,511**	**₱152,193**	**₱–**	**₱10,534,463**
Other Information					
Segment assets	**₱98,130,017**	**₱20,553,705**	**₱86,487,493**	**(₱52,356)**	**₱205,118,859**
Receivables from related parties (Notes 28, 30 and	**(16,469,743)**	**(8,327,542)**	**29,504,193**	**–**	**4,706,908**
Investments at FVOCI (Note 10)	**–**	**–**	**106,499**	**–**	**106,499**
Investments at amortized cost (Note 10)	**–**	**–**	**27,483,091**	**–**	**27,483,091**
Deferred tax assets - net (Note 27)	**613,613**	**–**	**233,068**	**–**	**846,681**
Total Assets	**₱82,273,887**	**₱12,226,163**	**₱143,814,344**	**(₱52,356)**	**₱238,262,038**
Segment liabilities	**₱113,320,393**	**₱5,908,655**	**₱23,258,421**	**(₱52,356)**	**₱142,435,113**
Deferred tax liabilities - net (Note 27)	**1,808,103**	**147,207**	**1,965,014**	**–**	**3,920,324**
Total Liabilities	**₱115,128,496**	**₱6,055,862**	**₱25,223,435**	**(₱52,356)**	**₱146,355,437**
Capital expenditures	**₱23,202,166**	**₱5,284,444**	**₱16,564,230**	**₱–**	**₱45,050,840**

	December 31, 2017				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue	₱22,694,640	₱4,899,718	₱–	₱–	₱27,594,358
Rental income	–	189,619	5,511,922	(76,314)	5,625,227
Miscellaneous income	745,083	101,196	423,320	(193,014)	1,076,585
	23,439,723	5,190,533	5,935,242	(269,328)	34,296,170
Costs and operating expenses	15,011,849	3,539,109	1,660,692	(132,339)	20,079,311
Segment income (loss) before income tax	8,427,874	1,651,424	4,274,551	(136,989)	14,216,859
Interest income from investment and other income (Note 24)	983,334	26,814	1,227,779	(491,770)	1,746,157
EBITDA	9,411,208	1,678,238	5,502,330	(628,759)	15,963,016
Interest and other financing charges (Note 24)	(3,115,027)	(157,875)	(111,343)	–	(3,384,245)
Depreciation and amortization (Notes 14, 15, 17 and 25)	(138,434)	(43,169)	(1,123,553)	–	(1,305,156)
Income before income tax	₱6,157,747	₱1,477,194	₱4,267,434	(₱628,759)	₱11,273,615
Provision for income tax (Note 27)	947,229	386,448	877,168	–	2,210,845
Net income	₱5,210,518	₱1,090,746	₱3,390,266	(₱628,759)	₱9,062,770
Other Information					
Segment assets	₱98,032,243	₱21,125,737	₱60,004,261	(₱13,457,817)	₱165,704,424
Receivables from related parties (Notes 28, 30 and 31)	(25,710,011)	(6,991,721)	37,689,662	–	4,987,930
AFS financial assets (Note 10)	–	–	6,612,942	–	6,612,942
HTM investments (Note 10)	–	–	21,827,289	–	21,827,289
Deferred tax assets - net (Note 27)	349,669	39,124	413,353	–	802,146
Total Assets	₱72,671,901	₱14,173,140	₱126,547,506	(₱13,457,817)	₱199,934,731
Segment liabilities	₱94,725,639	₱6,422,508	₱12,979,064	(₱1,416,791)	₱112,710,420
Deferred tax liabilities - net (Note 27)	1,416,792	315,877	1,483,699	–	3,216,368
Total Liabilities	₱97,506,478	₱6,738,385	₱14,462,764	(₱1,416,791)	₱115,926,788
Capital expenditures	₱24,074,040	₱4,248,360	₱9,072,600	₱–	₱37,395,000
Provision for impairment losses (Note 25)	–	–	3,683	–	3,683

	December 31, 2016				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in Thousands)				
Real estate revenue	₱21,218,234	₱3,806,975	₱–	₱–	₱25,025,209
Rental income	–	–	4,432,991	(57,665)	4,375,326
Miscellaneous income	742,807	147,574	120,868	(58,741)	952,508
	21,961,041	3,954,549	4,553,859	(116,406)	30,353,043
Costs and operating expenses	14,548,731	2,947,945	1,481,222	(92,373)	18,885,525
Segment income (loss) before income tax	7,412,310	1,006,604	3,072,637	(24,033)	11,467,518
Interest income (Note 24)	1,485,720	35,697	3,063,399	(3,077,799)	1,507,017
EBITDA	8,898,030	1,042,301	6,136,036	(3,101,832)	12,974,535
Interest and other financing charges (Note 24)	(2,740,776)	(222,901)	(298,276)	1,000,000	(2,261,953)
Depreciation and amortization (Notes 14, 15, 17 and 25)	(222,185)	(34,513)	(773,282)	–	(1,029,980)
Income before income tax	5,935,069	784,887	5,064,478	(2,101,832)	9,682,602
Provision for income tax (Note 27)	932,733	(55,373)	704,875	–	1,582,235
Net income	₱5,002,336	₱840,260	₱4,359,603	(₱2,101,832)	₱8,100,367
Other Information					
Segment assets	₱58,039,357	₱6,275,771	₱31,912,438	₱45,090,158	₱141,317,724
Receivables from related parties (Notes 28, 30 and 31)	8,148,875	(4,565,888)	333,682	–	3,916,669
AFS financial assets (Note 10)	–	–	11,968,496	(3,723,431)	8,245,065
HTM investments (Note 10)	–	–	20,851,608	–	20,851,608
Deferred tax assets - net (Note 27)	–	–	437,179	–	437,179
Total Assets	₱66,188,232	₱1,709,883	₱65,503,403	₱41,366,727	₱174,768,245
Segment liabilities	₱88,733,513	(₱6,231,300)	₱13,702,551	₱2,532	₱96,207,296
Deferred tax liabilities - net (Note 27)	1,552,865	24,281	843,589	(355,093)	2,065,642
Total Liabilities	₱90,286,378	(₱6,207,019)	₱14,546,140	(₱352,561)	₱98,272,938
Capital expenditures	₱20,106,300	₱3,388,000	₱7,429,020	₱–	₱30,923,320
Provision for impairment losses (Note 27)	–	–	1,974	–	1,974

Capital expenditures consists of construction costs, land acquisition and land development costs.

The Group has no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

7. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types and other geographical location within the Philippines.

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2018	2017	2016
	(Amounts in thousands)		
Type of Product			
Real estate sales			
Horizontal	**₱25,946,584**	₱22,694,640	₱21,218,234
Vertical	**5,909,503**	4,899,718	3,806,975
	31,856,087	27,594,358	25,025,209
Hotel operations	**644,396**	443,005	371,533
	₱32,500,483	₱28,037,363	₱25,396,742

All of the Group's real estate sales are revenue from contracts with customers that are recognized over time except for hotel operation's sale of food and beverages which is at point in time. There are no inter-segment eliminations among revenue from contracts with customers, as there are all sold to external customers as disclosed in the segment information in 2018, 2017 and 2016 (see Note 6).

Contract Balances

	December 31, 2018
Installment contracts receivable (Note 11)	**₱14,491,282,897**
Contract assets	**23,309,976,072**
Cost to obtain contract	**1,276,514,512**
Contract liabilities	**2,324,887,081**

Installment contracts receivable from real estate sales which are collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the effective interest method. Interest ranges from 4.35% to 7.56% per annum, 3.08% to 4.90% per annum and 2.82% to 5.04% per annum in 2018, 2017 and 2016, respectively. The corresponding titles to the residential units sold under this arrangement are transferred to the customers only upon full payment of the contract price.

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

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

The amount of revenue recognized in 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱1,473.13 million.

b. Performance obligations

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers subdivision land, condominium units and residential house units and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% - 20% of the contract price to be paid over a maximum of 18 months at a fixed monthly payment with remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from 2 to 15 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

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

	December 31, 2018
Within one year	**₱17,337,098,730**
More than one year	**13,001,812,877**
	₱30,338,911,607

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

Rental agreements
The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 30 days upon receipt of the bill. In case of delay in payments, a penalty of 5% is charged for the amount due and shall be charged another 5% the following month of delay and every month thereafter inclusive of penalties previously charged. The lease arrangement would typically require a tenant to pay advance rental equivalent to three months and a security deposit equivalent to three months rental to cover any breakages after the rental period, with the excess returned to the tenant.

c. Cost to Obtain Contract

The balances below pertain to the cost to obtain contract presented in consolidated statements of financial position:

	December 31, 2018
Balance at the beginning of the year	**₱953,850,266**
Additions	**2,297,695,402**
Amortization (Note 25)	**(1,759,339,528)**
Derecognition	**(215,691,628)**
	₱1,276,514,512

8. Business Combinations

Acquisition of Starmalls Group
Starmalls, Inc. was incorporated in the Philippines and duly registered with the SEC on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, Starmalls, Inc. later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. Prior to the acquisition of VLLI, Starmalls, Inc. is 30.50% owned by Fine Properties, Inc. (Fine) and 69.50% owned by PCD Nominee Corporation and other entities and individuals. The shares of stock of Starmalls, Inc. are listed at the PSE.

On November 10, 2015, VLLI signed an agreement with the existing shareholders of Starmalls Group and acquired approximately 88.34% or 7,443.19 million shares of the outstanding capital stock of Starmalls, Inc. for a total consideration of ₱33,537.36 million. Starmalls, Inc. has subsidiaries namely Manuela Corporation and Masterpiece Asia Properties, Inc. with the following percentages of ownership:

Masterpiece Asia Properties, Inc. (MAPI)	100.00%
Manuela Corporation (Manuela)	98.36%

Upon execution of the agreement, VLLI paid ₱2,681.25 million to Fine. As a condition to the acquisition of Starmalls Group, Fine invested the 97.50% of the total consideration from the disposal or ₱32,698.93 million representing 4,573.28 million shares of VLLI at ₱7.15 per share. The shares were issued out of VLLI's increase in its authorized capital stock which was approved by the SEC on November 11, 2015.

Starmalls, Inc. and its subsidiaries became subsidiaries of VLLI as at December 31, 2015.

Both VLLI and Starmalls Group are entities under common control of Fine. Accordingly, VLLI accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.

Under the pooling-of-interest method, VLLI accounted the acquisition as follows:

- Assets and liabilities reflected as at reporting date is the combined assets and liabilities of Starmalls Group and Vista Group using their existing historical carrying values prior to the acquisition;

- Retained earnings reflects the accumulated earnings of Vista Group and the earnings of Starmalls Group as if the entities had always been combined;
- Capital stock represents the legal capital of VLLI;
- The difference between the consideration for the acquisition and the legal capital of Starmalls that amounted to ₱22,859.08 million is accounted for as "equity reserve" which was eventually closed to additional paid-in capital.

The ₱752.21 million VLLI shares in the amount of ₱5,378.29 million issued to Manuela which it held as of December 31, 2015 have been presented as treasury shares in the consolidated statements of financial position and consolidated statements of changes in equity as of and for the year ended December 31, 2015. Manuela still holds the VLLI shares as of December 31, 2018.

Acquisition of Malay Resorts Holdings, Inc.
On December 29, 2015, VLCC, a wholly owned subsidiary of VRI, acquired 100% ownership of MRHI for a total cash consideration of ₱157.00 million. MRHI owns and operates the Boracay Sands Hotel. The transaction was accounted for as a business combination under acquisition method. Fair values of identifiable net assets of MRHI amounted to ₱9.71 million, which resulted to recognition of goodwill of ₱147.27 million.

9. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱14,185,301**	₱15,121,766
Cash in banks	**4,886,166,662**	10,642,888,364
Cash equivalents	**15,121,834,424**	836,501,312
	₱20,022,186,387	₱11,494,511,442

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	2018	2017	2016
Philippine Peso	**0.60% to 5.50%**	0.10% to 2.75%	0.10% to 5.00%
US Dollar	**0.10% to 2.50%**	0.10% to 2.50%	0.13% to 3.00%

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2018, 2017 and 2016 amounted to ₱249.21 million, ₱51.70 million and ₱115.45 million, respectively (Note 24).

No cash and cash equivalents are used to secure the obligations of the Group.

10. Investments

Short-term cash investments
Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn annual interest at the respective short-term investment rates, as follows:

	2018	2017	2016
Philippine Peso	**2.50% to 3.00%**	2.00% to 2.50%	1.38% to 2.50%
US Dollar	**1.50% to 2.50%**	1.62% to 2.25%	0.50%

As of December 31, 2018, and 2017, short-term cash investments amounted to ₱139.94 million and ₱345.64 million, respectively.

Interest earned from short-term cash investments for the years ended December 31, 2018, 2017 and 2016 amounted to ₱8.57 million, ₱23.16 million and ₱2.21 million, respectively (Note 24).

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 is available-for-sale financial assets. The entire ₱121.58 million carrying value was reclassified to investments at fair value through other comprehensive income (FVOCI) as at January 1, 2018.

Quoted debt securities
The classification of quoted debt securities prior to January 1, 2018 is available-for-sale financial assets. The entire ₱6,691.36 million carrying value was reclassified to investments at fair value through profit or loss (FVTPL) as at January 1, 2018. Upon transition, the unrealized gain on changes in fair value of ₱703.03 million, which had been previously recognized under accumulated OCI, was reclassified to retained earnings as at January 1, 2018.

In 2018, the Group redeemed its quoted debt securities at ₱6,623.86 million with realized fair value gain amounting to ₱132.45 million recorded in the profit or loss (Note 24).

In 2017 (prior to adoption of PFRS 9), the Group disposed AFS financial assets amounting to US$36.53 million (₱1,830.92 million). The unrealized gain amounting to ₱322.16 million previously recognized under other comprehensive income were reclassified to profit or loss upon realization (Note 24).

Unquoted debt securities
The classification of unquoted debt securities prior to January 1, 2018 is held-to-maturity investments (HTM). The entire carrying value of ₱21,827.29 million was reclassified to investments at amortized cost as at January 1, 2018.

This account consists of the Group's investments in various US dollar-denominated debt securities with nominal interest rates ranging from 3.75% to 4.25%.

In 2018 and 2017, the Group acquired additional investments amounting to US$263.98 million (₱13,825.19 million) and US$79.30 million (₱4,121.78 million), respectively, with effective interest ranging from 2.69% to 5.56% and 2.82% to 4.80%, respectively.

Investments in unquoted debt securities amounting to $432.61 million (₱22,768.26 million) and $383.50 million (₱20,183.61 million) are used to secure the bank loans of the Parent Company amounting to ₱20,966.90 million and ₱17,625.30 million as of December 31, 2018 and 2017, respectively.

The fair values of the investments used as collateral amounted to ₱23,917.39 million and ₱19,135.67 million as of December 31, 2018 and 2017, respectively (Note 20).

Interest income from these investments including amortization of premium amounted to ₱827.86 million, ₱800.88 million and ₱721.02 million in 2018, 2017 and 2016, respectively (Note 24).

In 2018 and 2017, no impairment losses were recognized on these investments.

The following presents the breakdown of unquoted debt securities by contractual maturity dates as of December 31, 2018 and 2017.

	2018	2017
Due in one (1) year or less	**₱–**	₱8,133,258,592
Due after one (1) year through five (5) years	**27,483,090,564**	13,694,030,855
	₱27,483,090,564	₱21,827,289,447

The rollforward analysis of investments in financial asset at amortized cost FVOCI, and FVTPL follows:

	December 31, 2018				
	At amortized cost	**FVTPL**	**FVOCI**	**AFS**	**HTM**
Balances at beginning of year, as previously reported	**₱–**	**₱–**	**₱–**	**₱6,612,942,119**	**₱21,827,289,447**
Impact of PFRS 9 adoption	**21,827,289,447**	**6,491,361,776**	**121,580,343**	**(6,612,942,119)**	**(21,827,289,447)**
Balances at beginning of year, as restated	**21,827,289,447**	**6,491,361,776**	**121,580,343**	**–**	**–**
Additions	**13,825,193,654**	**–**	**–**	**–**	**–**
Redemptions and disposal	**(9,260,928,462)**	**(6,623,861,354)**	**(38,081,160)**	**–**	**–**
Realized / Unrealized fair value gain during the year	**–**	**132,499,578**	**23,000,000**	**–**	**–**
Amortization of premium	**(170,328,866)**				
Cumulative translation adjustment	**1,261,864,791**	**–**	**–**	**–**	**–**
Balances at end of year	**₱27,483,090,564**	**₱–**	**₱106,499,183**	**₱–**	**₱–**

	December 31, 2017	
	AFS	HTM
Balances at beginning of year	₱8,245,064,853	₱20,851,608,454
Additions	7,288,847	4,127,777,173
Redemptions	(1,882,464,534)	(3,061,266,532)
Unrealized fair value gain (loss) during the year	243,052,953	–
Amortization of premium	–	(154,623,071)
Cumulative translation adjustment	–	63,793,423
Balances at end of year	₱6,612,942,119	21,827,289,447

11. Receivables

This account consists of:

	2018	2017
Installment contracts receivable (Note 20)	**₱14,491,282,897**	₱30,943,358,823
Accrued interest receivable	**294,415,702**	274,834,603
Accounts receivable:		
Tenants (Note 28)	**5,067,642,155**	5,944,584,625
Buyers	**310,210,593**	360,536,823
Home Development Mutual Fund (HDMF)	**107,269,705**	231,038,059
Others	**90,942,600**	638,423,712
Advances to:		
Contractors	**7,718,015,755**	4,623,934,231
Private companies	**936,235,521**	695,538,326
Suppliers	**1,129,772,954**	611,979,060
Brokers	**249,833,178**	255,266,011
	30,395,621,060	44,579,494,273
Less allowance for impairment losses	**64,584,851**	397,026,438
	30,331,036,209	44,182,467,835
Less noncurrent portion (see Note 3)	**8,481,261,708**	8,826,716,922
	₱21,849,774,501	₱35,355,750,913

Collective allowances for impairment losses on receivables prior to January 1, 2018 were based on incurred loss approach which was replaced with the forward-looking ECL approach subsequent to January 1, 2018. The transition resulted to zero ECL, as such, the allowance for impairment losses of ₱332.44 million arising from collective assessment based on incurred loss approach was reversed which resulted to increase in retained earnings as at January 1, 2018.

	January 1, 2018
Balances at beginning of year, as previously reported	₱44,182,467,835
Impact of PFRS 9 adoption	332,441,587
Balances at beginning of year, as restated	₱44,514,909,422

Installment Contracts Receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of 15 years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivables are interest-bearing except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 12.00% to 19.00%. Total interest income recognized amounted to ₱574.07 million, ₱476.09 million and ₱609.08 million in 2018, 2017 and 2016, respectively (Note 24).

In 2018 and 2017, installment contracts receivables with a total nominal amount of ₱1,668.34 million and ₱1,614.72 million, respectively, were recorded at amortized cost amounting to ₱1,556.65 million and ₱1,519.82 million, respectively. These are installment contracts receivables that are to be collected in two years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model using the

discount rates ranging from 4.35% to 7.56% for those recognized in 2018 and 3.08% to 4.90% for those recognized in 2017.

Interest income recognized from these receivables amounted to ₱105.99 million, ₱67.43 million, and ₱33.56 million in 2018, 2017 and 2016, respectively (Note 24). The unamortized discount amounted to ₱76.06 million and ₱70.36 million as of December 31, 2018 and 2017, respectively.

Rollforward in unamortized discount arising from noninterest-bearing receivables is as follows:

	2018	2017
Balance at beginning of year	**₱70,363,904**	₱42,896,377
Additions	**111,693,184**	94,896,359
Accretion (Note 24)	**(105,992,683)**	(67,428,832)
Balance at end of year	**₱76,064,405**	₱70,363,904

Accounts Receivable:
The accounts receivables are non-interest bearing and collectible within one year.

This consists of the following:

Receivable from tenants
Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall and BPO operations and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to three-month rental and three-month advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

Receivable from buyers
Receivables from buyers represent the share of the joint venture partners from the sold real estate inventories that are yet to be collected. The arrangement is covered by a marketing agreement that is separate and distinct from LDA. These sales do not form part of the Group's revenue and has a corresponding recorded liability. Collections from buyers are remitted to the joint venture partners net of any marketing fees agreed by the parties under the LDA.

Receivable from HDMF
Receivable from HDMF pertains to amounts retained by HDMF from the proceeds of loans availed by real estate buyers. This amount is released by HDMF upon the release of the related title to the property by the Group to HDMF within a six-month to one year period from loan takeout date.

Others
Other receivables consist mainly of nontrade receivables from private entities and various individuals. These are non-interest bearing and are due and demandable.

Advances to private companies
Advances to private companies pertain to advances made by the Group to third parties to facilitate the transfer of title to the buyers. These include expected charges for documentary stamp taxes, transfer fees, registration fees, city and business tax and notarial expenses. These advances are liquidated by the private companies once the purpose for which the advances were made had been accomplished and accordingly will be charged to miscellaneous customer charges.

Advances to brokers
Advances to brokers are cash advances for operating use. These are applied to subsequent commission payout to brokers.

Advances to suppliers
Advances to suppliers are advance payments to suppliers for the purchase of owner supplied materials. These will be applied to billings of deliveries within one year.

Advances to contractors
Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses which are expected to occur within one year from the date the receivables arose.

Receivables amounting to ₱397.03 million as of December 31, 2017 are provided with impairment losses. The rollforward of the doubtful accounts follow:

	Installment Contracts Receivable	Accounts Receivable from Tenants	Accounts Receivable from Buyers	Advances to Private Companies	Total
At December 31, 2016	₱120,290,254	₱52,629,873	₱155,838,116	₱64,584,851	₱393,343,094
Provision for the year (Note 25)	–	2,759,667	923,677	–	3,683,344
Balances at beginning of year, as previously reported (Note 3)	₱120,290,254	₱55,389,540	₱156,761,793	₱64,584,851	₱397,026,438
Impact of PFRS 9 adoption (Note 3)	(120,290,254)	(55,389,540)	(156,761,793)	–	(332,441,587)
Balances at beginning of year, as restated	₱–	₱–	₱–	₱64,584,851	₱64,584,851

The impairment losses above resulted from performing collective impairment test.

In 2018 and 2017, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. These receivables are used as collateral to secure the corresponding loans payable obtained. The purchase agreements provide substitution of contracts which defaults. The Group still retains the sold receivables in the installment contracts receivables account and records the proceeds from these sales as loans payable (Note 20).

As of December 31, 2018, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱2,364.99 million and ₱2,784.17 million, respectively.

As of December 31, 2017, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱4,396.53 million and ₱3,760.47 million, respectively.

12. **Real Estate Inventories**

The rollforward of the account follows:

	2018	2017
Balance at beginning of year	**₱39,700,029,385**	₱22,954,662,398
Reclassification from land and improvements (Note 3)	**–**	11,217,743,850
Balance at beginning of year, as restated	**39,700,029,385**	34,172,406,248
Construction/development costs incurred	**13,277,227,909**	8,449,761,735
Additions to land	**2,678,160,601**	6,196,949,722
Borrowing costs capitalized (Note 24)	**1,468,608,929**	2,035,746,218
Reclassification from land and improvements	**–**	2,148,426,118
Cost of real estate sales (Note 25)	**(15,177,160,125)**	(13,303,578,388)
	₱41,946,866,699	₱39,700,029,385

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2018 and 2017.

This account consists of:

	2018	2017
Subdivision land for sale and development	**₱36,187,748,730**	₱33,766,390,942
Condominium units for sale and development	**4,817,110,823**	4,704,409,287
Residential house units for sale and development	**942,007,146**	1,229,229,156
	₱41,946,866,699	₱39,700,029,385

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

Real estate inventories recognized as cost of sales amounted to ₱15,177.16 million in 2018, ₱13,303.58 million in 2017 and ₱12,321.00 million in 2016, and are included as cost of real estate sales in the consolidated statements of comprehensive income (Note 25). Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Construction and development costs represent approximately 80.00% to 90.00% of the cost of sales.

Borrowing cost capitalized to inventories in 2018, 2017 and 2016 amounted to ₱1,468.61 million, ₱2,035.75 million and ₱1,439.59 million, respectively (Note 24). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.48% in 2018, 6.15% in 2017 and 6.47% in 2016.

Except as stated, the inventories are not used to secure the borrowing of the Group (Note 20).

13. **Other Current Assets**

This account consists of:

	2018	2017
Input value added tax (VAT)	**₱2,261,887,759**	₱1,548,759,336
Creditable withholding taxes	**1,615,080,346**	924,833,503
Construction materials and others	**1,277,003,318**	314,767,438
Prepaid expenses	**823,074,410**	1,196,323,940
Restricted cash	**25,148,297**	42,016
Hotel inventories	**4,343,836**	2,104,413
Deposits for real estate purchases and others	**5,989,068**	31,042,638
	₱6,012,527,034	₱4,017,873,284

Input VAT is a tax imposed on purchases of goods, professional and consulting services and construction costs. These are available for offset against output VAT in future periods.

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods. As of December 31, 2018 and 2017, the Group applied to income tax payable creditable withholding taxes amounting to ₱980.52 million and ₱1,085.41 million, respectively.

Construction materials pertain to supplies used in the construction and development.

Prepaid expenses mainly include commission, marketing fees, taxes and licenses, rentals and insurance. As at January 1, 2018, prepaid commission was reclassified as cost to obtain contract in the consolidated statements of financial position amounting to ₱953.85 million (Note 3).

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱7.64 million, ₱6.20 million and ₱4.73 million in 2018, 2017 and 2016, respectively (Note 24).

Deposits for real estate purchases represent the Group's advances to real estate property owners for the acquisition of real estate properties which will be applied against the selling price once the Group attains control over the property.

14. Investment Properties

The rollforward of analysis of this account follows:

	2018			
	Land	Building and Building Improvements	Construction in Progress	Total
Cost				
Balance at beginning of year, as restated	**₱35,043,673,703**	**₱24,565,082,729**	**₱4,390,487,543**	**₱63,999,243,975**
Additions	**5,182,397,087**	**654,626,295**	**10,268,528,084**	**16,105,551,466**
Reclassifications	**–**	**4,366,500,122**	**(4,366,500,122)**	**–**
Retirement	**–**	**–**	**–**	**–**
Balances at end of year	**40,226,070,790**	**29,586,209,146**	**10,292,515,505**	**80,104,795,441**
Accumulated Depreciation and Amortization				
Balances at beginning of year	**–**	**4,897,883,304**	**–**	**4,897,883,304**
Depreciation and amortization (Note 25)	**–**	**1,276,273,179**	**–**	**1,276,273,179**
Retirement	**–**	**–**	**–**	**–**
Balances at end of year	**–**	**6,174,156,483**	**–**	**6,174,156,483**
Net Book Value	**₱40,226,070,790**	**₱23,412,052,663**	**₱10,292,515,505**	**₱73,930,638,958**

	2017			
	Land	Building and Building Improvements	Construction in Progress	Total
Cost				
Balances at beginning of year	₱11,847,065,023	₱20,548,325,279	₱3,460,413,004	₱35,855,803,306
Reclassification adjustment (Note 3)	19,268,879,555	–	–	19,268,879,555
Balance at beginning of year, as restated	31,115,944,578	20,548,325,279	3,460,413,004	55,124,682,861
Additions	3,890,669,696	951,880,581	4,032,068,694	8,874,618,971
Reclassifications	37,059,429	3,064,934,726	(3,101,994,155)	–
Retirement	–	(57,857)	–	(57,857)
Balances at end of year	35,043,673,703	24,565,082,729	4,390,487,543	63,999,243,975
Accumulated Depreciation and Amortization				
Balances at beginning of year	–	3,790,270,632	–	3,790,270,632
Depreciation and amortization (Note 25)	–	1,107,670,529	–	1,107,670,529
Retirement	–	(57,857)	–	(57,857)
Balances at end of year	–	4,897,883,304	–	4,897,883,304
Net Book Value	₱35,043,673,703	₱19,667,199,425	₱4,390,487,543	₱59,101,360,671

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and five BPO commercial centers. The construction in progress represents capitalized costs arising from a construction of commercial center that is located in Taguig City, Las Piñas City, Cavite, Iloilo, Davao, Naga and Cagayan de Oro which is due to be completed in 2018 to 2020. The percentage of completion of various constructions in progress ranges from 5.00% to 95.00% in 2018 and from 5.00% to 90.00% in 2017.

On September 28, 2018, the Group acquired land for commercial project from Fine Properties, Inc. its ultimate parent company amounting to ₱4,525.94 million. The consideration of ₱2,515.94 million was paid in cash while the remaining ₱2,010.00 million was offset against the receivables of the Group from Fine Properties Inc.

The reclassification of ₱4,366.50 million in 2018 from construction in progress to building and improvements represents completed retail malls in Iloilo, Naga, Cagayan De Oro, General Trias, Tanza and Talisay Cebu, with gross floor area of 211,892 sqm.

Rental income earned from investment properties amounted to ₱6,464.74 million, ₱5,625.23 million and ₱4,375.33 million in 2018, 2017 and 2016, respectively. Repairs and maintenance costs recognized under "Operating expenses" arising from investment properties amounted to ₱218.00 million, ₱149.46 million and ₱107.12 million for the years ended December 31, 2018, 2017 and 2016, respectively (Note 25). Cost of property operations amounted to ₱1,625.38 million, ₱1,420.42 million and ₱1,874.25 million for the years ended December 31, 2018, 2017 and 2016. For the terms and conditions on the lease, refer to Note 32.

Except as stated, the investment properties are not used to secure the borrowings of the Group (Note 20).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the land amounted to ₱35,333.39 million and ₱33,230.71 million as of December 31, 2018 and 2017, respectively. This is based on the most recent selling price of similar property. The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Imus, San Jose del Monte, Sta. Rosa, Alabang and Kawit.

As of December 31, 2018 and 2017, the aggregate fair values of investment properties amounted to ₱77,759.23 million and ₱63,489.77 million, respectively. The most recent fair value was determined on September 30, 2018 by a third-party appraiser.

The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and land improvements.

The market price per square meter of the land ranged ₱1,258 to ₱173,017, while building and improvements ranged from ₱17,701 to ₱209,304. The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy. The estimated useful life of the investment properties other than land is 40 years.

Borrowing cost capitalized to investment properties in 2018, 2017 and 2016 amounted to ₱1,319.45 million, ₱846.20 million and ₱1,167.18 million, respectively (Note 24). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.48% in 2018, 6.15% in 2017 and 6.47% in 2016.

15. **Property and Equipment**

The rollforward analyses of this account follow:

	Land	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balances at beginning of year	**₱83,333,600**	**₱577,461,291**	**₱703,902,500**	**₱639,723,804**	**₱369,203,710**	**₱192,345,413**	**₱2,565,970,318**
Additions	**–**	**345,847,699**	**116,390,649**	**156,997,803**	**214,584,049**	**67,317,696**	**901,137,896**
Balances at end of year	**83,333,600**	**923,308,990**	**820,293,149**	**796,721,607**	**583,787,759**	**259,663,109**	**3,467,108,214**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**₱–**	**₱350,905,699**	**₱490,935,263**	**₱583,505,422**	**₱124,567,131**	**₱130,238,170**	**₱1,680,151,685**
Depreciation and amortization (Note 25)	**–**	**9,580,338**	**46,056,252**	**65,721,795**	**35,469,826**	**16,182,658**	**173,010,869**
Balances at end of year	**–**	**360,486,037**	**536,991,515**	**649,227,217**	**160,036,957**	**146,420,828**	**1,853,162,554**
Net Book Value	**₱83,333,600**	**₱562,822,953**	**₱283,301,634**	**₱147,494,390**	**₱423,750,802**	**₱113,242,281**	**₱1,613,945,660**

	2017						
	Land	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balances at beginning of year	₱83,333,600	₱573,959,560	₱554,066,534	₱615,859,385	₱330,953,472	₱185,540,984	₱2,343,713,535
Additions	–	3,501,731	149,835,966	23,864,419	38,250,238	6,804,429	222,256,783
Balances at end of year	83,333,600	577,461,291	703,902,500	639,723,804	369,203,710	192,345,413	2,565,970,318
Accumulated Depreciation and Amortization							
Balances at beginning of year	₱–	₱339,283,586	₱426,696,953	₱541,397,280	₱105,995,347	₱108,090,161	₱1,521,463,327
Depreciation and amortization (Note 25)	–	11,622,113	64,238,310	42,108,142	18,571,784	22,148,009	158,688,358
Balances at end of year	–	350,905,699	490,935,263	583,505,422	124,567,131	130,238,170	1,680,151,685
Net Book Value	₱83,333,600	₱226,555,592	₱212,967,237	₱56,218,382	₱244,636,579	₱62,107,243	₱885,818,633

In 2018, additions to building and building improvements amounting to ₱345.85 million pertains to hotel building of Mella Hotels, Inc.

Depreciation and amortization expense charged to operations amounted to ₱173.01 million, ₱158.69 million and ₱256.63 million for the years ended December 31, 2018, 2017 and 2016, respectively (Note 25).

As of December 31, 2018 and 2017, fully depreciated assets that are still actively in use amounted to ₱468.66 million and ₱331.29 million, respectively.

The Group's transportation equipment with a carrying value of ₱129.73 million and ₱212.97 million as of December 31, 2018 and 2017, respectively, were pledged as collateral under chattel mortgage to secure the car loans of the Group with various financial institutions (Note 20).

Borrowing cost capitalized to property and equipment in 2018 amounted to ₱83.78 million (Note 24). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.48% in 2018.

Except as stated, the property and equipment are not used to secure the borrowings of the Group (Note 20).

16. **Project Development Costs**

Project development costs mainly pertain to cash advances to Bria Homes, Inc., a real estate developer of affordable house and lot, contracted by the Group for the construction of socialized housing units as required by the Housing and Land Use Regulatory Board (HLURB) (Note 28). These advances for project development costs are included in the total cost of project development which eventually forms part of the cost of sales. This account also includes advances made to joint venture partners.

The following are the subsidiaries with outstanding LDAs accounted for as project development costs:

Entity	**Project**	**2018**	2017
PCLHI	Horizontal	**₱1,357,175,068**	₱1,143,046,937
CPI	Horizontal	**857,272,589**	731,731,397
Brittany	Horizontal	**843,187,193**	830,384,147
HDC	Horizontal	**681,863,120**	556,424,966
CAPI	Horizontal	**601,959,880**	598,534,852
VRI	Vertical	**123,796,314**	174,160,567
		₱4,465,254,164	₱4,034,282,866

17. **Other Noncurrent Assets**

This account consists of:

	2018	2017
Cash restricted for use - net	**₱769,308,969**	₱934,178,185
Deposits	**698,795,169**	583,774,070
Model house accessories at cost	**170,285,124**	168,438,707
Systems development costs	**55,250,228**	18,177,238
Other assets	**15,798,485**	2,938,237
	₱1,709,437,975	₱1,707,506,437

Noncurrent portion of deposits include deposits for real estate purchases and deposits to utility companies which will either be applied or recouped against future billings or refunded upon completion of the real estate projects. These deposits are necessary for the continuing construction and development of real estate projects of the Group.

Model house accessories pertain to the furniture and fixture and other interior decorations used and displayed in the model house inventory.

The rollforward analysis of system development costs follow:

	2018	2017
Balance at beginning of year	**₱18,177,238**	₱22,695,623
Additions	**67,917,997**	34,278,886
Amortization (Note 25)	**(30,845,007)**	(38,797,271)
Balance at end of year	**₱55,250,228**	₱18,177,238

Amortization of system development costs amounted to ₱30.85 million, ₱38.80 million and ₱45.71 million for the years ended December 31, 2018, 2017 and 2016, respectively. These are included in the "Depreciation and amortization" account under "Operating expenses" in the consolidated statements of comprehensive income (Note 25).

18. Accounts and Other Payables

This account consists of:

	2018	2017
Current portion of liabilities for purchased land (Note 22)	**₱4,962,974,544**	₱4,526,299,339
Accounts payable		
Contractors	**2,094,809,983**	2,378,231,392
Suppliers	**1,318,689,133**	1,481,099,089
Buyers	**764,326,887**	416,607,741
Incidental costs	**1,257,661,607**	237,708,812
Commissions payable	**1,933,634,673**	836,870,044
Accrued expenses	**1,344,027,138**	923,148,155
Current portion of deferred output tax (Note 22)	**1,147,063,010**	849,966,969
Current portion of retention payable (Note 22)	**780,372,681**	652,518,032
Other payables	**133,330,703**	972,505,163
	₱15,736,890,359	₱13,274,954,736

Current portion of liabilities for purchased land
Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. Liabilities for purchased land that are payable beyond one year from year end date are reported as noncurrent liabilities (Note 22).

Accounts payable - contractors
Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

Accounts payable - suppliers
Accounts payable - suppliers represent construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within a year from recognition date.

Accounts payable - buyers
Accounts payable - buyers pertain to refunds arising from the cancellation of contract to sell agreement which is determined based on the required refund under the Maceda Law.

Accounts payable - incidental costs
Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquisitions. This includes payable for titling costs, clearing, security and such other additional costs incurred.

Accrued expenses
Accrued expenses consist mainly of accruals for project cost which are incurred but not yet billed, interest on bonds and bank loans, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security and insurance. These are noninterest- bearing. Details of accrued expenses as follow:

	2018	2017
Accrued expenses		
Interest	**₱545,978,645**	₱386,940,966
Rental	**461,826,333**	247,941,900
Marketing	**125,455,584**	230,017,952
Subdivision maintenance	**48,569,686**	18,689,068
Security	**61,501,095**	11,998,348
Professional fees	**14,374,115**	8,644,842
Power, light and power	**20,265,900**	3,682,479
Repairs and maintenance	**43,317,896**	3,076,537
13th month/bonus	**1,217,704**	2,952,991
Management fees	**1,860,876**	1,895,262
Others	**19,659,304**	7,307,810
	₱1,344,027,138	₱923,148,155

Current portion of deferred output tax
Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting of real estate sale but were not yet collected as of reporting date. Further, upon collection of the installment receivables, the equivalent output tax from collected installment receivables are included in the current VAT payable of the month when collection is made. Deferred output VAT pertaining to installment receivables that are beyond one year after report date are presented as noncurrent liabilities (Note 22).

Commissions payable
Commissions payable pertain to fees due to brokers for services rendered which are expected to be settled within one year.

Current portion of retention payable
Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10.00% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects. Retention payables that are payable beyond one year from year end date are presented as noncurrent liability (Note 22).

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

19. Customers' Advances and Deposits

This account consists of:

	2018	2017
Security deposits	**₱1,297,839,418**	₱1,086,110,360
Customer's deposits (Note 3)	**–**	2,531,778,443
Total	**₱1,297,839,418**	₱3,617,888,803

Security deposits pertain to the three-month rental and three-month advance rental paid by the lessees as required under lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages.

In 2017, this account consists of customers' reservation fees, down payments and excess of collections over the recognized revenue for a specific customer's account. This is presented as contract liabilities effective January 1, 2018 upon adoption of PFRS 15 (Note 3).

The Group requires buyers of real estate units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. Payments from buyers which have not reached the minimum required percentage are presented as customers' advances and deposits. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments are applied against the related installment contracts receivable.

The excess of collections over the recognized revenue is applied against the receivables in the succeeding years.

20. Bank Loans and Loans Payable

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

The rollforward analysis of this account follows:

	2018	2017
Balance at the beginning of the year	**₱35,799,812,028**	₱36,087,242,892
Availment	**11,880,116,880**	6,618,873,487
Payment	**(3,203,876,393)**	(6,906,304,351)
Balance at end of the year	**44,476,052,515**	35,799,812,028
Less current portion	**5,332,822,509**	3,620,352,953
	₱39,143,230,006	₱32,179,459,075

Details of the bank loans as of December 31, 2018 and 2017 follow:

Loan Type	Date of Availment	2018	2017	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
VLLI							
Bank loan	June 2013	**₱–**	₱666,666,667	June 2018	5.75% to 5.90%	Interest and principal payable quarterly	Current ratio at least 1.75:1.00 and DSCR not less than 1:1.00; unsecured
Bank loan	Renewed in October 2018; Originally availed in September 2014	**1,500,000,000**	1,500,000,000	July 2019; renewable upon maturity subject to change in interest rate	4.25%	Interest payable quarterly, principal payable upon maturity	With collateral
Bank loan	September 2016	**2,174,307,549**	2,587,834,482	September 2023	5.00%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured
Bank loan	October 2016	**3,800,000,000**	4,600,000,000	October 2023	5.00%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured
Bank loan	Availed in 2017 and renewed in various dates in 2018	**1,038,211,200**	2,500,000,000	Various maturities in 2018, renewed upon maturity subject to change in interest rate	3.88% to 4.00%	Interest payable monthly, principal payable upon maturity	With collateral
Bank loan	Availed in 2017 and renewed in various dates in 2018	**28,403,987,950**	13,625,299,000	Various maturities in 2018 and 2019, renewed upon maturity subject to change in interest rate	3.75% to 4.00%	Interest payable monthly, principal payable upon maturity	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; with collateral
		36,916,506,699	25,479,800,149				
MAPI							
Bank loan	Availed in various dates in 2013 and 2014	**841,154,139**	1,321,884,709	August 2020	5.75% to 6.12%	Interest and principal payable quarterly	Current ratio of at least 1:25:1.00 and debt to Equity maximum of 3:00:1.00; with collateral
Bank loan	December 2014	**91,500,000**	182,342,446	December 2019	6.25%	Interest and principal payable monthly	With collateral
Bank loan	Availed in various dates in 2015	**1,477,853,905**	1,932,578,183	March 2022	5.46%	Interest and principal payable monthly	With collateral
Bank loan	July 2018	**500,000,000**	500,000,000	June 2027	6.23%	Interest and principal payable monthly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; with collateral
		2,910,508,044	3,936,805,338				
MC							
Bank loan	Availed in various dates in 2012 and 2013	**–**	122,126,194	Various maturities in 2017 to 2018	7.00% to 7.25%	Interest and principal payable monthly	With collateral

(Forward)

Loan Type	Date of Availment	2018	2017	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Bank loan	Availed in various dates in 2014	₱71,764,706	₱151,764,706	Various maturities in 2019	5.75%	Interest and principal payable quarterly	With collateral
Bank loan	July 2016	2,874,136,603	3,318,971,627	July 2022	5.75%	Interest and principal payable quarterly	With collateral
		2,945,901,309	3,592,862,527				
Brittany							
Bank loan	November 2010	779,632	166,145	December 2018	10.50%	Interest and principal payable monthly	Chattel mortgage
CAPI							
Bank loan	April 2014	58,823,529	176,535,983	April 2019	5.50%	Interest and principal payable quarterly	Unsecured
Bank loan	December 2011	262,190	891,446	December 2019	10.50%	Interest and principal payable monthly	Chattel mortgage
		59,085,719	177,427,429				
CHI							
Bank loan	February 2010	6,721,123	5,067,422	December 2019	10.50%	Interest and principal payable monthly	Chattel mortgage
CPI							
Bank loan	March 2016	587,362,953	1,056,820,480	March 2020	5.50%	Interest and principal payable quarterly	Unsecured
Bank loan	February 2010	10,304,386	19,114,655	August 2019	10.75%	Interest and principal payable monthly	Chattel mortgage
		597,667,339	1,075,935,135				
VRI							
Bank loan	April 2014	176,470,588	529,411,765	April 2019	5.50%	Interest and principal payable quarterly	Unsecured
Bank loan	December 2017	847,142,857	990,000,000	December 2024	6.70%	Interest payable quarterly, principal payable upon maturity	Unsecured
Bank loan	May 2010	2,000,700	1,176,779	August 2020	10.50%	Interest and principal payable monthly	Chattel mortgage
		1,025,614,145	1,520,588,544				
PCLHI							
Bank loan	February 2013	13,268,505	11,159,339	December 2020	various	Interest and principal payable monthly	Chattel mortgage
		44,476,052,515	35,799,812,028				
Less current portion		5,332,822,509	3,620,352,953				
Bank loans, net of current portion		₱39,143,230,006	₱32,179,459,075				

VLLI

In June 2013, the Parent Company obtained unsecured ₱1,000.00 million and unsecured ₱5,000.00 million peso-denominated bank loans from local banks which bear annual fixed interest rate of 5.90% and 5.75%, respectively. The loans will mature in June 2018. The principal balance of the loans are paid in twelve (12) and twenty (20) equal quarterly installments, respectively. The unsecured ₱5,000.00 million peso-denominated bank loan requires the Parent Company to maintain current ratio of 1:1.75 and debt-service coverage ratio (DSCR) of 1:1.00. These restrictions and requirements were complied with by the Parent Company as at December 31, 2018 and 2017. The loans matured June 28, 2018 and were fully paid.

On September 11, 2014, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱1,500.00 million with fixed interest of 4.25% per annum. The bank loan matured and was renewed on October 3, 2018 with no change in the fixed interest rate of 4.25% per annum and will mature on July 2019. The loan is secured by the HTM investments of VII amounting US$31.60 million. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱1,500.00 million.

On September 23, 2016, the Parent Company obtained a 7-year unsecured peso-denominated loan from a local bank amounting ₱3,500.00 million which bears annual fixed interest rate of 5.00% payable quarterly. The principal balance of the loan will be paid in twenty eight (28) equal quarterly installments commencing on the first interest payment date. The loan requires the Parent Company to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Parent Company as at December 31, 2018 and 2017. In 2018 and 2017, the Parent Company paid principal payments amounting to ₱500.00 million and ₱500.00 million , respectively. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱2,174.31 million and ₱2,587.83 million, respectively.

On October 5, 2016, the Parent Company obtained a 7-year unsecured peso-denominated loan from a local bank amounting ₱5,000.00 million which bears annual fixed interest rate of 5.00% payable quarterly. The principal balance of the loan will be paid in twenty five (25) equal quarterly installments commencing on the fourth interest payment date. The loan requires Parent Company to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Parent Company as at December 31, 2018 and 2017. In 2018 and 2017, the Parent Company paid ₱800.00 million and ₱400.00 million principal payments, respectively. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱3,800.00 million and ₱4,600.00 million, respectively.

In 2017, the Parent Company obtained new peso-denominated bank loans from local banks totaling ₱2,500.00 million with interests ranging from 3.875% to 4.00% per annum payable monthly. The loans matured in 2018 and were renewed in various dates in 2018. The loans are secured by a hold-out on the identifiable investments at amortized cost of VII totaling US$51.80 million. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱1,038.21 million and ₱2,500.00 million, respectively.

The Parent Company has various peso-denominated bank loans from different local banks with fixed interest-rates ranging from 3.75% to 4.00% per annum. These bank loans are renewable upon maturity subject to change in interest rates and/or hold-out amount of the investments at amortized cost of VII. These loans are secured by hold-out of the investments

at amortized cost of VII amounting to US$300.10 million. The loans require the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Parent Company as at December 31, 2018 and 2017. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱28,403.99 million and ₱13,625.30 million, respectively.

MAPI
In 2013, MAPI entered into a secured term loan agreements with a local bank for a total credit line of ₱2,700.00 million. As of December 31, 2018, a total of ₱2,300.00 million has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear annual interest rates ranging from 5.75% to 6.12%. The loan requires MAPI to maintain a current ratio of not lower than 1.25:1:00 and debt-equity ratio of not higher than 3.00:1.00. These were complied with by MAPI as at December 31, 2018 and 2017. As of December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱841.15 million and ₱1,321.88 million, respectively.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments. In accordance with the agreement, MAPI maintains a reserve fund amounting to ₱537.49 million and ₱808.02 million as of December 31, 2018 and 2017, respectively, which is presented as "Restricted cash" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 17).

In December 2014, MAPI entered into a secured term loan agreement with a local bank amounting to ₱366.00 million also primarily to finance various ongoing mall constructions. The loan has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%. As of December 31, 2018, outstanding balance of the loans amounted to ₱91.50 million and ₱182.34 million, respectively.

In 2015, MAPI entered into a secured term loan agreement with a local bank amounting to ₱2,273.62 million primarily to finance various ongoing mall constructions. The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.46%. As of December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱1,477.85 million and ₱1,932.58 million, respectively.

In July 2018, MAPI obtained a 10-year unsecured peso denominated loan from a local bank amounting to ₱500.00 million which bears annual fixed interest rate of 6.23%. The principal balance of the loan will be paid in thirty two (32) equal quarterly installments commencing on the ninth interest payment date. The loan requires MAPI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by MAPI as at December 31, 2018. The outstanding balance as at December 31, 2018 amounted to ₱500.00 million.

MC
In 2012 and 2013, MC obtained various term loans from local banks to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.00% to 7.25%. These were fully paid as of December 31, 2018.

In 2014, MC obtained various unsecured loans from a local bank to finance the upgrade of the air conditioning systems of Starmall Las Piñas - Main and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of MC. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. As of December 31, 2018 and 2017, outstanding balance of loans amounted to ₱71.76 million and ₱151.76 million, respectively.
In July 2016, MC obtained a loan from a local bank worth ₱4,000.00 million which was used solely for capital expenditure and general corporate purposes and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. Real estate contracts of MC as well as investment properties in Starmall Alabang are used as a mortgage for this loan. As of December 31, 2018 and 2017, outstanding balance of loans amounted to ₱2,874.14 million and ₱3,318.97 million, respectively.

MC is also required to maintain a reserve fund for its future principal and interest loan repayments. In accordance with the loan agreement with the bank, MC is required to maintain a reserve fund for its future principal and interest loan repayments amounting to ₱231.82 million and ₱126.15 million as of December 31, 2018 and 2017, respectively. The reserve fund is presented as "Restricted cash" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 17).

The rollforward analysis of debt issue costs on bank loans follow:

	2018	2017
Balance at the beginning of the year	**₱318,873,286**	₱444,408,825
Additions	**26,000,000**	–
Amortizations (Note 24)	**(95,055,027)**	(125,535,539)
Balance at end of the year	**₱249,818,259**	₱318,873,286

Residential Subsidiaries
The Group's residential subsidiaries have various peso-denominated bank loans from different banks with fixed interest-rates ranging from 5.50% to 10.75% per annum. These bank loans are renewed annually upon maturity. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱1,703.14 million and ₱2,790.34 million, respectively. Of the total bank loans, ₱33.33 million and ₱37.58 million were secured by chattel mortgages on the Group's transportation equipment as at December 31, 2018 and 2017, respectively (Note 15).

Bank loan covenants
In addition to financial covenants, unless otherwise stated, the bank loans of the Group provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets. These restrictions and requirements were complied with by the Group as at December 31, 2018 and 2017.

Loans Payable
As stated in Note 10 to the consolidated financial statements, loans payable pertains to the remaining balance of "Installment contracts receivable" of subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 5.50% to 7.50% and 7.00% to 12.00% in 2018 and 2017, respectively, payable on equal monthly installments over a maximum period of 3 to 15 years. The installment contracts receivables serve as the collateral for the loans payable. These will mature on various dates up to December 2027.

Movement of loans payable follows:

	2018	2017
Balance at beginning of year	**₱3,760,465,983**	₱3,887,252,607
Availments	**1,727,577,197**	2,318,488,025
Payments	**(2,703,872,615)**	(2,445,274,649)
	2,784,170,565	3,760,465,983
Less current portion	**336,726,340**	644,355,649
	₱2,447,444,225	₱3,116,110,334

Interest expense on bank loans and loans payable amounted to ₱3,386.51 million, ₱2,124.64 million and ₱821.46 million in 2018, 2017 and 2016, respectively (Note 24). As of December 31, 2018 and 2017, the balance of unamortized issue cost on bank loans amounted to ₱239.82 million and ₱318.87 million, respectively.

Details of the loans payable as of December 31, 2018 and 2017 follow:

Entity	Date of Availment	2018	2017	Maturity	Interest Rate	Payment Terms	Covenants/ Collaterals
CHI							
Loans payable	various	**₱189,784,197**	₱285,526,707	March 2029	various	Interest and principal payable monthly	With recourse
Brittany							
Loans payable	various	**–**	93,098,784	April 2018	various	Interest and principal payable monthly	With recourse
VRI							
Loans payable	various	**1,304,021,311**	2,170,644,649	December 2029	various	Interest and principal payable monthly	With recourse
CAPI							
Loans payable	various	**–**	33,459,339	March 2028	various	Interest and principal payable monthly	With recourse
CPI							
Loans payable	various	**457,875,817**	606,399,802	October 2028	various	Interest and principal payable monthly	With recourse
PCLHI							
Loans payable	various	**832,489,240**	571,336,702	June 2030	various	Interest and principal payable monthly	With recourse
		2,784,170,565	3,760,465,983				
Less current portion		**336,726,340**	644,355,649				
Loans payable, net of current portion		**₱2,447,444,225**	₱3,116,110,334				

21. **Notes Payable**

This account consists of:

	2018	2017
Dollar denominated bonds	**₱36,859,221,848**	₱34,881,714,167
Retail bonds	**19,790,521,707**	9,892,318,736
Corporate note facility	**17,637,251,968**	9,727,009,335
	74,286,995,523	54,501,042,238
Less current portion	**4,760,986,563**	60,890,732
	₱69,526,008,960	₱54,440,151,506

A. Dollar Denominated Bonds

a. US$350.00 million Notes (Due November 2024)
On November 28, 2017, VII (the Issuer) issued US$350.00 million notes ("Notes") with a term of seven years from initial draw down date. The interest rate is 5.75% per annum payable semi-annually in arrears on May 28 and November 28 of each year beginning on November 28, 2017. The notes were used to fund tender offer for existing Notes due October 4, 2018 and April 29, 2019 and proceeds was used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2018 and 2017, outstanding balance of note amounted to US$340.55 million (₱17,906.31 million) and US$339.73 million (₱16,962.64 million), respectively.

Redemption at the option of the issuer
At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (expressed in percentages of principal amount on the date of redemption), plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

Period	Price
2021	102.8750%
2022	101.4375%
2023 and thereafter	100.0000%

Covenants
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x. These were complied with by the Group as at December 31, 2018.

b. US$425.00 million Notes (Due June 2022)
On June 18, 2015, VII (the Issuer) issued US$300.00 million notes ("Notes") with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to refinance notes issued October 2013 due 2018 and April 2014 due 2019. As of December 31, 2018 and 2017, outstanding balance of note amounted to US$238.83 million (₱12,557.80 million) and US$234.34 million (₱11,700.74 million), respectively. There are no properties owned by the Group that were pledged as collateral to this note.

On February 2, 2016, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting to US$125.0 million. The notes were issued at 102% representing yield to maturity of 6.979%. As of December 31, 2018, and 2017, outstanding balance of note amounted to US$121.63 million (₱6,395.11 million) and US$124.54 million (₱6,218.33 million), respectively. There are no properties owned by the Group that were pledged as collateral to this note.

Redemption at the option of the issuer
At any time, the Issuer may on any one or more occasions redeem all or part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of the person in whose name the Notes is registered on the relevant record date to receive interest due on the relevant interest payment date.

Covenants
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers and acquisitions and disposals; and disposals, and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at December 31, 2018.

On September 29, 2016, VII repurchased US$54.54 million out of the US$425.00 million notes outstanding balance prior to the repurchase date.

On January 10, 2018, the Issuer announce a solicitation of consent to holders of the Notes to approve proposed amendments to certain terms and conditions of the Notes with the intention of aligning those terms and conditions of the Notes issued in November 28, 2017. Amendment include among others the proforma FCCR to be not less than 2.25x from the previous requirement of not less than 2.5x. In a meeting of Noteholders on February 1, 2018, Noteholders holding 90.12% of the aggregate amount of principal amount of the Notes outstanding voted in favor and approved the amendments of the terms of the Notes. The consent solicitation cost amounted to US$1.95 million (₱99.45 million) was adjusted to the carrying amount of the liability and amortized over the remaining life of the modified liability.

c. US$350.00 million Notes (Due April 2019)
On April 29, 2014, VII (the Issuer) issued unsecured US$225.00 million (₱10,021.50 million) notes ("Notes") due April 29, 2019 to refinance its debt and for general corporate purposes. The interest rate of 7.45% per annum is payable semi-annually in arrears on April 29 and October 29 of each year commencing on October 29, 2014.

On September 11, 2014, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Issuer amounting to US$125.00 million. The notes were issued at 102% representing a yield to maturity of 6.935%.

As at December 31, 2018 and 2017, outstanding balance of the notes amounted to nil.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer
At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Redemption upon a change in control
Unless the Notes are previously redeemed, repurchased and cancelled, the issuer will, no later than 30 days following a change of control make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount together with accrued and unpaid interest, if any. Change of control includes the sale of all or substantially all the properties or assets of the issuer or its restricted subsidiaries.

Covenants
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at redemption date.

On November 10, 2017, the Issuer launched a tender offer to purchase any and all of the Notes due 2019 as part of its liability management. On November 21, 2017 the end of tender offer period, the Group has accepted valid tender offers representing 41.92% of the total outstanding Notes or an aggregate of $75.78 million in nominal amount. The settlement was made on November 29, 2017 at 107.241% purchase price. The outstanding balance after the tender offer amounted to $105.01 million.

On November 21, 2017, the issuer elected the Make Whole Redemption option to redeem and pay the remaining outstanding balance of the Notes after the Tender Offer period.

On December 21, 2017, the issuer redeemed and paid $105.01 million remaining balance of the Notes at 106.869% redemption price. The notes were fully paid as of December 31, 2017.

The exercise of make whole redemption for Notes due in April 2019 resulted to payment of premium of ₱364.00 million and interest of ₱57.02 million which are recorded in interest and other financing charges of the consolidated statements of comprehensive income.

d. US$100.00 million Notes
On October 4, 2013, VII (the Issuer) issued unsecured US$100.00 million bonds with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on April 4 and October 4 of each year commencing on April 4, 2014.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer - equity clawback
At any time prior to September 30, 2013, the Group may redeem up to 35% of the aggregate principal amount of the US Notes originally issued at a redemption price equal to 106.75% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of US Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering. The Notes contains an equity clawback option.

Redemption at the option of the issuer - early redemption
At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants
The Notes provide for the Group to comply with covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (FCCR) of not less than 2.5x. These were complied with by the Group as at redemption date.

On September 29, 2016, VII repurchased US$10.70 million out of the remaining US$62.51 million notes outstanding prior to the repurchase date.

On November 21, 2017, the issuer elected the Make Whole Redemption option to redeem and pay the remaining outstanding balance of the Notes after the Tender Offer period.

On December 21, 2017, the issuer redeemed and paid $47.26 million remaining balance of the Notes at 103.522% redemption price. The notes were fully paid as of December 31, 2017.

The exercise of make whole redemption for Notes due in April 2019 resulted to payment of premium of ₱84.00 million and interest of ₱34.44 million which are recorded in interest and other financing charges of the consolidated statements of comprehensive income.

B. Corporate Note Facility

₱8,200.00 million Corporate Notes
On July 11, 2018, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025 amounting to ₱1,700.00 million at a fixed rate of 7.4913% per annum and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

The proceeds of the corporate notes were utilized for the 2018 capital expenditures for commercial property projects, and to fund other general corporate expenses. The issue cost amounted to ₱105.30 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability. As of December 31, 2018, the outstanding balance of the corporate note is ₱8,103.15 million.

The corporate notes provide early redemption at the option of the Issuer as follows:

a. Seven Year Notes:

Early Redemption Date	Early Redemption Amount
5th anniversary from issue date and interest payment thereafter	101.00%
6th anniversary from issue date and interest payment thereafter	100.50%

b. Ten Year Notes:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Starmalls, Inc. and Vista Residences Inc.

Covenants
The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2018.

₱10,000.00 million Corporate Notes
On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.0 million. On April 21, 2017, a consent solicitation was made for amendments to include among others, increasing the corporate notes principal amount to up to ₱10,000.00 million and the appointment of RCBC Capital Corporation as Co-Lead Arranger together with the China Bank Capital Corporation in respect to the second draw down. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding corporate notes. On April 27, 2017, the Group made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million.

The proceeds for the first and second drawdown were utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interests at the first drawdown at 6.1879% per annum and 6.2255% per annum for the second drawdown are payable quarterly in arrears while the principal amounts are payable in 2.00% annual amortizations on each principal repayment date with 82.00% to be repaid on maturity date. In case of default on the notes, interest and any amount payable due the lender, the borrower will pay a default interest. The issue cost amounted to ₱38.72 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2018 and 2017, the outstanding balance of the corporate note is ₱9,534.10 million and ₱9,727.01 million, respectively.

The corporate notes provide early redemption at the option of the Issuer as follows:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The corporate notes requires the Group to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Group is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.0. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Group as at December 31, 2018 and 2017.

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Starmalls, Inc. and Vista Residences Inc.

On April 20, 2012, the Parent Company secured a Peso Corporate Note Facility of up to ₱ 4,500.00 million from certain financial institutions to fund the Group's on-going real estate development projects, to refinance or replace existing borrowings and for general corporate purposes. The Corporate Notes shall bear annual fixed interest rate based on applicable bench mark rate on drawdown date plus a certain spread and will mature five (5) years from drawdown date.

The notes were paid by the Parent Company on April 25, 2017 upon maturity.

Covenants
The April 20, 2012 Corporate Note Facility provides for the Group to comply with certain covenants including, among others, incurrence of additional debt; dividend restrictions; maintenance of financial ratios; granting of loans; and certain other covenants. The financial ratios are current ratio, debt to equity ratio, debt service coverage ratio and fixed charge coverage ratio which are to be maintained at 1.75, 1.50, 100 and 2.50, respectively.

C. Retail Bonds

a. 2018 Fixed-rate Peso Retail Bonds
On December 21, 2018, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance was used to fund the construction and completion of the various malls and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱130.20 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year fixed rate bonds due on December 21, 2023 and 7-year fixed rate bonds due on December 21, 2025 with interest rates of 8.00% and 8.25% per annum, respectively. This is the second tranche offered out of the shelf registration of fixed rate bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 21, 2019 for the first interest payment date and on March 21, June 21, September 21 and December 21 each year for each subsequent payment date.

As of December 31, 2018, outstanding balance of the bonds amounted to ₱9,869.80 million.

Redemption at the option of the issuer
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

a) Five Year Bonds:
   i. Three (3) years from issue date at early redemption price of 101.00%
   ii. Four (4) years from issue date at early redemption price of 100.50%
b) Seven Year Bonds:
   i. Five (5) years from issue date at early redemption price of 101.00%
   ii. Six (6) years from issue date at early redemption price of 100.50%

Covenants
The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2018.

b. 2017 Fixed-rate Peso Retail Bonds
On August 8, 2017, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of the Group and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱64.87 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 7-year fixed rate bonds due on August 8, 2024 and 10-year fixed rate bonds due on August 9, 2027 with interest rates of 5.75% and 6.23% per annum, respectively. This is the initial tranche offered out of the shelf registration of fixed rate bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on November 8, 2017 for the first interest payment date and on February 8, May 8, August 8 and November 8 each year for each subsequent payment date.

As of December 31, 2018 and 2017, outstanding balance of the bonds amounted to ₱4,944.34 million and ₱4,937.67 million, respectively.

Redemption at the option of the issuer
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the

product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

c) Seven Year Bonds:
   iii. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
   iv. Six (6) years from issue date at early redemption price of 100.50%
d) Ten Year Bonds:
   i. Seven (7) years from issue date at early redemption price of 102.00%
   ii. Eight (8) years from issue date at early redemption price of 101.00%
   iii. Nine (9) years from issue date at early redemption price of 100.50%

Covenants
The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2018.

c. 2014 Fixed-rate Peso Retail Bonds
On May 9, 2014, the Parent Company (the Issuer) offered and issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱3,000.00 million and an overallotment option of up to ₱2,000.00 million. The proceeds of the issuance were used to partially finance certain commercial development projects of CPI and its subsidiaries. There are no securities pledged as collateral for these bonds. The Bonds are unconditionally and irrevocably guaranteed by Brittany Corporation, Crown Asia Properties, Inc., Camella Homes, Inc., Communities Philippines, Inc. and Vista Residences Inc.

The offer is comprised of five-year fixed rate bonds due on November 9, 2019 and seven-year fixed rate bonds due on May 9, 2021 with interest rates of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds shall be payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date.

The Retail Bonds shall be repaid at maturity at par plus any outstanding interest, unless the Group exercises its early redemption option. The maturity date for the Five-Year Bonds and Seven-Year Bonds shall be on November 9, 2019 and on May 9, 2021, respectively.

As of Decemebr 31, 2018 and 2017, outstanding balance of bonds amounted to ₱4,976.38 million and ₱4,954.65 million, respectively.

Redemption at the option of the issuer
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

a) Five Year Bonds:
   i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
   ii. Four (4) years from issue date at early redemption price of 100.50%
b) Seven Year Bonds:
   i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
   ii. Six (6) years from issue date at early redemption price of 100.50%

Covenants
The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at December 31, 2018 and 2017.

The rollforward analysis of debt issue costs on notes payable follow:

	2018	2017
Balance at the beginning of the year	**₱1,271,375,773**	₱983,159,850
Additions	**335,479,320**	641,012,070
Amortizations (Note 24)	**(273,719,771)**	(352,877,980)
Translation adjustments	**61,498,215**	81,833
Balance at end of the year	**₱1,394,633,537**	₱1,271,375,773

22. Other Noncurrent Liabilities

This account consists of:

	2018	2017
Liabilities for purchased land - net of current portion (Note 18)	**₱340,743,267**	₱818,805,840
Retentions payable - net of current portion (Note 18)	**853,308,728**	718,286,908
Deferred output tax - net of current portion (Note 18)	**256,495,620**	136,989,567
	₱1,450,547,615	₱1,674,082,315

23. **Equity**

Capital Stock

The details of the Parent Company's capital stock follow:

	2018	2017	2016
Common			
Authorized shares	**17,900,000,000**	17,900,000,000	17,900,000,000
Par value per share	**₱1.00**	₱1.00	₱1.00
Issued shares	**13,114,136,376**	13,114,136,376	13,114,136,376
Outstanding shares	**12,035,916,361**	12,074,717,861	12,087,242,961
Treasury shares	**(₱7,184,331,182)**	(₱6,980,294,580)	(₱6,917,014,956)
Value of shares issued	**₱13,114,136,376**	₱13,114,136,376	₱13,114,136,376
Preferred			
Authorized shares	**10,000,000,000**	10,000,000,000	10,000,000,000
Par value per share	**₱0.01**	₱0.01	₱0.01
Issued and outstanding shares	**3,300,000,000**	3,300,000,000	3,300,000,000
Value of shares issued	**₱33,000,000**	₱33,000,000	₱33,000,000

Common shares

In February 2016, the Parent Company issued 459.24 million new common shares out of the unissued portion of its authorized capital stock at issue price of ₱7.15 per share or ₱3,283.60 million, out of which additional paid-in capital amounted to ₱2,824.36 million. Costs related to issuance of shares amounted to ₱123.72 million and is presented as reduction to additional paid-in capital in the consolidated statements of changes in equity.

The movement in the Parent Company's common stock and amounts involved follows:

	2018		2017		2016	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At January 1	**13,114,136,376**	**₱13,114,136,376**	13,114,136,376	₱13,114,136,376	12,654,891,753	₱12,654,891,753
Issuances	**–**	**–**	–	–	459,244,623	459,244,623
At December 31	**13,114,136,376**	**₱13,114,136,376**	13,114,136,376	₱13,114,136,376	13,114,136,376	₱13,114,136,376

Preferred shares

On March 21, 2013, the Parent Company issued in favor of Fine Properties, 3,300.00 million new preferred shares out of the unissued portion of its authorized capital stock at par or an aggregate issue price of ₱33.00 million. The subscription price was fully paid on the same date. The preferred shares are voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2018:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2016	13,114,136,376	971
Add/(Deduct) Movement	–	(11)
December 31, 2017	13,114,136,376	960
Add/(Deduct) Movement		(4)
December 31, 2018	**13,114,136,376**	**956**

Treasury Shares

Treasury shares totaling 326,011,800 in 2018 and 287,210,300 in 2017 of the Parent Company amounting to ₱1,806.04 million and ₱1,602.00 million, respectively, represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to ₱5,378.29 million represents Parent Company stocks held by Manuela. These treasury shares are recorded at cost.

On March 17, 2015, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1,500.00 million subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

On November 5, 2018, the BOD of the Parent Company approved the extension of the Share Buyback Program up to November 5, 2020 subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

As at December 31, 2018 and 2017, the Parent Company has bought back from the market a total of 38,801,500 shares or ₱204.04 million and 12,525,100 shares or ₱63.28 million in value, respectively.

The movement in the Parent Company's treasury shares follows:

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
At January 1	**1,039,418,515**	**₱6,980,294,580**	1,026,893,415	₱6,917,014,956	900,075,315	₱6,297,793,026
Additions	**38,801,500**	**204,036,602**	12,525,100	63,279,624	126,818,100	619,221,930
At December 31	**1,078,220,015**	**₱7,184,331,182**	1,039,418,515	₱6,980,294,580	1,026,893,415	₱6,917,014,956

Retained Earnings

The retained earnings available for dividend declaration, after reconciling items, as at and for the year ended December 31, 2018 amounted to ₱847.18 million, which is below the paid-up capital of ₱62,311.72 million. The paid-up capital includes capital stock and additional paid-in capital of the Parent Company.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱50,083.56 million, ₱40,448.07 million and ₱31,754.61 million in 2018, 2017 and 2016, respectively. These are not available for dividends until declared by the subsidiaries.

Also, the retained earnings are restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱1,806.04 million, ₱1,602.01 million and ₱1,538.73 as at and for the years ended December 31, 2018, 2017 and 2016, respectively.

On September 28, 2018, the BOD approved the declaration of a regular cash dividend amounting ₱2,719.23 million or ₱0.2252 per share, in favor of all stockholders of record as at October 15, 2018, payable on October 29, 2018.

On September 29, 2017, the BOD approved the declaration of a regular cash dividend amounting to ₱1,620.43 million or ₱0.1342 per share, in favor of all stockholders of record as of October 16, 2018, with payment date on October 30, 2017.

On September 28, 2016, the BOD approved the declaration of a regular cash dividend amounting to ₱1,437.14 million or ₱0.1185 per share, in favor of all stockholders of record as of September 28, 2017, with payment date on October 28, 2016.

Non-Controlling Interest

In 2016, the Vista Group acquired additional 750,265,955 shares of Starmalls, Inc. for a total consideration of ₱3,383.70 million. The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted as follows:

Fair value of consideration paid	₱3,383,699,457
Book value of shares	1,500,705,403
Difference charged to equity	1,882,994,054
Attributable to OCI	119,711,596
Equity reserves recognized in additional paid in capital	₱1,763,282,458

Additional Paid-in Capital (APIC)

Below is the summary of movement of APIC in 2016. There are no movements in APIC in 2017 and 2018.

Balance as at January 1, 2016	₱29,470,640,861
Issuance of common shares	2,824,360,000
Cost related to issuance of common shares	123,720,000
Treasury shares acquisition of Starmalls, Inc.	(1,763,291,512)
Balance as at December 31, 2016	₱30,655,429,349

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2018, 2017 and 2016, the Group had the following ratios:

	2018	2017	2016
Current ratio	**377%**	519%	468%
Debt-to-equity ratio	**129%**	107%	99%
Net debt-to-equity ratio	**77%**	60%	49%
Asset-to-equity ratio	**259%**	238%	230%

As of December 31, 2018, 2017 and 2016, the Group had complied with all externally imposed capital requirements (Notes 20 and 21). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018, 2017 and 2016.

The Group considers as capital the equity attributable to equity holders of the Parent Company.

The following table shows the component of the Group's equity which it manages as capital as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Total paid-up capital	**₱43,802,565,725**	₱43,802,565,725	₱43,802,565,725
Retained earnings	**52,736,780,731**	44,136,812,797	36,953,581,723
Treasury shares	**(7,184,331,182)**	(6,980,294,580)	(6,917,014,956)
Other comprehensive income	**534,538,519**	1,280,960,358	1,111,006,329
	₱89,889,553,793	₱82,240,044,300	₱74,950,138,821

Financial Risk Assessment

The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regular availment of short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

Exposure to foreign currency holdings are as follows:

	2018	2017
Cash and cash equivalents	**US$142,190,319**	US$93,191,602
AFS financial assets	**–**	130,009,248
Investments in amortized cost	**522,690,958**	–
HTM investments	**–**	437,157,810
Notes payable	**701,012,207**	(695,856,089)

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

24. Interest and Other Income from Investments and Interest and Other Financing Charges

Interest and other income from investments consists of:

	2018	2017	2016
Installment contracts receivable (Note 11)	**₱574,065,753**	₱476,094,934	₱609,080,060
Accretion of unamortized discount (Note 11)	**105,992,683**	67,428,832	33,562,135
	680,058,436	543,523,766	642,642,195
Cash and cash equivalents, short-term investments and cash restricted for use (Notes 9, 10 and 13)	**265,422,693**	79,593,675	143,350,393
Gain on disposal of investment in FVTPL (Note 10)	**132,499,578**	–	–
Gain on disposal of investment in AFS (Note 10)	**–**	322,157,176	–
Investments at amortized cost (Note 10)	**827,861,196**		
HTM investments (Note 10)	**–**	800,881,961	721,024,942
	1,225,783,467	1,202,632,812	864,375,335
	₱1,905,841,903	₱1,746,156,578	₱1,507,017,530

Interest and other financing charges consist of:

	2018	2017	2016
Interest expense on:			
Bank loans and loans payable (Note 20)	**₱3,368,505,643**	₱2,124,642,569	₱821,461,360
Notes payable (Note 21)	**3,357,845,704**	3,558,160,865	3,866,156,523
	6,726,351,347	5,682,803,434	4,687,617,883
Make whole premium (Note 21)	**–**	448,002,457	–
Other bank charges	**315,254,366**	135,390,226	181,103,575
	7,041,605,713	6,266,196,117	4,868,721,458
Amounts capitalized (Notes 12, 14 and 15)	**(2,871,842,798)**	(2,881,951,542)	(2,606,768,817)
	₱4,169,762,915	₱3,384,244,575	₱2,261,952,641

Miscellaneous income is comprised of forfeiture fees, mall collaterals and parking fees amounting to ₱1,260.52 million, ₱1,076.59 million and ₱952.51 million for the year ended December 31, 2018, 2017 and 2016, respectively.

25. Costs and Expenses

Cost of real estate sales
Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs. Cost of real estate sales recognized for the years ended December 31, 2018, 2017 and 2016 amounted to ₱15,177.16 million, ₱13,303.58 million and ₱12,321.00 million, respectively (Note 12).

Operating expenses
This account consists of:

	2018	2017	2016
Commissions	**₱1,759,339,528**	₱1,482,466,386	₱1,376,399,761
Depreciation and amortization (Notes 14, 15 and 17)	**1,480,129,055**	1,305,156,158	1,029,980,066
Salaries, wages and employees benefits (Note 26)	**1,197,692,866**	1,163,127,363	1,281,718,370
Occupancy costs (Note 32)	**1,173,064,414**	898,250,603	715,360,838
Advertising and promotions	**1,064,275,880**	900,933,561	1,129,111,882
Repairs and maintenance (Note 14)	**1,144,118,499**	899,791,273	836,619,978
Taxes and licenses	**658,148,818**	489,237,432	461,211,182
Professional fees	**486,865,898**	460,787,673	300,101,628
Transportation and travel	**143,105,154**	105,271,689	73,495,820
Representation and entertainment	**64,429,190**	88,696,519	86,656,689
Office expenses	**59,897,743**	43,205,134	39,597,211
Provision for impairment losses on receivables (Note 11)	**–**	3,683,344	1,974,771
Miscellaneous	**327,460,797**	240,281,042	262,281,221
	₱9,558,527,842	₱8,080,888,177	₱7,594,509,417

Operating expenses represent the cost of administering the business of the Group. These are recognized when the related services and costs have been incurred.

Occupancy cost
Occupancy cost consists of rent, light and power and other utility expenses.

The Group entered into various lease agreements for administrative purposes which are renewed on an annual basis with advanced deposits. Also, the Group is a lessee under various operating leases covering parcels of land for completed and ongoing construction of commercial establishments. These leases have terms ranging from 20 to 25 years with rental escalation clauses and renewal options.

Rent expenses included under "Occupancy costs" amounted to ₱468.82 million, ₱214.12 million and ₱136.74 million in 2018, 2017 and 2016, respectively (Note 32).

Miscellaneous expenses
Miscellaneous expenses include dues and subscriptions, donations and other expenditures.

26. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2018	2017	2016
Current service cost	**₱48,241,302**	₱67,902,138	₱83,952,065
Interest cost	**(6,168,621)**	8,591,964	7,324,790
Total pension expense	**₱42,072,681**	₱76,494,102	₱91,276,855

Funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

	2018	2017	2016
Plan assets	**₱537,582,047**	₱506,700,526	₱434,496,381
Defined benefit obligation	**(324,320,751)**	(419,039,645)	(532,630,210)
Pension Assets (Liability) recognized in the consolidated statements of financial position	**₱213,261,296**	₱87,660,881	(₱98,133,829)

Changes in the combined present value of the combined defined benefit obligation are as follows:

	2018	2017	2016
Balance at beginning of year	**₱419,039,645**	₱532,630,210	₱491,637,680
Transfer in	**–**	–	(13,215,360)
Current service cost	**48,241,302**	67,902,138	83,952,065
Interest cost	**23,371,962**	33,287,822	22,847,291
Benefits paid	**(39,870,064)**	–	–
Actuarial gain	**(126,462,094)**	(214,780,525)	(52,591,466)
Balance at end of year	**₱324,320,751**	₱419,039,645	₱532,630,210

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

	2018	2017	2016
Balance at beginning of year	**₱506,700,526**	₱434,496,381	₱377,164,819
Interest income included in net interest cost	**29,540,583**	24,745,858	15,522,501
Actual gain (loss) excluding amount included in net interest cost	**(11,571,527)**	(4,166,505)	2,172,478
Benefits paid	**(39,870,064)**	–	–
Contributions	**52,782,529**	51,624,792	39,636,583
Balance at end of year	**₱537,582,047**	₱506,700,526	₱434,496,381

The movements in the combined net pension (assets) liabilities follow:

	2018	2017	2016
Balance at beginning of year	**(₱87,660,881)**	₱98,133,829	₱114,472,861
Pension expense	**42,072,681**	76,444,102	91,276,855
Transfer in		–	(13,215,359)
Total amount recognized in OCI	**(114,890,567)**	(210,614,020)	(54,763,945)
Contributions	**(52,782,529)**	(51,624,792)	(39,636,583)
Balance at end of year	**(₱213,261,296)**	(₱87,660,881)	₱98,133,829

The assumptions used to determine the pension benefits for the Group are as follows:

	2018	2017	2016
Discount rates	**7.53%**	5.80%	5.51%
Salary increase rate	**7.75%**	7.75%	7.75%

The turn-over rate used to compute the retirement liability is ranging from 10% at age 18 to 0% at age 60 in 2018 and 2017.

The distribution of the plan assets at year-end follows:

	2018	2017	2016
Assets			
Cash and cash equivalents	**₱96,090,930**	₱47,525,181	₱213,444,809
Investments in private companies	**429,071,376**	434,951,416	198,399,874
Investments in government securities	**8,905,188**	20,731,584	21,091,661
Receivables	**4,244,718**	4,127,012	2,112,871
	538,312,212	507,335,193	435,049,215
Liability			
Trust fee payables	**730,165**	634,667	552,834
Net plan assets	**₱537,582,047**	₱506,700,526	₱434,496,381

The carrying amounts disclosed above reasonably approximate fair value at year-end. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The net unrealized gains on investments in government securities amounted to ₱1.11 million, ₱0.35 million and ₱1.82 million in 2018, 2017 and 2016, respectively.

The Group expects to contribute ₱53.96 million to its retirement fund in 2019.

The composition of the fair value of the Fund includes:

- *Cash* - include savings and time deposit with various banks and special deposit account.
- *Investments in private companies* - include investments in long-term debt notes and corporate bonds.

- *Investments in government securities* - include investment in Philippine RTBs.

- *Receivables* - includes interest and dividends receivable generated from investments included in the plan.

- *Trust fee payable* - pertain mainly to charges of trust or in the management of the plan.

The Group retirement benefit fund is in the form of a trust being maintained by a trustee bank. The fund includes investment in the form of fixed-rate peso retail bonds issued by the Parent Company due 2019, 2021 and 2027 with interest rates of 5.65%, 5.94% and 6.23%, respectively. As of December 31, 2018 and 2017, the fair value of investment amounts to ₱509.38 million and ₱331.05 million, respectively. Interest income earned from the investments in bonds amounted to ₱1.32 million and ₱3.84 million in 2018 and 2017, respectively.

The allocation of the fair value of plan assets follows:

	2018	2017
Deposits	**18.56%**	9.29%
Corporate bonds	**79.65**	84.98
Government bonds	**1.65**	4.93

The funds are administered by a trustee bank under the supervision of the Board of Directors of the plan. The Board of Directors is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity.

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

Plan Year	**2018**	2017
Less than 1 year	**₱1,059,734**	₱970,250
More than 1 year to 5 years	**32,908,956**	19,150,032
More than 5 years to 10 years	**42,581,794**	83,271,320
More than 10 years to 15 years	**170,954,616**	345,093,667
More than 15 years to 20 years	**253,885,704**	1,042,839,430
20 years and beyond	**3,004,020,965**	4,919,929,008
	₱3,505,411,769	₱6,411,253,707

The average duration of the expected benefit payments at the end of the reporting period is 29 years.

Sensitivity analysis on the actuarial assumptions
Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Impact on Defined Benefit Obligation	
	Rates	**2018**	2017
Discount rate	+1%	**154,772,004**	307,615,096
	-1%	**(209,209,012)**	(431,392,602)
Salary increase	+1%	**207,248,390**	432,358,754
	-1%	**(156,169,488)**	(306,432,651)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Union Bank's (UB) current strategic investment strategy consists of 9.36% of cash, 4.09% of investments in government securities, 85.73% of investment in private companies and 0.81% receivables. For the Group other than UB, the principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

27. Income Tax

Provision for income tax consists of:

	2018	2017	2016
Current:			
RCIT/MCIT	**₱1,458,477,330**	₱1,443,448,108	₱1,218,757,113
Final	**12,696,484**	7,583,382	7,914,896
Deferred	**576,100,346**	759,813,755	355,563,409
	₱2,047,274,160	₱2,210,845,245	₱1,582,235,418

Creditable withholding tax offset against income tax payable are disclosed in Note 13.

The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

	2018	2017	2016
Deferred tax assets on:			
Excess of tax basis over book basis of deferred gross profit on real estate sales	**₱891,537,645**	₱772,753,971	₱397,686,311
Accrual of retirement costs	**12,143,979**	29,534,710	21,649,338
NOLCO	**–**	–	2,911,709
Unrealized foreign exchange losses	**–**	21,589,604	20,826,711
Deferred tax component of OCI	**19,036,200**	17,832,879	10,427,970
Unamortized discount on receivables	**9,695,728**	9,152,109	4,075,483

(Forward)

	2018	2017	2016
Allowance for probable losses	**₱–**	₱6,614,982	₱6,614,982
	932,413,552	857,478,255	464,192,504
Deferred tax liabilities on:			
Accrual of retirement costs	**4,669,105**	26,587,741	–
Deferred tax component of OCI	**35,567,808**	26,386,386	15,825,541
Excess of book basis over tax basis of deferred gross profit on real estate sales	**–**	2,358,131	2,358,131
Capitalized interest and other expenses	**45,495,976**	–	8,829,861
	85,732,889	55,332,258	27,013,533
	₱846,680,663	₱802,145,997	₱437,178,971

Net deferred tax liabilities:

	2018	2017	2016
Deferred tax assets on:			
Accrual of retirement costs	**₱51,549,200**	₱109,169,751	₱70,267,721
Allowance for probable losses	**19,375,455**	103,522,011	105,145,815
Straight line lease adjustment	**136,504,044**	89,443,348	83,357,101
Allowance for impairment losses on land and improvements	–	56,259,059	56,259,059
NOLCO	**66,578,426**	50,582,310	50,582,310
Carryforward benefit of MCIT	**1,907,452**	14,914,385	14,914,385
Unrealized foreign exchange losses	–	11,518,188	–
Unamortized discount on receivables	**5,353,242**	4,809,550	7,487,835
Excess of book basis over tax basis of deferred gross profit on real estate sales	–	–	559,451
	281,267,819	440,218,602	388,573,677
Deferred tax liabilities on:			
Excess of book basis over tax basis of deferred gross profit on real estate sales	**1,203,927,153**	1,185,535,156	1,320,017,722
Capitalized interest and other expenses	**1,339,552,546**	1,157,735,547	410,868,230
Straight line lease adjustment	**1,367,601,517**	1,145,999,197	615,532,454
(Forward)			
Deferred tax component of OCI	**136,750,578**	61,407,113	38,618,296
Retirement expense	**51,565,520**	29,935,113	9,630,024
Fair Value Adjustments from business combination	**23,619,214**	23,619,214	23,619,214
Unamortized bond transaction cost	**62,843,488**	22,604,672	13,809,483
Discount on rawlands payable	**14,170,079**	21,373,197	21,373,197
Unrealized foreign exchange gain	**1,562,045**	8,377,135	747,265
	4,201,592,140	3,656,586,344	2,454,215,885
	(₱3,920,324,321)	(₱3,216,367,742)	(₱2,065,642,208)

Out of the ₱703.96 million movement in net deferred tax liabilities, ₱127.86 million was booked as movement in OCI.

As of December 31, 2018, 2017 and 2016, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2018	2017	2016
NOLCO	**₱6,167,447,174**	₱5,421,683,434	₱4,503,058,091
Accrual of retirement cost	**–**	19,605,535	30,476,159
MCIT	**13,529,550**	14,067,939	6,545,367
Post-employment benefit obligation	**–**	–	1,497,145
Allowance on probable losses	**–**	–	26,742,003
Unrealized foreign exchange loss	**–**	–	11,925,344
	₱6,180,976,724	₱5,455,356,908	₱4,580,244,109

The related unrecognized deferred tax assets on these deductible temporary differences amounted to ₱1,863.76 million, ₱1,646.45 million and ₱1,378.65 million as of December 31, 2018, 2017 and 2016, respectively. These are mostly coming from holding companies, VLL and STR.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2018, the details of the unused tax credits from the excess of the MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2015	₱1,562,731,542	(₱1,562,731,542)	**₱–**	2018
2016	1,589,720,373	–	1,589,720,373	2019
2017	2,457,099,740	–	2,457,099,740	2020
2018	2,342,555,150	–	2,342,555,150	2021
	₱7,952,106,805	(₱1,562,731,542)	₱6,389,375,263	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2015	₱20,696,410	(₱20,696,410)	**₱–**	2018
2016	6,570,554	–	6,570,554	2019
2017	1,715,360	–	1,715,360	2020
2018	7,151,088	–	7,151,088	2021
	₱	(₱)	₱15,437,002	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2018	2017	2016
Provision for income tax computed at the statutory income tax rate	**30.00%**	30.00%	30.00%
Additions to (reductions in) income tax resulting from:			
Nondeductible interest and other expenses	**3.32**	3.28	5.65
Change in unrecognized deferred tax assets	**0.52**	3.15	17.65
Tax-exempt income	**(8.5)**	(9.13)	(29.42)
Expired MCIT and NOLCO	**(1.14)**	(4.25)	(3.95)
Interest income already subjected to final tax	**(0.19)**	(0.14)	(0.04)
Others	**(7.74)**	(3.30)	(3.56)
Provision for income tax	**16.27%**	19.61%	16.33%

Board of Investments (BOI) Incentives

The BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as Developer of Mass Housing Projects for its 14 projects in 2018, 43 projects in 2017 and 11 projects in 2016, in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of either three years for new projects, or four years for expansion projects, commencing from the date of issuance of the Certificate of Registration.

The Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱656.92 million, ₱625.68 million and ₱453.27 million in 2018, 2017 and 2016, respectively.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Entities under common control are those entities outside the Group but are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) to related parties as of December 31, 2018 and 2017:

December 31, 2018

Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Receivable from tenants (Note 11)					
Entities under Common Control	**a) Rental of mall spaces**	**₱ 2,729,250,430**	**₱ 1,213,048,135**	**Non-interest bearing**	**With guarantee from Fine Properties Inc., No impairment**
Advances in project development cost (Note 16)					
Entities under Common Control	**b) Purchase of housing credits**	**₱424,593,351**	**₱ 2,657,711,675**	**Non-interest bearing**	**Unsecured, No impairment**
Receivable from related parties					
Ultimate Parent	**c) Advances**	**₱677,823,084**	**₱ 4,258,255,927**	**Non-interest bearing**	**Unsecured, No impairment**
Entities under Common Control	**c) Advances**	**(16,668,354)**	**448,652,339**	**Non-interest bearing**	**Unsecured, No impairment**
		₱661,154,730	**₱ 4,706,908,266**		
Dividends Declared					
Stockholders	**c) Dividends**	**₱ 2,719,226,462**	**₱33,368,139**		

December 31, 2017

Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Receivable from tenants (Note 11)					
Entities under Common Control	a) Rental of mall spaces	₱208,896,936	₱1,471,135,449	Non-interest bearing	Unsecured, No impairment
Advances in project development cost (Note 16)					
Entities under Common Control	b) Purchase of housing credits	₱775,367,103	₱2,233,118,324	Non-interest bearing	Unsecured, No impairment
Receivable from related parties					
Ultimate Parent	c) Advances	₱700,392,700	₱3,580,432,843	Non-interest bearing	Unsecured, No impairment
Entities under Common Control	c) Advances	584,383,046	1,407,497,646	Non-interest bearing	Unsecured, No impairment
		₱1,284,775,746	₱4,987,930,489		
Dividends Declared					
Stockholders	c) Dividends	₱1,620,427,137	28,959,615		

a) The Group has operating lease agreements with All Value Group, anchor tenant, which is comprised of AllHome Corp., AllDay Marts, Inc., Family Shoppers Unlimited, Inc., and CM Star Management, Inc. for the leases of commercial spaces. All Value Group is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings. The lease agreements are renewable annually and contains escalation clauses. Rental income from All Value Group amounted to ₱2,662.41 million and ₱1,250.14 million as of December 31, 2018 and 2017, respectively. The receivables from All Value Group are non-interest bearing, unsecured and are not impaired.

   In September 2018, Fine Properties, Inc. assumed certain liabilities of All Value Group from the Group in relation to its lease agreement amounting ₱2,010.00 million. The liabilities assumed were under accounts receivable from tenants.

   On October 30, 2017, Manuela Corporation (MC) and Masterpiece Asia Properties, Inc. (MAPI) entered into a memorandum of agreement with AllHome Corp. wherein MC and MAPI will offset its receivables from AllHome Corp. relating to mall rental and other charges, against billings of AllHome Corp to MC and MAPI for the supply of construction materials and home/building appliances and furnishings. Amount offset with receivables amounted to ₱5.00 million in 2017.

b) On December 23, 2017, the Group entered into a Memorandum of Agreement with Bria Homes, Inc., a developer of socialized housing projects located in various areas in the Philippines, to assign portions of the socialized housing projects to various entities in the Group in compliance with the requirements of Republic Act No. 7279 (Urban Development and Housing Act of 1992). As such, the Group makes cash advances to Bria Homes, Inc. for the construction of socialized housing units which are recorded under project development costs (Note 16).

c) These are advances for working capital and investment requirements of the related parties and are due and demandable.

On December 28,2018, payable to contractors amounting to ₱1,340.13 million was assumed by Fine Properties, Inc. This resulted to recognition of payable to Fine Properties, Inc. of the same amount.

Details of dividends declared to stockholders are discussed in Note 23.

The US$300.00 million Notes payable on June 18, 2015, the US$125.00 million Notes payable on February 2, 2016, and the US$350.00 million Notes payable on November 28, 2017, all issued by VLL International, Inc. are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. No fees are charged for these guarantee agreements.

The Parent Company issued ₱7,700.00 million Corporate Notes on July 13, 2018 and ₱ 500.00 million Corporate Notes on July 27, 2018 and ₱5,150.00 million Corporate Notes on December 28, 2017 and the ₱4,850.00 million Corporate Notes on May 3, 2018 are unconditionally and irrevocably guaranteed by Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc. No fees are charged for these guarantee agreements.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash, unless otherwise stated. As of December 31, 2018 and 2017, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Except as discussed above and in Notes 20 and 21 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

As of December 31, 2018 and 2017, the plan asset includes investment in fixed-rate peso retail bonds of the Parent Company with fair value amounting to ₱19.56 million and ₱20.06 million, respectively (Note 26).

The compensation of key management personnel by benefit type follows:

	2018	2017	2016
Short-term employee benefits	**₱136,832,739**	₱134,720,076	₱129,966,238
Post-employment benefits	**27,638,019**	27,161,537	39,221,549
	₱164,470,758	₱161,881,613	₱169,187,787

29. Earnings Per Share and Non-Controlling Interest

The following table presents information necessary to compute the EPS:

	2018	2017	2016
Net income attributable to equity holders of Parent	**₱10,238,356,840**	₱8,803,658,211	₱7,906,941,679
Weighted average common shares*	**12,823,692,618**	12,828,153,168	12,863,273,832
Basic/Diluted Earnings per share	**₱0.798**	₱0.686	₱0.615

**Weighted average common shares consider the effect of treasury shares*

The basic and dilutive earnings per share are the same due to the absence of potentially dilutive common shares for the years ended December 31, 2018, 2017 and 2016.

The summarized financial information of Starmalls, Inc. and Manuela Corporation are provided below. The information is based on amounts before inter-company eliminations

Starmalls, Inc.

	2018	2017	2016
Assets	**₱11,763,219,655**	₱20,681,388,427	₱14,644,553,738
Liabilities	**185,310,558**	9,338,750,136	2,985,097,679
Equity	**11,577,909,097**	11,342,638,291	11,659,456,059
Net income	**653,136,592**	(10,010,996)	(54,447,401)

Manuela Corporation

	2018	2017	2016
Assets	**₱17,731,469,292**	₱18,585,354,938	₱16,824,043,137
Liabilities	**5,269,735,439**	6,645,464,795	6,962,575,187
Equity	**12,461,733,854**	11,942,890,233	9,861,467,950
Net income	**962,549,506**	1,292,005,785	872,459,129

As of December 31, 2018, 2017 and 2016, the accumulated balances of and net income attributable to non-controlling interests follows:

	2018	2017	2016
Accumulated balances:			
Starmalls Group	**₱1,672,764,657**	₱1,549,986,619	₱1,348,688,755
Manuela	**344,282,145**	217,911,662	196,478,623
Share in dividend			
Starmalls Group	**48,060,935**	36,192,507	21,367,435
Net income attributable to:			
Starmalls Group	**170,268,543**	237,835,848	179,100,462
Manuela	**128,838,332**	21,276,429	14,325,779
Other comprehensive income (loss) attributable to:			
Starmalls Group	**570,430**	(345,477)	(934,178)
Manuela	**532,151**	156,610	(3,292,680)

30. Fair Value Determination

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Cash and cash equivalents short-term cash investments, installment contracts receivable (effective January 1, 2018), accrued interest receivable, receivables from tenants, buyers and others, receivables from related parties and accounts and other payables except for deferred output VAT and other statutory payables: Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

Installment contracts receivable (prior to January 1, 2018): Estimated fair value of long-term portion of installment contracts receivable is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 4.35% to 7.56% in 2018 and 3.08% to 4.90% in 2017.

Investments at FVOCI (on or after January 1, 2018): Fair values of equity securities are based on quoted market prices.

AFS financial assets: Fair values of debt and equity securities are based on quoted market prices. For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determinable due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

Investments at amortized cost (on or after January 1, 2018): The fair value of these listed bonds is determined by reference to quoted market bid prices, at the close of business on the reporting date.

HTM investments: The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date.

Bank loans, loans payable, notes payable and retention payable:
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 5.41% to 7.07% in 2018 and 3.88% to 5.75% in 2017 using the remaining terms to maturity.

The following table provides the fair value measurement and the hierarchy of the Group's financial assets and liabilities recognized as of December 31, 2018 and 2017:

		December 31, 2018			
		Fair Value			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
Financial assets measured at fair value:					
Investments at FVOCI	**₱106,499,183**	**₱106,499,183**	**₱–**	**₱106,499,183**	**₱–**
Financial assets for which fair values are disclosed:					
Installment contracts receivable	**14,491,282,897**	**14,567,347,302**	**–**	**–**	**14,567,347,302**
Investments at amortized cost	**27,483,090,564**	**27,451,401,740**	**–**	**27,451,401,740**	**–**
Liabilities					
Financial liabilities for which fair values are disclosed					
Bank loans	**44,476,052,515**	**34,981,749,890**	**–**	**–**	**34,981,749,890**
Notes payable	**74,286,995,523**	**58,033,910,204**	**–**	**–**	**58,033,910,204**
Loans payable	**2,784,170,565**	**1,940,017,202**	**–**	**–**	**1,940,017,202**

	December 31, 2017				
	Fair Value				
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
Financial assets measured at fair value:					
AFS financial assets	₱6,568,238,766	₱6,568,238,766	₱–	₱6,568,238,766	₱–
Financial assets for which fair values are disclosed:					
Installment contracts receivable	30,943,358,823	31,013,722,727	–	–	31,013,722,727
HTM investments	21,827,289,447	21,874,926,636	–	21,874,926,636	–
Liabilities					
Financial liabilities for which fair values are disclosed					
Bank loans	35,799,812,028	26,305,509,403	–	–	26,305,509,403
Notes payable	54,501,042,238	38,247,956,919	–	–	38,247,956,919
Loans payable	3,760,465,983	2,916,312,620	–	–	2,916,312,620

In 2018 and 2017, there were no transfers between Levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivable, notes payable, loans payable, bank loans, retention payable and liabilities for purchased land.

Description of significant unobservable inputs to valuation follows:

Account	Valuation Technique	Significant Inputs	Unobservable
Installment contracts receivable	Discounted cash flow analysis	Discount rate	
Bank loans	Discounted cash flow analysis	Discount rate	
Notes payable	Discounted cash flow analysis	Discount rate	
Loans payable	Discounted cash flow analysis	Discount rate	

31. Financial Assets and Liabilities

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables (except for deferred output VAT and other statutory payables) and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivable, cash and cash equivalents and short-term, long-term cash investments, investments at fair value through other comprehensive income and investments at amortized cost which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2018	
	Effective Interest Rate	**Amount**
Financial assets		
Fixed rate		
Cash and cash equivalents in Philippine Peso (excluding cash on hand)	0.60% to 5.50%	**₱12,531,634,107**
Cash and cash equivalents in US Dollar	0.10% to 2.50%	**7,476,366,979**
Short-term cash investments	1.50% to 3.00%	**139,942,752**
Investments at amortized cost	2.69% to 5.56%	**27,483,090,564**
Installment contracts receivable	4.35% to 7.56%	**14,491,282,897**
		₱62,122,317,299
Financial liabilities		
Fixed rate		
Notes payable	5.65% to 8.25%	**₱74,286,995,523**
Bank loans	3.88% to 10.75%	**44,476,052,515**
Loans payable	5.50% to 7.50%	**2,784,170,565**
		₱121,547,218,603

	December 31, 2017	
	Effective Interest Rate	Amount
Financial assets		
Fixed rate		
Cash and cash equivalents in Philippine Peso (excluding cash on hand)	0.10% to 2.75%	₱6,826,332,988
Cash and cash equivalents in US Dollar	0.10% to 2.50%	4,653,056,688
Short-term cash investments	1.62% to 2.50%	345,639,559
HTM investments	2.82% to 4.80%	21,827,289,447
Installment contracts receivable	4.32% to 4.90%	30,943,358,823
		₱64,595,677,505
Financial liabilities		
Fixed rate		
Notes payable	5.00% to 7.45%	₱54,501,042,238
Bank loans	3.75% to 10.50%	35,799,812,028
Loans payable	7.00% to12.00%	3,760,465,983
		₱94,061,320,249

As of December 31, 2018 and 2017, the Group's leasing income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar (USD). Approximately 37.11% and 36.56% of the debt of the Group, and 37.37% and 40.53% of the cash and cash equivalents of the Group are denominated in USD as of December 31, 2018 and 2017, respectively. The Group's foreign currency-denominated debt comprises of the notes payable in 2018 and 2017.

Below are the carrying values and the amounts in US$ of these foreign currency denominated financial assets and liabilities:

	December 31, 2018	
	Peso	**US$**
Assets		
Cash and cash equivalents	**₱7,476,366,979**	**$142,190,319**
Investments at amortized cost	**27,483,090,564**	**522,690,958**
	34,959,457,543	**664,881,277**
Liability		
Notes payable	**(36,859,221,848)**	**(701,012,207)**
Net foreign currency position	**(₱1,899,764,305)**	**($36,130,930)**

	December 31, 2017	
	Peso	US$
Assets		
Cash and cash equivalents	₱4,653,056,688	$93,191,602
AFS financial assets	6,491,361,776	130,009,248
HTM investments	21,827,287,456	437,157,770
	32,971,705,920	660,358,620
Liability		
Notes payable	(34,907,625,160)	(699,131,287)
Net foreign currency position	(₱1,935,919,240)	($38,772,667)

In translating the foreign currency- denominated monetary assets and liabilities in peso amounts, the Philippine Peso - US dollar exchange rates as at December 31, 2018 and 2017 used were ₱52.58 to US$1.00 and ₱49.93 to US$1.00.

In addition, the assets and liabilities of VII, composed of the dollar denominated investments in FVTPL (previously AFS), investments at amortized cost (previously HTM) and notes payable with US$ functional currency, are translated into presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and the respective income and expenses at the weighted average rates for the period. The exchange differences arising on the translation are recognized in OCI under "Cumulative Translation Adjustments" (CTA).

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's 2018 and 2017 profit before tax (due to changes in the fair value of monetary assets and liabilities denominated in US Dollar) as of December 31, 2018 and 2017:

	December 31, 2018		
		Increase/ Decrease in US Dollar rate	**Effect on income before tax**
Cash and cash equivalents		+1.34%	₱432,780
		-1.34%	(432,780)
Investments at amortized cost		+1.34%	–
		-1.34%	–
Notes payable		+1.34%	–
		-1.34%	–

	December 31, 2017	
	Increase/ Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+2.14%	₱1,729,428
	-2.14%	(1,729,428)
HTM investments	+2.14%	–
	-2.14%	–
Notes payable	+2.14%	–
	-2.14%	–

The impact of foreign currency changes in Investments at amortized cost, Notes payable and AFS financial assets is recognized as part of cumulative translation adjustments in equity. The assumed movement in basis points for foreign exchange sensitivity analysis is based on the management's forecast of the currently observable market environment, showing no material movements as in prior years.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily installment contracts receivables and receivables from tenants) and from its investing activities, including deposits with banks and financial institutions.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables and contract assets are regularly monitored.

For installment contracts receivable and contract assets, exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

Credit risk arising from receivable from tenants - third parties is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 3-months lease payment to cover any defaulting amounts and advance rentals also equivalent to 3-month rent.

Credit risk arising from receivable from tenants - related parties, aside from the same terms of security deposit and advance rental, is minimal due to the guarantee provided by Fine Properties, Inc., ultimate parent company.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of December 31, 2018 and 2017 is equal to the carrying values of its financial assets.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2018.

The table below shows the credit quality of the Group's financial assets as of December 31, 2017, gross of allowance for impairment losses:

December 31, 2017	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Medium grade	Low grade			
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱11,479,389,676	₱–	₱–	₱–	₱–	₱11,479,389,676
Short-term cash investments	345,639,559	–	–	–	–	345,639,559
Receivables						
Installment contracts receivable	22,782,729,690	2,676,747,290	–	5,363,591,589	120,290,254	30,943,358,823
Others	5,587,173,751	2,464,355,932	–	5,307,869,583	276,736,184	13,636,135,450
Total loans and receivables	40,194,932,676	5,141,103,222	–	10,671,461,172	397,026,438	56,404,523,508
HTM investments	21,827,289,447	–	–	–	–	21,827,289,447
AFS Financial Assets	6,491,361,776	–	–	–	–	6,491,361,776
Investments in quoted debt securities	76,876,990	–	–	–	–	76,876,990
Investments in unquoted equity shares	44,703,353	–	–	–	–	44,703,353
	₱68,635,164,242	₱5,141,103,222	₱–	₱10,671,461,172	₱397,026,438	₱84,844,755,074

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2018 and 2017.

Maturity Profile Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2018 and 2017 based on undiscounted contractual payments, including interest payable.

December 31, 2018

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans	**₱6,000,682**	**₱1,331,705,457**	**₱3,995,116,370**	**₱39,143,230,006**	**₱44,476,052,515**
Loans payable	**35,509,536**	**39,591,194**	**261,625,610**	**2,447,444,225**	**2,784,170,565**
Liabilities for purchased land	**739,726,481**	**2,154,363,011**	**2,068,885,052**	**340,743,267**	**5,303,717,811**
Accounts payable and other payables*	**7,428,634,752**	**593,282,437**	**1,604,935,616**	**853,308,728**	**10,480,161,533**
Notes payable	**–**	**–**	**4,760,986,563**	**69,526,008,960**	**74,286,995,523**
Total undiscounted financial liabilities	**₱8,209,871,451**	**₱4,118,942,099**	**₱12,691,549,211**	**₱112,310,735,186**	**₱137,331,097,947**

**excluding statutory payables*

December 31, 2017

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans	₱4,073,750	₱904,069,801	₱2,712,209,402	₱32,179,459,075	₱35,799,812,028
Loans payable	100,847,102	112,439,017	431,069,530	3,116,110,334	3,760,465,984
Liabilities for purchased land	674,640,471	1,964,807,957	1,886,850,911	818,805,840	5,345,105,179
Accounts payable and other payables*	6,095,083,465	486,779,347	1,316,825,616	718,286,908	8,616,975,336
Notes payable	–	–	60,890,732	54,440,151,506	54,501,042,238
Total undiscounted financial liabilities	₱6,874,644,788	₱3,468,096,122	₱6,407,846,191	₱91,272,813,663	₱108,023,400,765

**excluding statutory payables*

32. Lease Commitments

The Group as Lessee

The Group has entered into non-cancellable operating lease agreements for its several branch offices with terms of one to 25 years and land where its commercial projects are situated for 25 years. The lease agreements include escalation clauses that allow a reasonable increase in rates. The leases are payable on a monthly basis and are renewable under certain terms and conditions.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 follow:

	2018	2017
Within one year	**₱310,251,640**	₱199,541,551
After 1 year but not more than five years	**1,465,930,104**	929,679,349
More than five years	**4,230,000,227**	1,679,928,540
	₱6,006,181,971	₱2,809,149,440

Rent expense included in the consolidated statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 amounted to ₱214.12 million, ₱136.74 million and ₱142.71 million, respectively (Note 25).

The Group as Lessor

The Group has entered into non-cancellable property leases on its investment property portfolio, consisting of retail mall spaces and BPO commercial centers which generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2018 and 2017 follow:

	2018	2017
Within one year	**₱4,584,963,785**	₱3,348,432,254
After one year but not more than five years	**15,293,680,078**	12,282,694,490
More than five years	**11,048,916,139**	6,298,639,191
	₱30,927,560,002	₱21,929,765,935

Rental income included in the consolidated statements of comprehensive income for the years ended
December 31, 2018, 2017 and 2016 amounted to ₱6,464.74 million, ₱5,625.23 million and ₱4,375.33 million, respectively.

Contingent rent included in rental income for the years ended December 31, 2018, 2017 and 2016 amounted to ₱987.09 million, ₱663.81 million and ₱454.91 million, respectively.

33. Notes to Consolidated Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

			Non-cash Change			
	December 31, 2017	**Cash Flows**	**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**December 31, 2018**
Loans payable	**₱3,760,465,983**	**(₱976,295,418)**	**₱–**	**₱–**	**₱–**	**₱2,784,170,565**
Bank loans	**35,799,812,028**	**8,676,240,487**	**–**	**–**	**–**	**44,476,052,515**
Notes payable	**54,501,042,238**	**17,876,742,235**	**–**	**1,909,211,050**	**–**	**74,286,995,523**
Total liabilities from financing activities	**₱94,061,320,249**	**₱25,576,687,304**	**₱–**	**₱1,909,211,050**	**₱–**	**₱121,547,218,603**

			Non-cash Change			
	December 31, 2016	Cash Flows	Acquisition	Foreign exchange movement	Fair value changes	December 31, 2017
Loans payable	₱3,887,252,607	(₱126,786,624)	₱–	₱–	₱–	₱3,760,465,983
Bank loans	36,087,242,292	(287,430,264)	–	–	–	35,799,812,028
Notes payable	39,525,115,572	14,673,096,492	–	302,830,174	–	54,501,042,238
Total liabilities from financing activities	₱79,499,610,471	₱14,258,879,604	₱–	₱302,830,174	₱–	₱94,061,320,249

The Group's noncash investing and financing activities pertain to the following:

a) Transfers from property and equipment to investment property amounting to ₱62.72 million in 2016. There are no transfers in 2017 and 2018.
b) Purchase of land that are payable from one to three years amounting to ₱41.39 million, ₱1,807.43 million and ₱609.93 million in 2018, 2017 and 2016, respectively.
c) In 2017, pension liability amounting to ₱13.22 million was transferred to a related party.
d) Unpaid acquisition costs of treasury shares amounting to ₱76.53 million in 2018

Under the receivable discounting arrangements, the Group applies collections from installment contracts receivables against loans payable. The group considers the turnover of the receipts and payments under this type of arrangement as quicker and relatively shorter. Where the Group considers a quick turnaround, the receipts and payments are reported on a net basis. The effects on the cash flows arising from financing activities presented on a net basis follow:

	2018	2017	2016
Proceeds from loans payable	**₱1,727,577,197**	₱2,318,488,026	₱2,243,997,645
Collection of installment contract receivables	**(1,131,594,316)**	(1,817,597,657)	(1,839,906,656)
Proceeds from loans payable -net	**₱595,982,881**	₱500,890,369	₱404,090,989

	2018	2017	2016
Payments of loans payable	**(₱1,131,594,316)**	**(₱1,817,597,657)**	(₱1,839,906,656)
Collection of installment contract receivables	**1,131,594,316**	**1,817,597,657**	1,839,906,656
Payments of loans payable - net	**₱–**	**₱–**	**₱–**

The Group made certain reclassifications to the consolidated statements of cash flows for 2017 and 2016 to align with 2018 classification and to reflect the more appropriate nature of the sources and uses of cash. Below is the summary of reclassifications:

	Operating Activities	Investing Activities	Financing Activities
For the year ended December 31, 2017, as previously reported	₱3,829,244,608	(₱14,174,963,695)	₱12,937,294,948
Interest and other financing charges including capitalized borrowing cost	6,182,038,605	–	(6,182,038,605)
Interest received	(1,486,957,249)	1,486,957,249	–
Reclassification of land and improvements (Note 3)	(6,538,260,984)	6,538,260,984	–
For the year ended December 31, 2017, as restated	₱1,986,064,980	(₱6,149,745,462)	₱6,755,256,343

	Operating Activities	Investing Activities	Financing Activities
For the year ended December 31, 2016, as previously reported	₱6,064,474,531	(₱15,927,348,650)	₱12,748,042,087
Interest and other financing charges including capitalized borrowing cost	4,759,217,196	–	(4,759,217,196)
Interest received	(1,387,371,148)	1,387,371,148	–
Reclassification of land and improvements (Note 3)	(3,664,137,702)	3,664,137,702	–
For the year ended December 31, 2016, as restated	₱5,772,182,877	(₱10,875,839,800)	₱7,988,824,891

34. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. As of December 31, 2018 and 2017, these contracts have an estimated aggregate cost of ₱16,007.81 million and ₱13,077.46 million, respectively. These contracts are due to be completed on various dates up to December 2020.

The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

35. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue by the BOD on April 2, 2019.

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