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(Company Name)

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(Business Address: No. Street/City/Province)

Atty. Larri-Nil Veloso									
Contact Person									

032-231-4870									
Company Telephone Number									

1	2
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17-A									
Form Type									

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Annual Meeting

Secondary License Type, If Applicable									

Dept. Requiring this Doc		

Amended Articles Number/Section									

Total No. of Stockholders									

Total Amount of Borrowings									
Domestic					Foreign				

To be accomplished by SEC Personnel concerned

File Number									

_____ LCU

Document I.D.									

_____ Cashier

SEC Number: CS200321240

File Number: _____

CEBU LANDMASTERS, INC.

(Company's Full Name)

**10TH FLOOR, PARK CENTRALE, B2 L3,
JOSE MA. DEL MAR ST.,
CEBU IT PARK, APAS, CEBU CITY**

(Company Address)

(032) 231-4914

(Telephone Number)

December 31, 2018

(Fiscal Year Ended)

SEC Form 17-A Annual Report

(Form Type)

-

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2018**
2. SEC Identification Number **CS200321240**
3. BIR Tax Identification No. **227-599-320**
4. Exact name of issuer as specified in its charter **CEBU LANDMASTERS, INC**
5. Province, Country or other jurisdiction of incorporation or organization **CEBU CITY, CEBU, PHILIPPINES**
6. Industry Classification Code (SEC Use Only)
7. Address of principal office
10th FLOOR, PARK CENTRALE, B2 L3, JOSE MA. DEL MAR ST., CEBU IT PARK, APAS, CEBU CITY Postal Code **6000**
8. Issuer's telephone number, including area code **(032) 231-4914**
9. Former name, former address, and former fiscal year, if changed since last report
not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of each class	Number of shares issued and outstanding
COMMON SHARES	1,667,500,000

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

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

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

Yes [X] No []

13. Aggregate market value of the voting stock held by non-affiliates: **P2,111,342,040** as of December 31, 2018

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1 Business

BACKGROUND

Cebu Landmasters, Inc. (“CLI” or “the Company”) was incorporated in September 26, 2003. In June 2, 2017, the company was officially listed in the Philippine stock market with “CLI” as its ticker symbol. 430,000,000 shares were issued and fully subscribed at P5.00 per share.

After 15 years of operations, the company has diversified its portfolio to match the different demands of the property sector. As of 2018, CLI has a total of 55 projects in different stages of development, of which 15 are Residential Subdivisions, 20 Residential Condominiums, 5 Offices, 3 Hotels, 6 Retails, 5 Mixed-use and an estate development which was recently launched.

In a 2017 study made by the research firm, Santos Knight Frank, Cebu Landmasters leads the VisMin property sector for both horizontal and vertical developments. The research covers cities of Cebu, Davao and Cagayan de Oro. In Cebu, CLI is number one in the house and lot segment accounting for 18% of the supply and takes up 12% share of the condo market. In Davao and CDO, the company posts the highest take-up with an absorption rate of 97.96% and 93% respectively.

CLI’s proven track record covers a diverse range of real estate product offerings. It caters to the high-end, mid-market, economic and socialized housing segments. This ability to tailor-fit its projects to the best use of each site has enabled the company to maximize the favorable supply and demand indicators in Cebu, CDO, Davao, Dumaguete, Bacolod and soon in Iloilo and Bohol.

As of December 31, 2018, Cebu Landmasters, Inc. has a total market capitalization of ₱6.9 billion. based on the closing price of 4.14 per common share on December 28, 2018, the last trading day of the said month.

For the three years ended December 31, 2016, 2017 and 2018, CLI’s consolidated revenues amounted to ₱2.36 billion, ₱3.93 billion and ₱6.76 billion, respectively. The company has posted outstanding growth in recent years, with consolidated net income increasing from ₱767 million in 2016 to ₱2.17 billion in 2018, representing a CAGR of 68.16%. Net income attributable to parent on the other hand grew with a compounded annual rate of 46.38% from ₱778 million in 2016 to ₱1.67 billion in 2018.

Cebu Landmasters is on track from its goal to be the leading and most preferred local developer in the VisMin Region by 2020.

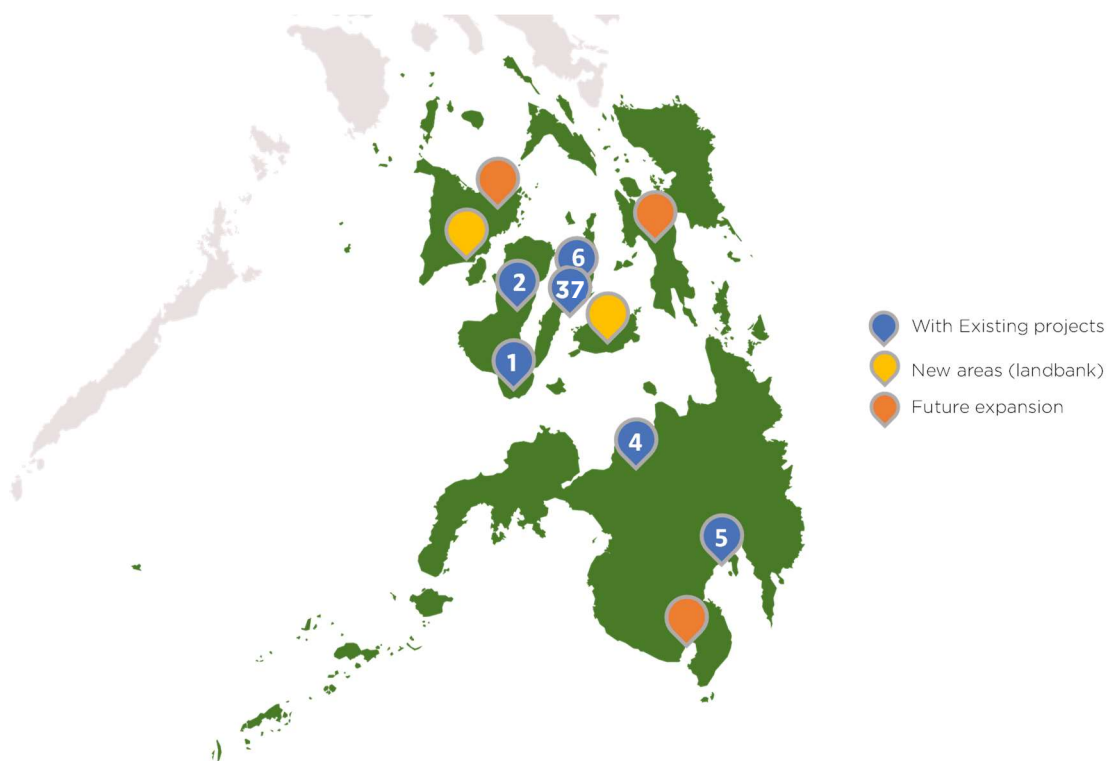
Real estate development overview

Cebu Landmasters, Inc. is the fastest growing and leading local housing developer in the Visayas and Mindanao Region. The company is primarily focused to develop projects and provide housing to Visayas and Mindanao where the high potential growth areas are located.

The company is currently present in 8 key cities of the region namely, Metro Cebu, Metro Mandaue, Bohol, Iloilo, Dumaguete, Bacolod, Cagayan de Oro and Davao.

This year, Cebu Landmasters, Inc. will be rolling out its projects in newly acquired sites in Bohol and Iloilo. The company has also on-going negotiations with land owners in future expansion areas of Roxas City, Ormoc City and General Santos City.

CLI Visayas-Mindanao Presence









Since its incorporation, Cebu Landmasters, Inc. has diversified its portfolio to Residential Subdivision and Condominium, Office, Hotel, Retail and recently, mixed-use and estate development.

The company designs its projects to meet the needs of the different market segments. Its brands are carefully planned and priced to provide excellent product for the particular segment it serves. The Premier series such as Asia Premier and Baseline Prestige were designed to meet the tastes of the high-end market, the Garden Series projects like Midori Garden Residences and Velmiro Heights are

for the Mid-market. While the Casa Mira brand on the other hand is for the Economic segment and Villa Casita is to match the socialized housing needs.

Below are the details of the company's projects under the different product type.

 Residential Subdivision	 Residential Condominium	 Office	 Hotels	 Retail	 Estate/ Mixed-use
MID-MARKET 1. San Jose Maria Village – Balamban 2. San Jose Maria Village – Minglanilla 3. San Jose Maria Village – Talisay 4. San Jose Maria Village – Toledo 5. Midori Plains 6. Velmiro Heights (Ph 1) 7. Velmiro Uptown CDO ECONOMIC 8. Casa Mira Linao 9. Casa Mira South (Ph 1A) 10. Casa Mira South (Ph 1B) 11. Casa Mira South (Ph 2A) 12. Casa Mira South (Ph 2B) 13. Casa Mira Coast SOCIALIZED 14. Villa Casita Balamban 15. Villa Casita Bogo	HIGH-END 1. Asia Premier Residences 2. Base Line Residences 3. One Astra Place 4. Baseline Prestige 5. Baseline Premier 6. 38 Park Avenue MID-MARKET 7. Midori Residences 8. Mivesa Garden Residences (Phase 1) 9. Mivesa Garden Residences (Phase 2) 10. Mivesa Garden Residences (Phase 3) 11. MesaVerte Residences (Phase 1) CDO 12. MesaVerte Residences (Phase 2) CDO 13. MesaVerte Residences (Phase 3) CDO 14. MesaTierra Garden Residences 15. MesaVirre Garden Residences (Building A) 16. MesaVirre Garden Residences (Building B) ECONOMIC 17. Casa Mira Towers Labangon T1 18. Casa Mira Towers Labangon T2 19. Casa Mira Towers T1-Guadalupe 20. Casa Mira Towers T2-Guadalupe	1. Park Centrale, Cebu 2. Base Line HQ, Cebu 3. Latitude Corporate Center, Cebu 4. Astra Corporate Center, Cebu 5. Patria de Cebu Office	1. Citadines, Cebu 2. Base Line Lyf, Cebu 3. Radisson Red Cebu	1. Base Line Center Retail, Cebu 2. Astra Centre Mall, Cebu 3. One Paragon Mall 4. One Paragon Convention Center 5. The Park at 38 Park Ave 6. Patra de Cebu Retail	ESTATE: 1. Davao Global Township MIXED – USE: 1. Baseline Center 2. 38 Park Avenue 3. Astra Center 4. Paragon Davao 5. Patria de Cebu

In 2018, Cebu Landmasters, Inc. formally launched the Davao Global Township (DGT), a 22-hectare estate located in Matina, Davao. DGT will be the first township to be developed by CLI.

The company has on-going negotiations with land owners in Cebu and CDO for future estate projects.

Completed projects

The Company has currently 22 completed projects in its portfolio. Its completed projects are composed of horizontal and vertical residential developments and the company's office building which was turned over last 2015.

Below is a list of the Company's completed projects as of December 31, 2018:

	Project	Location	Type	Market Segment	No. of Units	Sold Units
1	San Jose Maria Village – Balamban	Balamban, Cebu	Horizontal	Mid-Market Housing	231	194
2	San Jose Maria Village – Minglanilla	Minglanilla, Cebu	Horizontal	Mid-Market Housing	145	145
3	San Jose Maria Village – Talisay	Talisay City, Cebu	Horizontal	Mid-Market Housing	96	96
4	San Jose Maria Village – Toledo	Toledo City, Cebu	Horizontal	Mid-Market Housing	144	95
5	Villa Casita	Balamban, Cebu	Horizontal	Socialized Housing	101	96
6	Midori Plains	Minglanilla, Cebu	Horizontal	Mid-Market Housing	370	370
7	Asia Premier Residences	Cebu City	Vertical	High-End	88	88
8	Midori Residences	Mandaue City, Cebu	Vertical	Mid-Market	396	396
9	Park Centrale Tower	Cebu City	Vertical	Office Condo	50	50
10	Mivesa Garden Residences (Phase 1)	Cebu City	Vertical	Mid-Market	479	468
11	Mivesa Garden Residences (Phase 2)	Cebu City	Vertical	Mid-Market	459	438
12	Velmiro Heights (Phase 1)	Minglanilla, Cebu	Horizontal	Mid-Market Housing	348	344
13	Casa Mira Linao	Minglanilla, Cebu	Horizontal	Economic Housing	725	725
14	Casa Mira Towers Labangon T1	Labangon, Cebu	Vertical	Economic Housing	272	272
15	Casa Mira Towers Labangon T2	Labangon, Cebu	Vertical	Economic Housing	414	407
16	Baseline Residences	Cebu City	Vertical	High-End	201	201
17	Casa Mira South Phase 1A	Cebu City	Horizontal	Economic Housing	1009	879
18	Casa Mira South Phase 1B	Cebu City	Horizontal	Economic Housing		
19	Casa Mira South Phase 2A	Cebu City	Horizontal	Economic Housing	744	432
20	Casa Mira South Phase 2B	Cebu City	Horizontal	Economic Housing		
21	MesaVerte Residences Tower 1	CDO	Vertical	Mid-Market	252	252
22	MesaVerte Residences Tower 2	CDO	Vertical	Mid-Market	252	252

Ongoing projects (under construction)

CLI has the following ongoing projects in various stages of construction.

	Project	Location	Type	Use	No. of Unit s/GL A	Sold	Perc enta ge of Com pleti on
1	Base Line Center*			Mixed-Use			
2	Base Line Premier	Cebu City	Vertical	High-end Condo	379	373	99%
3	Base Line HQ	Cebu City	Vertical	Office Condo/ BPO	54	40	99%
4	Citadines Cebu City	Cebu City	Vertical	Hotel	92	87	99%
5	Baseline Retail	Cebu City	Vertical	Retail	5,918 sqm		99%
6	Base Line Prestige	Cebu City	Vertical	High-end Condo	351	310	26%
7	Base Line Lyf	Cebu City	Vertical	Hotel	153		26%
8	Astra Center			Mixed-Use			
9	Astra Corporate Center	Mandaue City	Vertical	Office / BPO	15,906 sqm		1%
10	Astra Center Mall	Mandaue City	Vertical	Retail	13,464 sqm		1%
11	Radisson Red	Mandaue City	Vertical	Hotel	146		1%
12	One Astra Place	Mandaue City	Vertical	High-end Condo	478	404	1%
13	MesaVerte Residences (Phase 3) CDO	CDO	Vertical	Mid-Market Condo	294	280	90%
14	Mivesa Garden Residences (Phase 3)	Cebu City	Vertical	Mid-Market Condo	576	573	73%
15	MesaTierra Garden Residences	Davao City	Vertical	Mid-Market Condo	694	670	60%
16	Latitude Corporate Center	Cebu City	Vertical	Office Condo	54	54	80%
17	Casa Mira Coast	Cebu City	Horizontal	Economic Housing	543	505	45%
18	MesaVirre Building A	Bacolod City	Vertical	Mid-Market Condo	294	294	75%
19	MesaVirre Building B	Bacolod City	Vertical	Mid-Market Condo	442	327	65%
20	38 Park Avenue Mixed- Use	Cebu City	Vertical	Mixed-Use			
21	38 Park Avenue	Cebu City	Vertical	High-end Condo	756	668	25%
22	The Park @ 38 Park Avenue	Cebu City	Horizontal	Retail	1,899 sqm		25%
23	Casa Mira Towers Guadalupe T1	Cebu City	Vertical	Economic Housing Condo	544	423	1%
24	Casa Mira Towers Guadalupe T2	Cebu City	Vertical	Economic Housing Condo	184	0	1%

Newly-launched/ pipeline projects

CLI has a total of 8 newly launched projects in 2018 including its expansion projects in new key cities. The tremendous growth supports CLI's move to be the largest developer in the Visayas/Mindanao area. These new developments include not only residential but also commercial, hotel and mixed-use developments which will further increase the company's recurring income in the next 3 to 5 years.

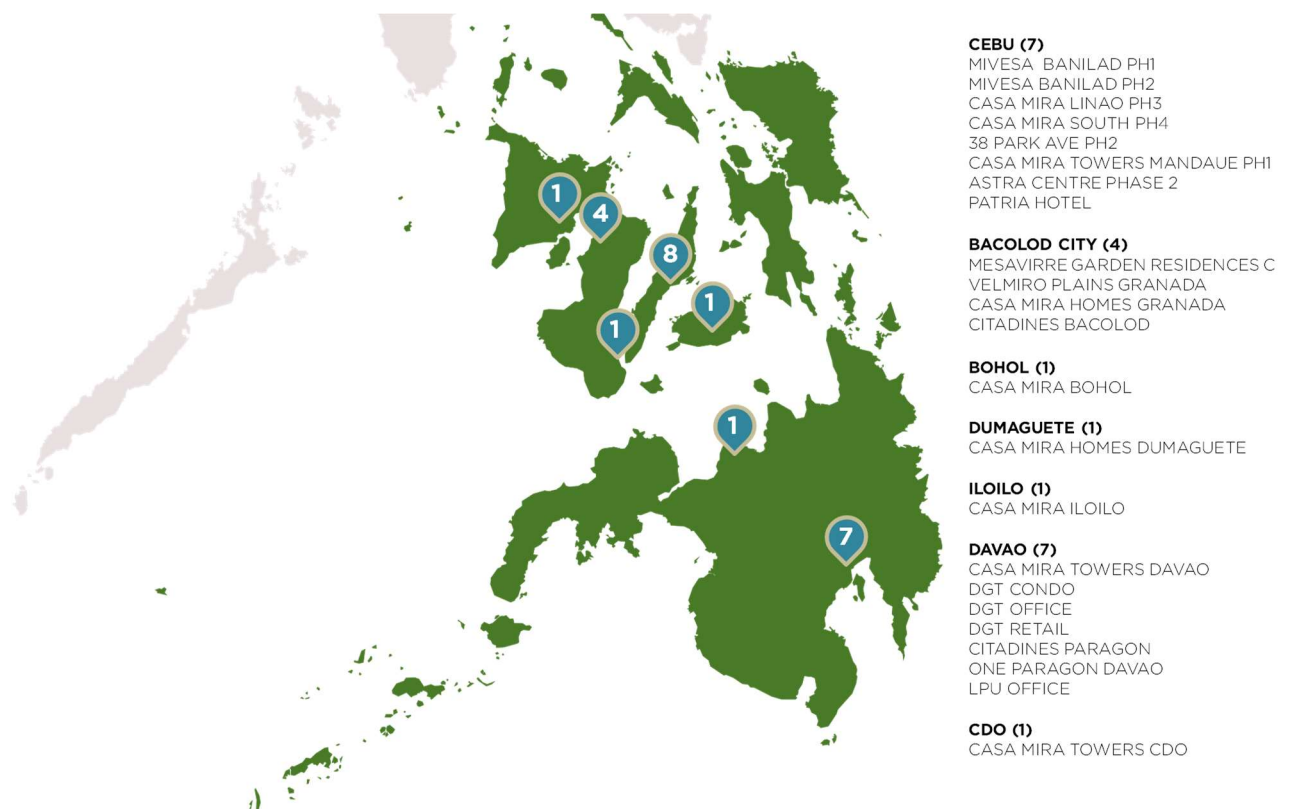
Some of CLI's newly-launched projects are the result of the Company's strategic collaboration with its joint venture partners. This enables the Company to position itself in strategic locations and obtain the necessary funding for prime property acquisitions, without straining its finances and limiting its capability to continue its existing projects. CLI acts as the project manager for all its joint ventures projects and derives additional income in the form of management fees from these.

	Project	Location	Type	Use	No. Of Units/ GLA (sqm)
1	Velmiro Uptown CDO	CDO	Horizontal	Residential	396
2	Mesavirre Garden Residences Bldg C	Bacolod	Vertical	Residential	315
3	Davao Matina CBD	Davao	Estate	Estate	
4	Patria de Cebu	Cebu City	Mixed- Use	Mixed-Use	
5	Patria De Cebu Office	Cebu City	Vertical	Office	25
6	Patria De Cebu Retail	Cebu City	Vertical	Retail	112
7	Villa Casita Bogo	Cebu City	Horizontal	Residential	697
8	Paragon Center	Davao	Mixed- Use	Mixed-Use	
9	One Paragon Convention Center	Davao	Vertical	Retail	

2019 Project Launches

The company endeavors to sustain its growth momentum by launching 23 new projects in 2019 across the Visayas and Mindanao Region. This will bring Cebu Landmasters' total portfolio from 5 to 77 developments.

Below is the list of projects to be launched in 2019.



Residential development

CLI's initial forte is in residential development. It created a niche when it started developing low to middle cost subdivisions in the south of Cebu, with house and lot packages ranging from P2 million to P5 million. Today, CLI is one of the leading horizontal and vertical residential players in Cebu. More importantly, CLI has diversified its residential offerings to cater to the four major market segments – socialized, economic, mid-market and high-end.

High-end residential developments have a price of more than P4 million per unit, while mid-market housing projects are priced at P3 million to P4 million per unit. Economic housing should be priced within the range of P450,000 to P3 million. Meanwhile, to qualify as socialized housing, the housing units must be sold at a price not exceeding P450,000.

The list below categorizes the projects according to market segments:

Horizontal (Subdivision) Projects:

Socialized: Villa Casita Balamban, Villa Casita Bogo, Guadalupe Pinamalayan Socialized Housing Project
Economic: Casa Mira Linao, Casa Mira South, Casa Mira Coast
Mid-Market: San Jose Maria Villages, Midori Plains, Velmiro Heights Cebu, Velmiro Uptown CDO

Vertical (Condominium) Projects:

Economic : Casa Mira Towers Labangon, Casa Mira Towers Guadalupe
Mid-Market : Midori Residences, Mivesa Garden Residences, MesaVerte Garden Residences CDO, MesaTierra Garden Residences Davao, MesaVirre Garden Residences Bacolod
High-End : Asia Premier Residences, Base Line Residences, Base Line Premier, 38 Park Avenue, Baseline Prestige, One Astra Place

Residential development projects

Horizontal (Subdivision) Projects

Villa Casita

Villa Casita is CLI's first socialized housing development with a total area of 8,128 sq.m. The project was launched in 2014 and is located in Buanoy, Balamban, Cebu. It consists of 101 row house units, with each unit having a lot area of 36 sq.m. and a floor area of 22.65 sq.m. Pre-sold units were priced at about P400,000. Currently, the project is fully developed, completed and sold out.

Villa Casita Bogo

Villa Casita Bogo, Cebu offers its homeowners well-designed homes, well-planned site development, and sizable green spaces for parks and community facilities traditionally found only in mid-market or upscale developments. The development is designed to provide over 697 homes to families in the North of Cebu.

Guadalupe Pinamalayan Socialized Housing Project

Launched in 2015, this socialized housing project is developed in cooperation with Habitat for Humanity and is located in Pinamalayan, Oriental Mindoro. The 38,639-sq.m. project consists of 337 single-floor and detached units, 77 of which have been allocated to Habitat for Humanity beneficiaries.

Casa Mira Linao

Casa Mira Linao is CLI's first foray into economic housing development, launched in 2015. The project is located in the hills of Linao-Lipata, Minglanilla, Cebu on a 7.8-hectare property. It is composed of 725 townhouse units with floor areas ranging from 37 to 62 sq.m. and lot areas ranging from about 42 sq.m. to more than 52 sq.m. per unit. Average selling price starts at P900,000 for the smallest unit and up to about P1.4 million for the largest unit. It is fully developed, completed and sold out.

Casa Mira South

Casa Mira South is an economic housing development located in the Naga City and the Municipality of San Fernando, both in Cebu. This 31-hectare community is divided into three phases consisting of 3,242 townhouse units, with each unit having floor areas ranging from 36 to 59 sq.m. and lot areas ranging from 42 sq.m. to more than 68 sq.m. Average pre-selling price ranges from P1.07 million to P1.6 million. The project was launched in 2016. Phases 1 and 2 of this development currently being turnover while the 3rd and last Phase will be launch in 2019 and 2020 respectively.

Casa Mira Coast

Casa Mira Coast in Barangay Maslong, Sibulan, Negros Oriental is a residential subdivision with a total of 53,031 sq. m.. The project consists of 543 townhouses selling at P1.4 million to P2.2 million. It offers amenities that are not only top of the line but also affordable. Apart from this, the project has a breathtaking view of the nearby coast and is only 2 km away from the Dumaguete Airport.

San Jose Maria Villages ("SJMV")

This series of villages located in the south and southwest of Cebu City paved the way for CLI in providing affordable mid-cost quality homes to the middle market segment. SJMV offered a mix of single-detached, semi-attached townhouses and lot-only choices to the buyers. SJMV-Balamban is a three-hectare development with 231 units launched in 2013. SJMV-Minglanilla is a 2.9-hectare development with 145 units launched in 2007. SJMV-Toledo is a 3-hectare development with 144 units launched in 2009. SJMV-Talisay is a 1.9-hectare development with 96 units launched in 2010. Lots were pre-sold at P7,000 per sq.m., while house and lot units averaged at P1.4 million to P3.6 million. All SJMV projects are fully developed and completed, with both SJMV-Minglanilla and SJMV-Talisay sold out.

Midori Plains

The project is an eight-hectare Asian-inspired subdivision south of Cebu City launched in 2011. This mid-market development is located in Municipality of Minglanilla, Cebu with 370 residential units ranging from 40-sq.m. floor area townhouses to 77 sq.m. single-detached units. Midori Plains It is fully developed, completed sold-out.

Velmiro Heights Cebu

Velmiro Heights is a mid-market development that was launched in 2013 and is located on an 8.8-hectare property in Tunghaan, Minglanilla, Cebu. The 428-unit development offers 11 different house models, ranging from townhouses to single-detached, two-storey units. Townhouses have 60-sq.m. floor areas, while the largest unit contained 131 sq.m. of living space. Townhouses were pre-sold at an average price of P1.7 million while the largest single-detached unit is about P5.3 million. Phase 1 is already fully developed, completed and sold out while the 81 units belonging to Phase 2 are still being marketed.

Velmiro Uptown CDO

Velmiro Uptown is a mid-market project located in Upper Canituan, Cagayan de Oro city. This 143,452 sqm Horizontal Subdivision has a total of 396 homes with prices that range from P 2.4 million to P 5.7 million. Velmiro Heights provides easy access to various establishments in the city. The project is set to be completed by 2021

Vertical (Condominium) Projects

One Astra Place

One Astra Place is the residential component of Astra Centre, a mixed-use development in A.S. Fortuna Mandaue City, Cebu that carries astounding design of residential towers, upscale lifestyle mall, world-class hotel and modern office spaces. One Astra place is a 15-storey condominium with a wide range of world-class amenities and features. Phase one of the development is currently under construction while Phase 2 will be launched this year. Astra Center is scheduled to be turned over by 2021.

38 Park Avenue

38 Park Avenue was launched last 2017 with a total of 745 units. This 38-floor New York inspired condominium is designed to be the highest building in Cebu I.T. Park offering an exclusive and breath-taking 360 view of the city. 38 Park Avenue presents five (5) types of condo residences: Studio 24 square meters, One-bedroom 54 to 56 square meters, Two-bedroom 80 square meters, Three-Bedroom 111 to 137 square meters and the biggest units are the Penthouses 320 to 420 square meters. The project is expected to be completed by the fourth quarter of 2021.

Casa Mira Towers Labangon

In 2016, CLI launched its first foray in the economic segment of residential condominiums, Casa Mira Towers Labangon. The project is located in Labangon, Cebu City on a 3,681-sq.m. property that used to be the location of the old CLI headquarters. It has two towers on top of a commercial podium and a total of 686 residential units. It offers 20-sq.m. studio units and 1-bedroom units averaging 37 sq.m. units were pre-sold at P1.25 million to P1.43 million. Development started in June 2016 and the project is fully completed and turned over in the 4th Quarter of 2018.

Casa Mira Towers Guadalupe

Casa Mira Towers Guadalupe is a 5,342.81 sq. m. residential condominium located across Fooda intersection of V. Ramos St., and V. Rama. The project has 544 units in total, with retail components in the first two floors of the building. This beautifully designed two-towered residential Condominium offers quality living and an upgraded lifestyle. A studio room currently costs about P 1.97 million pesos, whereas units were pre-sold at 1.58 million. The project is currently ongoing and is expected to be completed by 2021.

Midori Residences

Midori Residences is a zen-inspired mid-market residential condominium development located in Banilad, Mandaue City, Cebu. This twin-vertical development is the first of its kind in the city. Its 22-sq.m. studio and 40-sq.m. 1-bedroom units were pre-sold at an average of P1.3 million to P2.6 million. The projects is fully developed, completed and fully sold.

Mivesa Garden Residences

Mivesa Garden Residences is a three phased, 1.8-hectare project with seven buildings located in Lahug, Cebu City. The first phase was launched in 2013 and is designed as a garden-inspired community which has 60% open spaces within the prime property. The first two phases cover five buildings with 938 units consisting of studio, 1-bedroom and 2-bedroom units. Pre-selling starts at P1.2 million for a 20-sq.m. studio unit, and up to P2.9 million for a 2-bedroom 48-sq.m. unit. Phase 1

and 2 are almost sold out, completed and delivered while Phase 3 with a total of 576 units is currently under construction and is expected to be finished by the 2nd quarter of 2020.

MesaVerte Residences

In 2015, CLI launched MesaVerte Residences, the company's first entry into the Mindanao market. The project is located on an 8,740-sq.m. property in downtown CDO, Misamis Oriental, wherein 60% of the property is dedicated to open spaces. MesaVerte offers 20-sq.m. studio and 39-sq.m. 1-bedroom units which were pre-sold at P1.47 million and P2.88 million respectively. Of the 798 units, ninety seven percent have been sold. The development, which started construction last July 2016, is expected to be completed and delivered by 2019.

MesaTierra Garden Residences

MesaTierra Garden Residences is located in Emilio Jacinto Extension, the heart of Davao City with a total area of 5,094 sq m. The condominium development has a total of 694 residential units priced between P1.60 – P 3.40 million with various amenities like swimming pools, a sky garden, a playground and work spaces. The said project is expected to be turned over by 2020.

MesaVirre Garden Residences

MesaVirre Garden Residences is the company's first project in Bacolod. It has three towers and was launch 2018. The project is only 17 minutes away from the airport, 3 km from the Riverside hospital and situated near a number of malls. The company has started construction of the said project and expects to finish it by the end of 2020.

Asia Premier Residences

Asia Premier Residences is Cebu Landmasters' first condominium project launched in 2010. It is located at the Cebu IT Park and is also the first residential development in the area. The units ranged from studio units sized at 28 sq.m. and 3-bedroom units measuring 109 sq.m. The condo project is fully developed and completed and has fully sold out its 88 units.

Base Line Residences

Base Line Residences is a 201-unit residential condominium project located in uptown Cebu City on Juan Osmeña Street. The project offered 23-sq.m. studio units at a pre-selling price of P1.59 million, while its 41-sq.m. 1-bedroom unit pre-sold at P3.15 million. The project was launched in 2011, and is currently fully developed and completed, with its 201 units having been sold out.

Base Line Premier

This development was launched in 2015 as the residential component of Base Line Center, a one-hectare mixed-use development located along Juan Osmeña Street, Cebu City and right beside another CLI project, Base Line Residences. It has 379 units consisting of 24-sq.m. studio and 45-sq.m. 1-bedroom units. Studio units pre-sold at P2.22 million, while 1-bedroom units pre-sold at P4.16 million. Construction started in March 2016 and is expected to be completed in December 2018.

Baseline Prestige

Baseline Prestige is the final tower to rise in the Baseline Center. This 3,600-sq m Residential Condominium with over 351 units is designed to be spacious and accessible to various establishments. The tower has a wide range of amenities, from retail podiums, fitness gyms, pools and playgrounds. Units for this project are being sold for P3 million to P 10 million. The project is under construction and is scheduled to be completed by 2021.

Recurring Business

Part of Cebu Landmasters' strategy is to grow its recurring business to 200,000 sq.m. of gross leasable area (GLA) by 2023.

Cebu Landmasters capitalizes on the expansion of the BPO sector and the decentralization program of the government to drive the growth momentum of its leasing portfolio.

Office Buildings: Park Centrale Tower, Base Line HQ, Latitude Corporate Center, Park Avenue Corporate Tower, Astra Corporate Center, Patria de Cebu Office

Office developments

Astra Corporate Center

Astra Corporate Center is the office component of Astra Center in Cebu. The Office building is 15-storey high with a total of Gross Floor area of 28,000 sq.m. and a gross leasable area of 15,906 sq.m. of gross floor area. The project is expected to be completed and be a source of leasing income of the company by 2022.

Park Centrale Tower

Park Centrale Tower is CLI's first office development located at the Cebu IT Park. The 19-storey Grade A office tower was launched in 2013 with a total construction floor area of 17,500 sq.m., and total GFA of 11,920 sq.m., and was completed in only two years of construction. The project was positioned to cater to both BPOs and executive offices. Sixty percent of the office spaces were offered for lease, while 40% were sold as office condo units and were fully sold-out. In 2014, the project was awarded as the Best Commercial Development (Cebu) at the 2014 Philippines Property Awards.

Base Line HQ

Base Line HQ is the office component of the Base Line Center, a major mixed-used project of CLI. Similar to its successful Park Centrale Tower, the office project also caters to both BPOs and executive offices. CLI offers for sale 60% of the floors as office condos, while the Company will retain 40% for its growing leasing business. With its location near Osmeña Boulevard/Mango Avenue, the project is in a very strategic business address for those in the medical, legal, government and outsourcing services. There is a total of 74 office units with areas ranging from 33 sq.m. to 142 sq.m.

Latitude Corporate Center

Latitude Corporate Center is a green building project registered with BERDE, the nationally accepted green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. This 34,000-sq.m. development is a project of BL CBP Ventures, Inc., a joint venture company of CLI and

Borromeo Bros, Inc. At 24-storeys, this will be the tallest office development at the Cebu Business Park. As the project's developer and manager, CLI uniquely positioned this project as a three-product office development with BPO, enterprise and executive office offerings. Latitude Corporate Center is expected to provide a total of 10,414 upon completion in 2019.

Park Avenue Corporate Tower

Park Avenue Corporate Tower is a Grade A office building with 14,912 sq.m. of leasable area. The project is part of the company's 1.17-hectare property mixed-use development in Cebu IT Park where 38 Park Avenue is located. The development will cater to BPO and other commercial offices and retail establishments.

Patria de Cebu Office

This office project is part of the re-developed Patria de Cebu mixed-use development located across the Cebu Cathedral. Patria de Cebu is expected to contribute 1,186 sq.m of gross leasable area.

Retail developments

Astra Lifestyle Mall

Astra Lifestyle mall is the retail arm of the Astra Centre located in A.S. Fortuna Mandaue City. The development is an upscale 3-level boutique mall with a 13,464 sq.m. of gross leasable area. The mall will feature dining and retail stores, supermarket, and cinema. The project was launched in 2017 and is currently under construction. It is scheduled to completed by 2021.

Patria De Cebu retail

The Patria de Cebu Retail is a portion of the Patria De Cebu, a 6,000 sq.m. mixed-use development located across the Cebu Metropolitan Cathedral. The retail arm of the said project will generate a total gross leasable area of 4,000 sq.m. aside from retail, there will also be a portion to be constructed for office and hotel. Patria de Cebu is expected to be completed on 2021 in light of the 500th year anniversary of the Catholic Church.

Base Line Retail

The Baseline Retail is the commercial component of the Baseline Center designed to complement and provide dinning and shopping convenience to the residents of the three tower condominiums in the development. The project has a total of 8,573 sq.m. of which 2,655 sq.m. was turned over to Robinsons Supermarket in 2018. The Base Line Center is located at Osmeña Blvd, Escario St., Cebu City which is a strategic location with significant institutions such as universities, hospital, churches, government offices, and commercial establishments within 1-kilometer radius. The project is currently on its finishing stages and will be operational within the year 2019.

Paragon Mall

The Paragon Mall is located inside the Paragon Davao development along Guillermo E. Torres St, Davao City. The whole development has a total land area of 1.9 hectares and was recently launched in 2018. Construction will start within the year and is expected to be completed by 2022. The mall will contribute a total of 6,650 sq.m. of gross leasable area.

Hotel developments

Aside from residential and office developments, CLI has recently entered the hospitality business.

Citadines Cebu City

After sealing a partnership with Scotts Philippines, Inc., a wholly-owned subsidiary of The Ascott Limited ("Ascott"), the world's largest serviced residence operator. CLI developed Citadines Cebu City, with Ascott as the hotel operator. Citadines Cebu City will house over 180 rooms, of which 92 condotel units were offered for sale and 88 units will be retained by the Company. The units for sale are sold out and the hotel is expected to be operational by the 2nd Quarter of 2019.

Radisson Red

Radisson RED will be part of the Astra Centre, a major mixed-use development of the Cebu Landmasters, Inc. along A.S. Fortuna St. in Mandaue City, Cebu. The 146 guest rooms of Radisson RED, with its unique design and upscale select service offering, injects life into the hotel through informal services. Radisson RED will be lively and flexible, with 24-7 facilities, high-speed WIFI, "grab-and-go" food and beverage options, and statement art pieces that exude the expressiveness of the brand. The hotel is expected to start operations on 2021.

Baseline Lyf Hotel

Part of the 3rd tower of the Baseline Center project is Baseline Lyf Hotel, a 161-room serviced residence targets the booming local and foreign millennial market in Cebu City. The hotel will be managed by Ascott Limited, one of the world's leading international serviced residences. This project is set to be completed by 2021.

Citadines Paragon

Citadines Paragon is an apartment hotel which will be managed by Ascott. The 263-unit development will be part of The Paragon Davao project, Located at General Douglas MacArthur Highway, Bucana Tolomo, Davao City. The hotel is designed to provide guests its world class amenities, such as a fully-equipped kitchen, home entertainment, dining and a comprehensive range of amenities. The hotel is set to open on 2023.

Citadines Bacolod

Citadines Bacolod is an international serviced residence perfect for both business and leisure travelers. Its mix of modern home comforts and flexible services makes it the ideal abode for stays that last from a week to a whole year. The 200-unit development will be part of a commercial hub situated along Lacson St. The property is the embodiment of a home away from home for both short and long-staying guests. The hotel complies with international hospitality standards as it operates under the management of The Ascott Limited, the world's largest international serviced residence owner-operator. It is expected to start operating by 2023.

Patria de Cebu Hotel

The hospitality arm of the Patria De Cebu development is located across the Metropolitan Cathedral Church of Cebu. The 153-room hotel development is set to be a budget friendly accommodation for

travelers with its strategic location due to its proximity with the seaports. This project is set to be completed by 2021.

Hotel Projects: Citadines Cebu City, Radisson Red, Baseline Lyf, Citadines Davao, Citadines Bacolod, Patria de Cebu Hotel

Industrial development

CLI intends to diversify into industrial development through its associate, Ming Mori, which has proposed to finance, design and undertake the Ming-Mori Reclamation Project through private-public partnership with the Municipality of Minglanilla. The proposal of Ming-Mori was accepted and endorsed by the municipal council of the Municipality of Minglanilla in May 2013 and since then, the Municipality of Minglanilla has submitted to the PRA a letter of intent to undertake the reclamation and land development of the proposed project.

In December 2016, the Municipality entered into a Memorandum of Understanding with the PRA setting out requirements and timeline for the review and evaluation of the project. CLI has subscribed to shares equivalent to 19.87% of Ming-Mori, the issuance of which is subject to the approval by the SEC of Ming-Mori's increase in authorized capital stock.

Industrial: Minglanilla TechnoBusiness Hub

Mixed-use developments

With its growing brand, experience and portfolio, CLI pursued larger scale developments in prime urban locations. CLI's first major mixed-use development is the Base Line Center, a 1.6-hectare modern redevelopment in the heart of midtown Cebu. The Company removed the existing structures in the old Base Line, a well-known favorite gathering place of Cebuano families, and built a mixed-use development. Phase 1 of Base Line Center will be completed in Q1 2019. It will house a retail center, residential condominium units, offices and the first Ascott-managed property outside Manila, the Citadines Cebu City.

CLI, through its joint venture, El Camino, also acquired a 1.17-hectare property inside the Cebu IT Park, the largest remaining private property inside the prestigious address. This property called 38 Park Avenue at the Cebu IT Park, will be transformed into a mixed-use urban park with a 38-storey residential tower, BPO office and retail boulevard

In 2017, CLI launched another major mixed-used development, Astra Center in the bustling A.S. Fortuna Mandaue area, a growing commercial district and the major thoroughfare that connects Cebu and Mandaue. This medium-density project will house a hotel, residential, office and boutique mall.

CLI also entered into two new joint ventures to develop a mixed-use development in Riverside Davao and a Central Business District in Matina Davao. The 1.9-hectare Riverside project in McArthur Highway called the Paragon Center will feature BPO offices, a residential condo, serviced residences

(condotel) and retail commercial areas. The 22-hectare Matina project on the other hand will be developed into a large scale self-contained community with office, residential, retail and institutional uses. The project known as the Davao Global township will be the city's future central business hub.

Mixed-Use Developments: Base Line Center, Astra Center, 38 Park Avenue at the Cebu IT Park, Paragon Center Davao

Estate Developments: Davao Global Township

Regional expansion

The company has positioned it self to benefit from the growing cities in Visayas and Mindanao. CLI foresees that the decentralization initiatives of the government such as the Build Build Build infrastructure program will unlock land values in the Vis-Min region.

The proceeds from the initial public offering was mainly used for land acquisition in Cebu, Bacolod, CDO, Bohol , Dumaguete, and Iloilo.

CDO

After 20 developments in Cebu, CLI debuted its first regional expansion when it launched MesaVerte Residences in CDO. MesaVerte Residences is a three-tower condominium complex in the heart of downtown CDO and is expected to be completed in 2019. A second project in CDO was recently launch, Velmiro Uptown CDO, a mid-market housing project in the Pueblo De Oro area.

Davao

CLI strengthens its foothold in Davao after it introduced its highly successful mid-market condominium format. The Company launched in 2017 MesaTierra Garden Residences, a 21-storey residential condominium with over 694 units, located on E. Jacinto St., Davao, which is targeted for completion by 2020.

The Company has recently launched two major projects in Davao: (1) Paragon Davao, a 1.9-hectare riverside mixed-use project along McArthur Highway, and (2) Davao Global Township, a 22-hectare Central Business District in Matina Davao.

Dumaguete

Cebu Landmasters, Inc. has positioned itself in Dumaguete after it has launched Casa Mira Coast in Sibulan. The project is now 93% sold out after its launch in 2018 signaling for another development for the city. In the 4th Quarter of 2018, CLI purchased another property in Dumaguete with a total area of 71,181 sq.m. The land will be developed to be another Casa Mira project, the economic housing segment of the company.

Bacolod

Going further into other areas in the Visayas, CLI launched its first project in Bacolod last 2017- MesaVirre Garden Residences, a three-tower condominium where tower A is fully sold while tower B is 85% sold out. CLI will be releasing the remaining inventory for the third tower within the year. The company will also be introducing this year, its economic brand, Casa Mira and its mid-market H&L product, Velmiro Plains in the city. Aside from its residential products, Cebu Landmasters, Inc. will develop a hotel to complement the city's bustling tourism. Citadines Bacolod, is a 200 room hotel to be completed by 2022.

Iloilo

In 2018, Cebu Landmasters purchased 15-hectare property in Guadarama Iloilo to be developed as Casa Mira Homes. The project is scheduled to be launch in 2019 with the Phase 1 carrying a total of 526 housing units.

Bohol

CLI positions itself in the booming tourism hub of Bohol. With the ongoing development of the Panglao International airport, the Company is anticipating a substantial increase in local economic activity. The company will launch this year, Velmiro Homes, a mid-market house and lot project in Biking area. The development will provide housing needs of the locals benefiting from the growing economic activity and Bohol OFWs.

Regional Developments:

CDO	: MesaVerte Garden Residences, Velmiro Uptown
Davao City	: MesaTierra Garden Residences, Paragon Center, Davao Global Township
Dumaguete	: Casa Mira Coast, Casa Mira Dumaguete
Bacolod	: MesaVirre Garden Residences, Casa Mira Granada, Velmiro Plains Granada, Citadines Bacolod
Iloilo	: Casa Mira Iloilo
Bohol	: Casa Mira Bohol

The company also is looking to position itself in the areas of Ormoc City, Roxas City and General Santos City.

CORPORATE ORGANIZATION

SUBSIDIARIES

The Company's newly incorporated subsidiaries, CLI Premier Hotels Intl., Inc. is not yet operational and have no revenue contribution as of date.

CLI Premier Hotels Intl., Inc.

CLI Premier Hotels Intl., Inc., a wholly-owned subsidiary of the Company, was incorporated on August 26, 2016 to take charge of Citadines Cebu City and the Company's future hotel developments. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

Cebu Landmasters Property Management, Inc. (CLIPM)

Cebu Landmasters Property Management, Inc., a wholly-owned subsidiary of the Company, was incorporated on April 20, 2017 to provide property management services initially to housing and condominium projects developed by the Company. It is envisioned to eventually offer and expand its services to outside clients. Currently, CLIPM has 60 personnel managing 7 subdivision, 6 condominiums and 1 office building. Its office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

A.S. Fortuna Property Ventures, Inc.

A.S. Fortuna Property Ventures, Inc. was incorporated on March 9, 2017 to facilitate the acquisition of a 12,338-sq.m. property along AS Fortuna Avenue for the development of the AS Fortuna Center Mandaue, a mixed-use development in the AS Fortuna Mandaue area that will house a hotel, residential and office development and a boutique mall. Its principal office is located 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

JOINT VENTURES

BL CBP Ventures, Inc.

BL CBP Ventures, Inc. was incorporated on February 3, 2016 to develop Latitude Corporate Center, a 24-storey office development at the Cebu Business Park. BL CBP Ventures, Inc. was a joint venture of the Company and Borromeo Bros, Inc. Its principal office address is at AB Soberano Bldg., Salvador Ext., Labangon, Cebu City.

Yuson Excellence Soberano, Inc.

Yuson Excellence Soberano, Inc. was incorporated on December 15, 2016 to mark the Company's entry into the Davao market. It is a joint venture between the Company and Yuson Comm. Investments Inc. to undertake the development of MesaTierra Garden Residences, a 21-storey residential condominium, and two other mixed-use projects in Davao City. It will also engage in real estate brokering to facilitate the marketing and sale of the joint venture's developments in Davao. Its principal office address is at Suite A, 204 Plaza De Luisa Complex, 140 R. Magsaysay Ave., Brgy. 30-C, 8000 Davao City.

Yuson Huang Excellence Soberano Inc.

YHES Inc., was incorporated on November 10, 2017 to develop the Paragon Center, a 1.9-hectare property in Riverside Davao. The development will include a residential, retail, hotel and convention center. YHES Inc., is a joint venture of CLI, Yuson Strategic Holdings Inc., and Davao Filandia Realty Corp.

Yuson Huang Excellence Soberano Tan Realty and Development Corporation

YHEST Realty and Development was incorporated on December 11, 2017 to develop the Matina Golf course into a Central Business District called Davao Global Township. This 22-hectare prime property CBD development is a joint venture between CLI, Yuson Strategic Holdings Inc., Davao Filandia Realty Corp., Plaza De Luisa Development Inc., Yuson Newtown Corp., and Davao Primeland Properties Corp.

CCLI Premier Hotels, Inc.

CCLI was incorporated in November 12, 2018 to develop Citadines Bacolod. The 200-unit development will become a premier hotel managed by Ascott, the world's largest international hotel operators. CCLI Premier Hotels, Inc. is a joint venture between Cebu Landmasters, Inc. and Capitaine, Inc.

ASSOCIATES

Ming-Mori Development Corporation

Ming-Mori Development Corporation was incorporated on August 1, 2013 to undertake and execute land reclamation projects, submit bids and accept awards for reclamation projects, and manage, hold and sell reclaimed land and other real property. Ming-Mori Development Corporation is the private consortium that has proposed to undertake the Ming-Mori Reclamation Project of the Municipality of Minglanilla, which involves the development of the Minglanilla TechnoBusiness Hub, a 100-hectare techno-business park in the progressive town of Minglanilla, a mere 30 minutes away from Cebu City. The Company has subscribed to 20% in Ming-Mori Development Corporation.

Magspeak Nature Park, Inc.

Magspeak Nature Park, Inc. was incorporated on October 21, 2011 to acquire, lease and develop lands into nature and eco-tourism parks, and to manage and operate the same. Magspeak plans to develop a 30-hectare outdoor leisure park and conference center in Mt. Manunggal, the highest mountain in Cebu. CLI holds a 25% stake in Magspeak.

EL Camino Developers Cebu, Inc.

EL Camino Developers Cebu, Inc. was incorporated on August 15, 2016 to acquire a 1.17-hectare property inside the Cebu IT Park, and to develop (1) 38 Park Avenue at the Cebu IT Park, a 38-storey high-end residential condominium, and (2) Park Avenue Corporate Center, a Grade A office building with over 20,000 sq.m. of leasable area. Its principal office address is at Base Line Center, Juana Osmeña St., Brgy. Kamputhaw, Cebu City. The Company has a 35% stake in EL Camino Developers Cebu, Inc.

Mivesa Garden Residences, Inc.

Mivesa Garden Residences, Inc. was incorporated on March 13, 2017 to develop Towers 6 and 7 (Phase 3) of Mivesa Garden Residences, a real property development project located on a 3,000-sq.m. property to be registered in the company's name. Its principal office is located in the 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City. CLI holds a 45% stake in the company.

COMPETITION

CLI is within the playing field of top national players and local developers across its product range. The Company goes head to head with national players such as Amaia Land Corporation, Avida Land Corporation, and Alveo Land Corporation, all of which are subsidiaries of Ayala Land, Inc., Filinvest Land Inc., Megaworld Corporation, Rockwell Land Corporation, 8990 Holdings, and Hongkong Land which is in partnership with the local developer, Taft Properties.

The Company also competes with established local developers in Cebu, and other parts of VisMin, like Primary Group of Builders which has 25 years of experience in the industry, AboitizLand with 23 years, Johndorf with over 30 years, and Taft Properties with over 20 years.

In a study conducted by Santos Knight Frank released in 2018 covering major cities of Cebu, Davao and Cagayan de Oro, Cebu Landmasters, Inc. leads the housing development for both vertical and horizontal.

CLI commands 12% market share in terms of the total supply of condominium units in Metro Cebu, second to Ayala Land, Inc. (24%) and followed by Filinvest Land Inc. (9.97%). For the current housing market, CLI holds majority of the Cebu market with 18% market share.

In Davao, the real estate firm posts the highest take-up of 56 units per month and also trumped other real estate developers with a 97.96% absorption rate. In Cagayan de Oro, the company provides the most share of condominium units at 24% of the total and also had the highest absorption rate of 93% among all vertical developers in the city.

To leverage itself against competition, CLI draws its advantage on its core strengths – its hands-on personalized service, local (i.e., Visayas and Mindanao) real estate expertise, stringent location selection, and responsible development as well as in its aggressiveness, speed to market and best value projects.

SUPPLIERS

CLI sources construction materials and services from third party suppliers and service providers both in the local and national level who meet the Company's strict quality standards through a pre-qualification and a bidding process. There is no shortage of raw materials or services that the Company needs for its day-to-day business as these are readily available in the market. Hence, the CLI is not dependent on any single supplier or service provider.

Through its purchasing team, evaluates suppliers who can provide the best value at the highest quality with the least cost, can guarantee safe and on time deliveries, and have the capacity to improve and innovate to meet the Company's requirements. At the same time, the Company has the necessary internal controls, organizational structure and financial viability to assure the continuous delivery of the raw materials by the supplier.

The Company engages contractors to undertake land development and construction on a per project basis. While the Company mostly outsources architectural and engineering services for its projects, this year, CLI has started doing engineering and design in-house.

The following are the Company's top five suppliers:

Supplier	Product / Service
Dakay Construction & Development Corp.	General contractor
Kevlar Development Corporation	General contractor
UKC Builders, Inc.	General contractor
Vic Enterprises	Cement and rebars
J.E. Abraham C. Lee Construction	General contractor
Carwill Construction, Inc.	General contractor
Anseca Development Corporation	General contractor
CIGIN Construction	General contractor
Castcrete Builders, Inc.	General contractor

CUSTOMERS

CLI caters to several real estate categories – residential, commercial/offices and hospitality. Among the three categories, the Company's experience in the industry has been primarily focused on residential development which comprises 98% of its total revenue.

The company's residential developments cater to the different market segments. The Premier Series is designed for the upper-mid to high-end market segment who can afford a monthly equity of P15,000 to P20,000 and earning P1 million to P3 million annually. High-end residential developments contribute 15% to 20% of the total revenue, with successful projects such as Asia Premier Residences, Base Line Residences, Base Line Premier and 38 Park Avenue at the Cebu IT Park.

The Garden Series on the other hand serve the need of the mid-market. Fast-selling projects like Midori Residences, Midori Plains, Velmiro Heights, Mivesa Residences, MesaVerte Garden Residences and MesaVirre Garden Residences show the growing demand of the mid-market for new, well-built, well-planned and strategically located homes. CLI's mid-market clients are those who can afford a monthly equity payment of P10,000 to P15,000 and an annual income of P500,000 to P 1 million. These mid-market segments prefer units at a price range of P2.5 million to P4 million contributing 35% to 40% of the company's revenue.

CLI's biggest product offering is economic housing through the Casa Mira brand comprising 30% to 40% of the Company's total revenues. Socialized housing comprises only 1% of CLI's residential projects, with two projects to date, Villa Casita Bogo, and Villa Casita Balamban.

OFWs comprise a substantial segment of the Company's customers for its horizontal residential units with 60-70% of the Company's sales coming from OFWs.

Employee Profile	%	Citizenship	%	Marital Status	%
Local	44%	Filipino	90%	Single	58%
OFW	23%	Foreigners	10%	Married	38%
Self-Employed	24%			Others	4%
Entrepreneur	2%				
Othes	8%				

For its leasing business, the Company's top lessees include a BPO company, a service provider and food establishments.

CLI is committed to continuously address the growing needs and demand of the market in each segment the Company caters to. CLI aims to constantly innovate, and remain consistent with the quality of the developments, the selection of location and the hands-on service that goes along with it.

Transactions with related parties

Please refer to Item 25 of this report ("Certain Relationships and Related Transactions).

Government approvals/regulations

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

EMPLOYEES

As of December 31, 2018, the Company has a total of 298 employees, broken down per department as follows:

Department	Number of Employees
Engineering	77
Accounting and Finance	46
Sales	34
Permits & Licenses	19
Documentation	14
Property Management	14
Business Development	16
Treasury	19
Human Resources & Admin	14
Marketing	11
Customer Care	9
Purchasing	10
Legal	4
Internal Audit	3
Corporate Finance	3
Leasing	2
Top Management	3
Total	298

Item 2 Properties

LAND INVENTORY

Using its location selection criteria, the Company, its joint ventures and associates (“**Company and its Related Entities**”) have invested in properties located in strategic areas in Visayas and Mindanao which the Company and its Related Entities believe to have high future appreciation potential for its existing and future development projects.

The table below enumerates the parcels of land owned by the Company and its Related Entities.

	Location	Total Area in sqm	Primary Land Use	Ownership
1	AS Fortuna, Mandaue Cebu	5,569	Mixed-Use	Company
2	Naga-San Fernando, Cebu (Phase 3)	115,437	Residential	Company
3	Riverside, Davao	19,084	Mixed-use	Registered in the name of YHES Inc. (50%- owned by CLI)
4	Lacson, Bacolod (Building C)	3,049	Residential	Company
5	Matina, Davao	220,000	Mixed-use	Registered in the name of YHEST Inc. (50%- owned by CLI)
6	Granada, Bacolod	140,056	Residential	Company
7	Linao, Cebu (Phase 3)	31,760	Residential	Company
8	Minglanilla, Cebu (Velmiro Uptown Phase 2)	18,369	Residential	Company
9	Bogo, Cebu	47,949	Residential	Company
10	Cebu IT Park, Apas, Lahug, Cebu City	3,389	Mixed-Use	Registered in the name of El Camino Developers, Inc. (35%-owned by CLI)
11	Guadarama, iloilo	151,040	Residential	Company
12	Torre de oro, CDO	6,315	Residential	Company
13	Lyceum Property, Davao City	10,976	Residential	Company
14	Bohol, Biking	36,998	Residential	Company
15	Ibabao mandaue	11,413	Mixed-Use	Company
16	Banilad, Cebu City	12,619	Residential	Company
17	Citadines Bacolod	10,000	Hotel	Registered in the name of CCLI (50%-owned by CLI)
18	Dumaguete, Negros Oriental	71,181	Residential	Company
	Total	915,204		

OTHER REAL PROPERTIES

In addition to its land inventory, the Company owns several other real properties, including available commercial and retail spaces in its completed projects, which are currently used by the Company, or leased out to third parties to generate recurring income. The details of these properties are set out below.

Among the projects with commercial spaces leased out to tenants are:

Project	Location	Type	Total Area Available for Lease (Area in sq.m)
Asia Premier Residences	Cebu IT Park, Apas, Lahug, Cebu City	Retail	286.98
Base Line Residences	Juana Osmena St., Brgy. Kamputhaw, Cebu City	Retail	175.23
Midori Residences	AS. Fortuna-Banilad, Mandaue City	Retail	12.00
Mivesa Garden Residences	Lahug, Cebu City	Retail	186.27
Park Centrale Tower	Cebu IT Park, Apas, Lahug, Cebu City	Office	4,893.30
Casa Mira Towers-Labangon	Salvador Exr. Labangon, Cebu City	Retail	1,117.26
Base Line Center	Juana Osmena St., Brgy. Kamputhaw, Cebu City	Retail	5,037.66
Total			11,708.70

For residential leases, the company charges a fixed monthly rent with a provision for annual escalation. Also, a two-month security and two-month advance rent is paid before the commencement of the lease. Sixty days' notice is required for the extension or pre-termination of leases.

For commercial leases, the company charges a combination of fixed, variable or effective rent for a lease term of 2 to 5 years. A three-month security deposit and a three-month advance rent is paid by merchants before their lease commencement date. Retail rent is escalated year on year based on prevailing market rates within the area. A Ninety-day notice is required from merchants for the extension or pre-termination of leases.

OTHER ASSETS

Other properties of the Company comprise of the following:

Assets	Cost (in ₱)	Accumulated Depreciation (in ₱)	Book Value as of Dec. 31, 2018 (Unaudited) (in ₱)
Property and Equipment			
Leasehold improvement	2,355,282.15	(1,992,481.50)	362,800.65
Transportation equipment	33,479,591.93	(26,127,980.08)	7,351,611.85
Furniture and fixtures	20,524,305.29	(12,196,043.96)	8,328,261.33
Office equipment	17,196,961.58	(7,669,674.13)	9,527,287.45
Other equipment	7,924,794.36	(5,166,946.59)	2,757,847.77
Building	117,749,249.16	(37,252,123.23)	80,497,125.93
Building improvements	223,214.29	-	223,214.29
Steel formworks	26,559,063.91	(3,785,124.25)	22,773,939.66
Chargeable assets	246,936.75	-	246,936.75
Low value assets	422,777.86	(375,358.49)	47,419.37
Construction in progress	10,687,527.42	-	10,687,527.42
Total Property and Equipment	237,369,704.70	(94,565,732.23)	142,803,972.47
Investment Property			
Retail building	45,228,005.37	(11,475,858.82)	33,752,146.55
Condominium units	285,413,555.30	(41,710,811.08)	243,702,744.22
Parking units - investment property	31,371,803.53	(2,825,135.97)	28,546,667.56
Total Investment Property	362,013,364.20	(56,011,805.87)	306,001,558.33
Other asset			
Computer Software	7,525,124.00	(4,960,569.71)	2,564,554.29
GRAND TOTAL	606,908,192.90	(155,538,107.81)	451,370,085.09

LEASED PROPERTIES

The Company has leased properties for use as office space and staff houses of its employees with the details set out below:

Leased Property	Description/ Use	Annual Lease (in ₱)	Expiration of Lease	Renewal Option
Cagayan De Oro City (Apartment C)	Staff House of CLI Employees	264,000	Jan. 20, 2018 – Jan. 20, 2019	Renewable
Cagayan De Oro City Office	CLI Office	260,064	Oct. 16, 2018 – Oct 15, 2019	Renewable
Bacolod Office	CLI Office	1,539,384	Sept. 15,2018 – Sept. 14, 2019	Renewable
Dumaguete Staff House	Staff house of CLI Employees	220,320	Sept. 15,2018 – Sept. 14, 2019	Renewable
Dumaguete Office	CLI Office	168,000	Sept. 15,2018 – Sept. 14, 2019	Renewable
TOTAL		2,451,768		

The company has a 40-year lease with the Archdiocese of Cebu of the 6,670 sq.m Patria de Cebu property.

MORTGAGE, LIENS AND ENCUMBRANCES

In pursuit of its business, the Company has entered into various mortgage agreements covering certain parcels of land and improvements for the purposes of securing development loans or credit facilities extended by financial institutions. The properties which are subject to real estate mortgages are:

Property Location	Area (in sq.m.)	Mortgagee
Barangay Kamputhaw, City of Cebu	10,176	BPI
Brgy. Labangon, Cebu City	3,681	BPI
Park Centrale Tower – certain condominium units	5,841.91	Landbank
Sergio Osmena Ext., Brgy. 22, CDO	10,440	Chinabank
Naga City and San Fernando, Cebu	195,815	BDO
Banilad, Mandaue City	7,966	DBP
Agan-an and Maslog, Sibulan, Negros Oriental	60,528	BPI
Upper Canitoan, Cagayan De Oro City	143,453	BPI
Int Lacson St., Bata, Bacolod City	10,000	RCBC

Under Section 18 of Presidential Decree No. 57, no mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the HLURB. Accordingly, before the Company can mortgage properties being used for its condominium or subdivision projects, it should ensure compliance with the said law and its implementing regulations.

Properties of the Company and its Related Entities in which particular projects have been developed are also subject to restrictions arising from the nature of such projects. For instance, certain properties over which a condominium building project has been constructed would have restrictions annotated on the title of such property arising from the Master Deed restrictions on the use of the property for condominium use.

Likewise, properties being leased by the Company are subject to typical lease-related limitations on usage, e.g., for office use only.

INSURANCE

CLI procures insurance coverage required by relevant laws and regulations for its real and personal properties and requires contractors to submit performance bonds, marine insurance policies, and other sureties for its covered activities. Throughout the construction stage, the Company also maintains Contractor's All-risk Insurance for each of its projects, subject to customary deductibles and exclusions. For completed projects, CLI also requires homeowner's associations and condominium corporations to obtain fire and allied risks insurance as part of the master deed for these projects.

Item 3 Legal Proceedings

The Company and its subsidiaries are not a party to, nor any of the Company's properties are the subject of any pending material litigation, arbitration or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its subsidiaries or any of its properties.

Item 4 Submission of Matters to a Vote of Security Holders

Below were matters submitted to a vote by security holders during the Annual Stockholders Meeting of CLI on May 30, 2018 held in Cebu City:

A. Approval of 2017 Audited Financial Statements

The stockholders at the meeting approved this unanimously.

B. Approval and Ratification of all acts of the Board of Directors in 2017

Presented for ratification were the following actions of the Board, which were likewise approved unanimously upon proper motion, duly seconded:

1. Purchase of a 5-hectare land in Sibulan, Negros Oriental, now the site of Casa Mira Coast, CLI's first subdivision project in Negros Island;
2. Purchase of a 1-hectare land in Bacolod, now the site of MesaVirre, CLI's first project in the city;
3. Reallocation of IPO proceeds:
 - a. P120 million intended for land purchase of a Davao residential project reallocated as investment in a joint venture that will develop the same project, now known as MesaTierra Garden Residences;
 - b. P300 million intended for land purchase of a Davao mixed-use project reallocated as investment in a joint venture that will develop the same project;
 - c. P130 million intended for land purchase of a Guadalupe, Cebu project site reallocated to fund either the construction of the same project or utilized for land purchase for future projects;
 - d. P100 million of P400 million intended for land purchase of a Mactan hotel/residential project reallocated as investment in a joint venture;
 - e. P120 million intended for land acquisition of a Minglanilla/Talisay project reallocated as investment in a joint venture; and

- f. P100 million intended for a Bohol residential project reallocated to fund the following: P60 million for a socialized housing in Pinamalayan, Mindoro, and P40 million for investment in joint ventures.
4. Purchase of a 4.6-hectare land in Bogo City, Cebu, now the site of CLI's socialized housing compliance;
5. Purchase of a 7.2-hectare property in Cagayan de Oro City, now the site of Velmiro Uptown, CLI's first subdivision project in CDO; and
6. Formation of a joint venture with landowners of a 1.9-hectare property in Davao City, now the site of Paragon, a mixed-used development with hotel, convention center, and mall components.

C. Approval of the Minutes of the previous Annual Stockholders Meeting in November 2017

This was likewise approved unanimously by the stockholders present.

D. Election of Directors for the 2018-19 Term

All incumbent directors were reelected for the 2018-19 term. Below is the summary of votes:

Name	Yes	No	Abstain
Jose R. Soberano III	1,001,346,698	Nil	Nil
Ma. Rosario B. Soberano	1,001,319,698	Nil	Nil
Jose Franco B. Soberano	1,001,315,198	Nil	Nil
Joanna Marie B. Soberano-Bergundthal	1,001,315,198	Nil	Nil
Janella Mae B. Soberano	1,001,315,198	Nil	Nil
Jose P. Soberano, Jr.	1,001,315,198	Nil	Nil
Rufino Luis T. Manotok	1,001,312,198	Nil	Nil
Ma. Aurora D. Geotina-Garcia	1,001,312,198	Nil	Nil
Jesus N. Alcordo	1,001,312,198	Nil	Nil

E. Appointment of Independent Auditor for Calendar Year 2018

The stockholders unanimously directed the Audit Committee to further negotiate the fee proposal of Punongbayan & Araullo as the company's auditor for the fiscal year 2018. The reappointment of the said firm was decided in a regular board meeting during the year.

F. Summary of Votes

Prior to the start of the annual stockholders meeting, ballots were distributed to the stockholders, which contained the items requiring the votes of shareholders, the summary of which follows:

VII. Approval of Audited Financial Statements as of December 31, 2017

Yes	No	Abstain
1,001,318,198	Nil	Nil

VIII. Approval and Ratification of all acts of the Board of Directors in 2017

Yes	No	Abstain
1,001,318,198	Nil	Nil

IX. Approval of the Minutes of the last Annual Stockholders Meeting

Yes	No	Abstain
1,001,318,198	Nil	Nil

X. Election of Directors for 2018-19 Term

Please see summary of votes in Item "D" above.

XI. Appointment of Independent Auditor for Fiscal Year 2018

Yes	No	Abstain
1,001,318,198	Nil	Nil

Prior to the meeting, the Corporate Secretary received one (1) proxy form from HSBC10, which voted all of its 3,552,644 shares in favor of all items except the "Other Matters" portion of the agenda. None of these votes, however, was counted because the designated proxies did not personally attend the meeting.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Registrant’s Common Equity and Related Stockholder Matters

Market information

Cebu Landmasters, Inc. listed its common shares with the Philippine Stock Exchange last June 2, 2017.

Philippine Stock Exchange Prices (in PHP/ share)			
	<u>High</u>	<u>Low</u>	<u>Close</u>
2017			
Second Quarter (month of June only)	5.98	5.13	5.34
Third Quarter	5.51	4.58	5.07
Fourth Quarter	5.17	4.59	4.88
2018			
First Quarter	5.12	4.21	4.70
Second Quarter	5.06	4.48	4.58
Third Quarter	4.73	4.27	4.42
Fourth Quarter	4.59	3.60	4.14

The market capitalization of CLI as of end-2018, based on the closing price of P4.14/share, was approximately 6.9 billion.

Stockholders

The following are the list of registered holders of the common equity securities of the Company as of December 31, 2018:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	AB Soberano Holdings Corp.	985,823,197	58%
2	PCD Nominee Corp. (Filipino)	664,574,050	39%
3	PCD Nominee Corp. (Non-Filipino)	41,797,700	2%
4	Jose R. Soberano III	14,000,000	1%
5	Jose Franco B. Soberano	3,250,000	0%
6	Janella Mae B. Soberano	2,250,000	0%
7	Joanna Marie B. Soberano	2,250,000	0%
8	Marietta V. Cabreza	10,000	0%
9	Lolita Siao-Ignacio	10,000	0%
10	Milagros P. Villanueva	10,000	0%
11	Myra P. Villanueva	10,000	0%
12	Myrna P. Villanueva	10,000	0%
13	Myra P. Villanueva	5,000	0%

14	Owen Nathaniel S Au Itf: Li Marcus Au	50	0%
15	Jesus N. Alcordo	1	0%
16	Ma. Aurora D. Geotina-Garcia	1	0%
17	Rufino Luis T. Manotok	1	0%
	TOTAL	1,714,000,000	100%

The following are common shares held by the Company's Board of Directors lodged with PCD Nominee Corporation:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	Jose R. Soberano III	61,625,000	4%
2	Ma. Rosario B. Soberano	59,125,000	3%
3	Jose Franco B. Soberano	5,741,700	0%
4	Janella Mae B. Soberano	5,231,700	0%
5	Joanna Marie B. Soberano	5,231,700	0%
	TOTAL	136,955,100	8%

Dividends

DIVIDENDS DECLARED

The Company has declared the following cash and stock dividends.

Cash Dividends

Year of Dividend Declaration	Rate of Dividend Declared per Share (in ₱)	Record Date	Amount Paid (in ₱)
2014	12.50	November 3, 2014	48,000,000
2015	7.19	February 28, 2015	42,000,000
2015	10.27	June 15, 2015	60,000,000
2015	8.56	October 15, 2015	50,000,000
2015	5.66	December 15, 2015	50,000,000
2016	2.26	March 31, 2016	20,000,000
2016	5.99	August 31, 2016	52,943,457
2016	4.32	September 15, 2016	38,150,000
2016	1.70	September 30, 2016	15,000,000
2016	0.74	November 21, 2016	650,000,000
2016	0.05	December 1, 2016	40,000,000
2016	0.03	December 1, 2016	40,000,000

2018	0.15	March 23, 2018	235,186,980
2019	0.20	March 26, 2019	(est) 333,500,000

Stock Dividends

Year	Rate of Dividend Declared per Share (in ₱)	Record Date	No. of Shares
2014	0.5208	November 30, 2014	2,000,000
2015	0.3394	December 15, 2015	3,000,000

Recent Sale of Securities

There was no sale of the Company's securities was made during the reporting period.

Item 6 Management's Discussion and Analysis or Plan of Operation

COMPANY MILESTONES

The year 2018 is another banner year for Cebu Landmasters, Inc. ("CLI" or the "Company") as the Company expands into promising ventures, new markets and locations. CLI reported continued growth momentum with a total revenue of ₱6.76 billion, a 72% increase compared to 2017. Such growth is driven by the strong performance across all business units including its leasing portfolio. In the fourth quarter of 2018, a portion of the Baseline Retail Center was turned over to Robinsons Supermarket increasing CLI's total GLA from 6,297sq.m. to 8,952 sq.m

Parallel to the topline growth, CLI's net income increased by 72%. Net income attributable to parent on the other hand grew by 30% to ₱1.67 billion year on year. The favorable result is from the construction progress of the following ongoing projects – MesaTierra Garden Residences in Davao, Cebu projects such as Mivesa Garden Residences, Casa Mira South, Latitude, MesaVerte Garden Residences in CDO.

Cebu Landmasters, Inc. reported a significant 86% increase in reservations sales year on year, from ₱4.58 billion to ₱ 8.54 billion, exceeding 22% from its year-end guidance of ₱7 billion. The growth is from the robust sales of newly launched projects – Baseline Prestige in Cebu, Mesavirre Garden Residences in Bacolod, One Astra Place in Mandaue Cebu and Casa Mira towers Guadalupe, Cebu.

After a year from being publicly listed, CLI disclosed that it has fully utilized the ₱2 billion IPO proceeds in land acquisitions and investments in various Joint Ventures. It is part of the Company's strategy to expand in new key areas of Butuan City, Roxas City and Ormoc City. Cebu Landmasters, Inc. has on-going negotiations with land owners in these identified key cities which CLI expects to cater to the growing housing market and an opportunity to enhance the cities' communities.

In order to fund the planned capital expenditure of the company, the CLI issued P5 billion worth of corporate notes in 2018. The Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of PRS Aa (high quality & low credit risk), with a Stable Outlook, for the Company's notes. The proceeds were used to finance the Company's extensive capital requirements, including land banking and Joint Venture investments.

Last February 27, 2018, the board of directors of the Company approved a ₱0.15 per share cash dividends in light of the outstanding performance of the CLI. The record date and payment date were on March 23, 2018 and April 23, 2018, respectively. In addition, the Company also launched a share buy-back program worth ₱250 Million to be spent in two years. The objective of the program is to purchase back estimated total of 50 million common shares to bring the public float to 30% and support the recently approved Employee Stock Options Plan (ESOP) of the Company. The plan serves to reward, retain and attract outstanding employees by granting them the company's stocks which will be carved out from the acquired treasury shares of the company.

The Company remains robust as several big-ticket infrastructure projects in the VisMin region will provide growth opportunities for the real estate industry.

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

FY 2018 vs FY 2017

Cebu Landmasters, Inc. ("CLI" or "the Company") posted a consolidated net income growth of 72% from Php 1.26 billion to Php 2.17 billion. Net income attributable to parent likewise increased to Php 1.67 billion in 2018, a solid earnings growth of 30% compared to the Php 1.29 billion of the previous year. The company sustained its growth momentum with consolidated revenues increasing by 72%, to Php 6.76 Billion in 2018 versus Php 3.93 Billion in 2017. Revenues from the sale of real estate similarly increased by 73% to Php 6.69 billion due to robust sales performance and construction progress from projects under construction.

For 2018, CLI registered an EPS of 0.98 pesos per share, a notable 15% increase from the 0.86 pesos per share in 2017. Total outstanding shares as of December 31 2018 is 1,667,500,000 after acquiring treasury shares of 46,500,000.

REVENUES

Total consolidated revenues for 2018 reached Php 6.76 billion, 72% higher than Php 3.93 billion reported last year. Majority of the company's revenues are from the sale of real estate which likewise grew 73% due to the robust sales performance and progress in construction of projects under construction. Developments that contributed to the growth were MesaTierra Garden Residences in Davao, Mivesa Garden Residences Phase 3, Casa Mira South, Latitude Corporate Center and MesaVirre Garden Residences.

In terms of market segment, 45% of the total revenues in 2018 came Garden series, the Mid-Market brand of the company. Followed by Casa Mira, its economic housing product with 28% and Premier Series with 19%. In 2017, Casa Mira accounted for 39% followed by Premier Series with 34% and Garden Series with 24%.

With respect to location, 64% of the total revenue were significantly contributed by Cebu projects. Davao and CDO on the other hand accounted for 12% and 11% respectively. The remaining allocation were generated from projects located in new expansion sites of Bacolod and Dumaguete. In 2017, aside from Cebu with 82% of the total revenue only Cagayan de Oro has recognized revenue for the year. The company expects to grow revenue contribution of its expansion areas such as CDO, Davao and Bohol in 2019.

The leasing revenue of CLI grew by 26% year on year from Php 45.65 million to Php 57.58 million. The growth in rental revenue is attributable to the 42% increase of the company's gross leasable area (GLA) to 8,952 square meters and moderate lease rate increases from existing contracts. A portion of the retail area in Baseline center were turned over to Robinsons Supermarket in December. This year, the company schedules to complete the rest of the Baseline Center turning over the remaining retail portion with 3,263 square meters of GLA and Office spaces in Baseline HQ with 4,722 square meters of GLA.

Cebu Landmasters, Inc. schedules to open its first hotel, Citadines Cebu City in June 2019. The hotel will be managed by Ascott Limited, the world's largest international service owner-operator. The hotel will further augment the company's recurring portfolio by 2019.

COST AND EXPENSES

Cebu Landmasters, Inc. reported total cost of sales of Php 3.1 billion in 2018, an increase of 66% from last year in line with the growth of the company's revenue. As a percentage of revenue, 2018 cost rate declined from 48% to 46%. The decrease was related to the Philippine Financial Reporting Standard (PFRS) 15 wherein costs are recognized when billed and incurred.

Total operating expenses for the year amounted to Php 895 million, 58% more than the Php566 million incurred in 2017. The increase is primarily attributed to higher commissions and incentives of the company. Such increase resulted from the robust sales performance of the company as more projects were launched during the year.

Interest costs for the year increased from Php 159 million to Php 305 million as more debt was availed by the company in 2018. This includes the Php 3 billion of the 5 billion corporate notes issued during the year to support CLI's planned capital expenditures including land banking initiative and project development. Total capitalized interest for 2018 amounted to Php 216.5 million, higher than 2017 balance of Php 134.8 million.

Total tax expense for 2018 increased significantly from Php 202.8 million to Php 438.6 million in line with the growth of the company's net income.

REVIEW ON THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2018 vs December 31, 2017

CLI posted a solid balance sheet position in 2018 to provide adequate capacity to support its expansion plans. After the full utilization of the Php 2 billion proceeds received during IPO, the company signed a notes facility agreement for a Php 5 billion corporate notes to fund its planned capital expenditures for the year including land banking initiatives and project development. A total of Php 3 billion of the corporate notes were issued as of the year-end 2018 bringing total borrowings to Php 10.6 billion from Php 5.1 billion in 2017. This translates to a Debt to equity ratio of 0.94. Total Assets as of December 2018 amounted to Php 25.4 billion, a notable 88% increase from Php 13.5 billion in 2017

ASSETS

35% decrease in Cash and Cash equivalents

Proceeds of the Initial Public Offering of the company in 2017 were utilized for the company's expansion.

11% decrease in Trade and other receivables (including non-current portion)

As receivables related to the construction progress of the units are moved to contract assets account

100% increase in contract assets (including non-current portion)

These are progress in construction of sold units that are yet to be due once fully completed

15% increase in Real Estate inventory

Increase refers to the construction progress of units that have not qualified for revenue recognition.

85% increase in Deposit on land for future development (including non-current portion)

Due to land acquisitions to increase company's landbank for the year

19% increase in Due from related parties

These are transactions paid by CLI in behalf of its related parties

155% increase in Prepayments and other current assets

Largely due to prepaid expenses and input VAT pertaining to owner supplied materials for project construction. The amount is higher as more projects are being constructed this year.

86% increase in Property Plant and Equipment

Increase is attributable to additional purchases of PPE made by the company during the year.

1659% increase in Investment Properties

Attributable to the ongoing construction progress of the company's recurring business.

71% decrease in Other Non-current assets

As investments made to a joint venture was moved to investments after it was incorporated in 2018.

LIABILITIES

47% increase in Trade and other payables

This is a result of regular credit and payment transactions arising from the increased volume of projects currently in the construction stage.

37% increase in Contract Liability and Customers' deposit

Due to the robust sales of the company

109% increase in Interest bearing loans (including non-current portion)

Due to the loan availments made by the company to fund the construction of its projects. Increase in loans correspond the increase in projects constructed this year.

16710% increase in Income tax payable

Due to the higher taxable income of the company

100% decrease in reserve for property development

This is due to the application of PFRS 15 eliminating the cost to complete account.

47% decrease in post-employment defined benefit obligation

Due to the payment of retirement benefits

140% increase in deferred tax liability

Due to the increasing difference between accounting and tax income

EQUITY

100% increase in Treasury shares

Due to the 46,500,000 shares repurchased by CLI in relation to its share buy-back program for the employee stock option.

188% increase in Revaluation Reserve

Due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

93% increase in Retained Earnings

Due to the accumulation of earnings for the year after reducing the amounts paid for dividends

825% increase in Non-Controlling interest

Projects under joint ventures started contributing revenue in 2018

KEY PERFORMANCE INDICATORS

The Company uses a range of financial and operational key performance indicators (“KPIs”) to help measure and manage its performance. These KPIs reflect the Company’s continuous focus on efficiency, cost control and profitability across all its operations. The management considers the following as KPIs:

	2018	2017
Gross Profit Margin ¹	54%	52%
Net Income Margin ²	32%	32%
EBITDA ³	₱ 2.794 billion	₱ 1.551 billion
EBITDA Margin ⁴	41%	39%
Return on Average Assets ⁵	11%	12%
Return on Average Equity (Parent) ⁶	31%	40%
Current Ratio ⁷	3.66	3.16
Debt to Equity Ratio ⁸	0.94	0.94
Interest Coverage Ratio ⁹	9.16	9.76

¹ Gross Profit Margin is gross profit as a percentage of revenues

² Net Income Margin is net income as a percentage of revenues

³ EBITDA is defined as earnings before interest, tax, depreciation and amortization from continuing operations and before exceptional items.

⁴ EBITDA margin is EBITDA as a percentage of revenues

⁵ Return on Average Assets is net income as a percentage of the average assets as at year-end and assets as at end of the immediately preceding year.

⁶ Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year.

⁷ Current Ratio is current assets divided by current liabilities

⁸ Debt to Equity Ratio is interest bearing debt over total equity

⁹ Interest Coverage ratio is EBITDA divided by interest paid

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

FY 2016 vs FY 2017

Cebu Landmasters, Inc. posted a 64% increase in net income after tax in 2017 to Php1.261 billion from 2016's Php767 million. Net income attributable to parent likewise increased by 65% to Php 1.287 billion from Php 778 million in 2016. This translates to Php 0.86 earnings per share for the year using weighted average number of shares of 1,499,000.

REVENUES

Cebu Landmasters, Inc. reported outstanding financial growth for the year ended December 31, 2017 as its total revenues reached Php3.929 billion, a 66% year-on-year growth driven by strong performance across all business units. The real estate segment of the company which comprise majority of the revenue similarly grew by 67%, from Php2.322 billion in 2016 to Php3.879 billion in 2017. The said increase was primarily attributable to the robust sales performance and construction progress from newly constructed projects, Casa Mira Linao, Mivesa Residences building 5, Casa Mira Towers, Mesaverte Residences, Baseline Center where Citadines, Baseline HQ and Baseline Premier is. The Company started using the Percentage of Completion(POC) Method of revenue recognition to align with the industry practice and adapt in advance the Philippine Financial Reporting Standards (PFRS) 15 dictating that revenue from contracts be recognized in reference to the stages of development of the properties. With this change in method, the prior year's 2015 and 2016 were restated using POC in revenue recognition to reflect comparability in the financial statements.

The demand for real estate in selected growth areas increased reservation sales to Php4.58 billion, 55.7% higher than 2016's sales figure of Php2.94 billion. CLI attributed its exceptional performance primarily by the robust sales across various projects particularly from the company's new launches: 38 Park Avenue in IT Park Cebu, MesaVerte in CDO, Casa Mira South in Naga, Cebu and Mivesa Garden Residences in Salinas Drive, Cebu. Currently these projects are nearing fully sold status after a few months after launching.

Furthermore, rental income increased by 17% Year on Year from Php46 million to Php39 million. The growth was attained due to higher occupancy rates and rental rate increases during the year.

The Company also started recognizing revenues from the projects it manages. These projects pertain to Joint Ventures (JV) where CLI is the project manager. Management fee charged is 2%-3% of the JV's sales collection and construction cost paid during the year. In 2017, the Company has four Joint Venture projects under development, namely: MesaTierra in Davao, Latitude Corporate Center in Cebu Business Park, 38 Park Avenue in IT Park, Cebu, Mivesa Garden Residences Phase 3 in Salinas Drive, Cebu.

Part of the Management Fee are revenues from the recently incorporated, Cebu Landmasters Property Management, Inc (CLPMI), the property management arm of Cebu Landmasters. CLPMI offers integrated property management services including building administration, subdivision maintenance, and special technical services. The subsidiary is currently managing five condominiums and six subdivision projects of CLI creating an extended relationship between Cebu Landmasters and its buyers even after turnover.

COST AND EXPENSES

Cost of sales increased to Php1.89 billion – 68% more than last year's figures (Php1.124 million). The increase is primarily in relation to the higher revenue of the company in 2017.

Total operating expenses for the year amounted to Php 566 million, 64% more than the Php345 million incurred in 2016. The increase is mainly due to the higher manpower related expenses in 2017 as the company welcomed more employees to support its expansion into new growth areas in Visayas and Mindanao. The increase in commissions and incentives also contributed to the growth in operating expenses. This resulted from the higher sales and more launches of the company. Despite the increase in operating expenses, CLI was able to improve on efficiency as OPEX ratio declined from 15% to 14% during the year.

Interest costs increased to Php 158 million from Php 77 million in 2016 as more debt was availed by the company to support its project development.

REVIEW ON THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2017, vs December 31, 2016

Cebu Landmaster's balance sheet is geared to support the expansion plan of the company as it ventures to bring its expertise outside Cebu and into strategic areas in the Visayas Mindanao Region. As of December 2017, the company reported Php13.5 billion in assets- a notable growth from the Php6.8 billion in assets by the end of 2016. The growth in assets is driven by the proceeds from the recent Initial Public Offering of the company and increased volume in collections from customers due to its outstanding sales performance.

ASSETS

1161% increase in Cash and Cash equivalents

Primarily from the proceeds of the recent Initial Public Offering of the company.

122% increase in Trade and other receivables (including non-current portion)

Primarily caused by CLI's robust sales performance

50% increase in Real estate inventory

Primarily due to new project launches and construction progress of existing developments

265% decrease in Deposit on land for future development

As CLI launches and develops raw land to its new projects

26% decrease in due to related parties

As CLI collects advances it made for its JV projects

82% increase in Prepayments and other current assets

Largely due to the input VAT related to the material purchases of the company for the construction of its's projects.

6% increase in Property Plant and Equipment

Increase is attributable to additional purchases of PPE made by the company during the year.

9% increase in Investment Properties

Attributable to the ongoing construction progress of the company's recurring business.

886% increase in Other Non-current assets

Due to the purchase of the new accounting software (SAP).

LIABILITIES

77% increase in Trade and other payables (including non-current portion)

This is a result of regular credit and payment transactions arising from the increased volume of projects currently in the construction stage.

12% increase in Customer's deposit

Due to the robust sales of the company

40% increase in Interest bearing loans (including non-current portion)

Due to the loan availments made by the company to fund the construction of its projects. Increase in loans correspond the increase in projects constructed this year.

198% increase in reserve for property development

This is due to accruals from the growing construction cost of projects in development.

440% increase in Post-employment defined benefit obligation

As the company sets up the benefit for its new employees

124% increase in deferred tax liability

Due to the increasing difference between accounting and tax income

EQUITY

33% increase in Share Capital

Mainly from the new common shares issued by the company during its initial public offering.

100% increase in Share Premium

Caused by the excess proceeds from the issuance of common shares

541% increase in Retained Earnings

Due to the accumulation of earnings for the year.

KEY PERFORMANCE INDICATORS

The Company uses a range of financial and operational key performance indicators (“KPIs”) to help measure and manage its performance. These KPIs reflect the Company’s continuous focus on efficiency, cost control and profitability across all its operations. The management considers the following as KPIs:

	2017	2016
Gross Profit Margin ¹	52%	52%
Net Income Margin ²	32%	32%
EBITDA ³	₱ 1.551 billion	₱ 939.97 million
EBITDA Margin ⁴	40%	40%
Return on Average Assets ⁵	12%	13%
Return on Average Equity (Parent) ⁶	40%	51%
Current Ratio ⁷	3.16	2.65
Debt to Equity Ratio ⁸	0.94	2.36
Interest Coverage Ratio ⁹	9.76	12.15

¹ Gross Profit Margin is gross profit as a percentage of revenues

² Net Income Margin is net income as a percentage of revenues

³ EBITDA is defined as earnings before interest, tax, depreciation and amortization from continuing operations and before exceptional items.

⁴ EBITDA margin is EBITDA as a percentage of revenues

⁵ Return on Assets is net income as a percentage of assets average of the as at year-end and assets as at end of the immediately preceding year.

⁶ Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year.

⁷ Current Ratio is current assets divided by current liabilities

⁸ Debt to Equity Ratio is interest bearing debt over total equity

⁹ Interest Coverage ratio is EBITDA divided by interest paid

Item 7. Financial Statements

The 2018 consolidated financial statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of P&A Grant Thornton. There were no disagreements with the firm on any matter of accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Registrant

DIRECTORS, EXECUTIVE OFFICERS & KEY PERSONNEL

The overall management and supervision of the Company is vested in its board of directors. The Company's officers and management team cooperate with its Board by preparing relevant information and documents concerning the Company's business operations, financial condition and results of operations for its review and action. At present, the Board consists of nine members, including three independent directors in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. All of the Company's directors were elected at the Company's annual stockholders' meeting held on May 30, 2018.

During the August 4, 2018 Board Meeting, Director Jesus N. Alcorido submitted his resignation to the company's BOD for the reason to concentrate on his duties and responsibilities as a CEO of his current company. The board unanimously approved his resignation and appointed Director Jasmine S. Oporto as the newly elected Independent director.

Members of the Board of Directors

Name	Age	Position	Citizenship
Jose R. Soberano III	63	Chairman of the Board, CEO and President	Filipino
Ma. Rosario B. Soberano	60	Director, Treasurer and Executive Vice-President	Filipino
Jose P. Soberano, Jr.	88	Director and Corporate Secretary	Filipino
Jose Franco B. Soberano	33	Director, Chief Operating Officer and Senior Vice-President	Filipino
Joanna Marie B. Soberano-Bergundthal	31	Director	Filipino
Janella Mae B. Soberano	27	Director	Filipino
Rufino Luis Manotok	68	Independent Director	Filipino
Ma. Aurora D, Geotina-Garcia	66	Independent Director	Filipino
Atty. M. Jasmine S. Oporto	59	Independent Director	Filipino

Jose R. Soberano III, 63, Filipino, has been the Company's Chairman, CEO and President since its incorporation. He obtained a Bachelor of Arts degree in Economics from the Ateneo De Manila University in 1976, and completed the Strategic Business Economics Program at the University of Asia and Pacific in 2000. In 2015, he completed the Advanced Management Development Program in Real Estate from the Harvard University Graduate School. He previously worked for the Ayala Group of Companies for over 23 years, including various stints in Ayala Investment, Bank of the Philippine Islands, and in Ayala Land, Inc., where he was appointed Senior Division Manager in 1997. He was Vice-President of Cebu Holdings, Inc., the pioneer Ayala Land subsidiary in Cebu City when he resigned in 2000 from Ayala. He served as President of the Rotary Club of Cebu 2011, and President of the Chamber of Real Estate Builders Association-Cebu (CREBA-Cebu) in 2010. He is currently Chairman of the Board of the Center for Technology and Enterprise, a socially-oriented institution that offers technical training to less privileged youth. Mr. Jose R. Soberano III has more than 20 years of experience in managing and heading companies engaged in real estate development.

Ma. Rosario B. Soberano, 60, Filipino, has served as the Director, Treasurer and Executive Vice President of the Company since 2003. Ms. Ma. Rosario B. Soberano received a Bachelor of Science major in Accountancy degree (1979, *summa cum laude*) from St. Theresa's College in Cebu, and is a certified public accountant. She obtained a Master's Degree in Business Administration from the University of the Philippines – Cebu in 1983.

Jose Franco B. Soberano, 33, Filipino, has served as Director of the Company since 2010 and joined the Company as Chief Operating Officer and Senior Vice-President in 2010. He received a Bachelor of Science degree in Management, major in Legal Management and minor in Finance, from the Ateneo de Manila University in 2007. In 2012, he obtained a Master's Degree in Real Estate Development from Columbia University in New York City. Prior to joining the Company, he was a project manager at Hewlett-Packard Asia Pacific (HK). Ltd. He is a founding member of the Global Shapers – Cebu Hub, an initiative of the World Economic Forum and is President of the Sacred Heart School – Ateneo de Cebu Alumni Association since 2014.

Jose P. Soberano, Jr., 88, Filipino, has served as Director of the Company since 2003. He also serves as Corporate Secretary. He obtained his A.B. in Jurisprudence and Bachelor of Laws in 1953 from the University of Southern Philippines. He was a practicing private lawyer since 1953 to 1959. Mr. Jose P. Soberano, Jr. was appointed Regional Trial Court Judge from 1989 until he retired in 2000. Presently he is back into private practice of law after his retirement as RTC Judge in 2000.

Joanna Marie B. Soberano-Bergundthal, 31, Filipino, has served as Director of the Company since 2010, and joined the Company as Vice President and Marketing Director in July 2016. She earned from the University of Asia and the Pacific both her Bachelor and Master of Arts in Communication, Major in Integrated Marketing Communication in 2008 and 2009 respectively. She was Top 1 of her Batch 2008. Prior to joining the Company, she was a Marketing Manager of the Global Team of Nestle based in Switzerland from June 2014 to August 2015 and was Marketing Project Manager based in Thailand from August 2015 to June 2016. In October 2013 to May 2014, she worked as a Marketing Manager of Nestle Philippines.

Janella Mae B. Soberano, 27, Filipino, has served as Director of the Company starting January 2010, and joined the Company as Marketing Manager. She earned her Bachelor Arts in Humanities, major in Marketing Communications degree from the University of Asia and the Pacific in 2009. Prior to joining the Company, she was a Brand Management Associate of United Laboratories, Inc. from 2013 to 2016.

Atty. M. Jasmine S. Oporto, 59, Filipino, joined the Board of Directors of Cebu Landmasters as an Independent Director in August 2018. She obtained her Bachelor of Laws (LLB) from the College of Law of the University of the Philippines, and Bachelor of Landscape Architecture from the same university. Atty. Oporto has also attended Comparative International and American Law Program of the

Center for American and International Law. She is an experienced Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary and has worked in said capacity with publicly listed companies like Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation. In her legal practice, Atty. Oporto has intensive experience in working with wide network of external and in-house legal counsels for labor, commercial litigation, securities law, power industry regulation, land, infrastructure capital, and general corporate law.

Rufino Luis Manotok, 68, Filipino, joined as one of the Company's Independent Directors in February 2017. He finished Advanced Management Program of Harvard Business School in 1994. He earned his Master of Business Management degree from the Asian Institute of Management in 1973, and Bachelor of Arts, major in Economics by Ateneo de Manila University in 1971. He is currently an Independent Director of First Metro Investment Corporation and was the Chairman and President of Ayala Automotive Holdings Corporation from 2009 to 2012. From 2007 to 2009, he was Ayala Corporation's Senior Managing Director, Chief Financial Officer and Chief Information Officer. He was Managing Director, heading Strategic Planning Group of Ayala Corporation from 1998 to 2006.

Ma. Aurora D Geotina-Garcia, 66, Filipino, joined as one of the Company's Independent Directors in February 2017. She received her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines in 1973. She completed her Master of Business Administration from the same university in 1978. She headed SGV & Co.'s Global Corporate Finance Division from 1992 until her retirement from the partnership in 2001. She was a Senior Adviser to SGV & Co from the time of her retirement until September 2006. She has served as a consultant to businesses and the government for over 30 years in the area of corporate finance. She is presently the President of Mageo Consulting Inc. since March 2014 and CIBA Capital Philippines Inc. since December 2008.

Executive Officers

Name	Age	Position	Citizenship
Jose R. Soberano III	63	President and CEO	Filipino
Ma. Rosario B. Soberano	60	Treasurer and Executive Vice-President	Filipino
Jose Franco B. Soberano	33	Chief Operating Officer and Senior Vice-President	Filipino
Jose P. Soberano	88	Corporate Secretary	Filipino

The business experience for the past five years of each of the Jose R. Soberano III (President and CEO), Ma. Rosario B. Soberano (Treasurer and Executive Vice-President), Jose Franco B. Soberano (Chief Operating Officer and Senior Vice-President) and Jose P. Soberano (Corporate Secretary) are set out above, while the business experience for the past five years of the other Company's executive officers are described below.

Stephen A. Tan, 62, Filipino, is the Chief Finance Officer of the Company. A Certified Public Accountant, he is a holder of Masters in Business Administration, with distinction, from Katholieke Universiteit te Leuven in Belgium and Bachelor of Science in Management Engineering from Ateneo de Manila University. He earned his units in Accounting from the University of San Carlos to qualify for the

CPA board exam which he passed in 1987. Prior to working with the Company, Tan had served as Chief Finance Officer of a number of companies like Aboitiz Construction Group, Inc., FBMA Marine, Inc., Aboitizland, Inc., InfoWeapons Corporation, Pilmico Food Corporation, among others. He was also a part-time instructor for more than 30 years, having taught at the University of San Carlos and University of the Philippines. He continues to serve as a treasurer for Tsuneishi Heavy Industries and Finance Adviser to the Board of Trustees of Sacred Heart School – Ateneo de Cebu.

Larri-Nil G. Veloso, 40, Filipino, is the Vice-President for Legal department of the Company, and serves as the Company's Assistant Corporate Secretary and Compliance Officer. An experienced practitioner in Corporate Law, he holds a B.A. in Mass Communication from University of the Philippines and earned his Bachelor of Laws from University of Southern Philippines Foundation. While finishing law school, Atty. Veloso had worked for a print and online newspaper, occupying various positions in progression from correspondent, staff reporter, copy editor, copywriter, junior editor, group editor, to managing editor. Prior to joining the Company, he was the Corporate Legal Counsel of InfoWeapons Corporation, an American-owned software company specializing in networking appliances, and later promoted as General Manager.

Pedrito A. Capistrano Jr., 55, Filipino, is the Vice-President for Engineering of the Company. He is a licensed engineer in the field of Civil Engineering and Geodetic Engineering. He has been working with the Company since August 2011 when he was hired as Project Manager. In two years, he was promoted to his present position. His more than 25 years of experience has established for him solid foundation and credibility in the construction and allied fields. Some of the established companies Mr. Capistrano had worked with were Filinvest Land Inc., Robinson's Land Corporation, Cebu Industrial Park Developers, Inc., Aboitiz Land, Inc. and Aboitiz Construction Group, Inc. He finished his Bachelor of Science degree in Civil Engineering at Cebu Institute of Technology University in Cebu City and earned his Master of Science in Management Engineering from University of the Visayas also in Cebu City.

Connie N. Guieb, 40, Filipino, has been the Vice- President for Finance and Accounting of the Company since June 2014. She also serves as the Financial Comptroller. She has more than 15 years of accountancy and finance experience in various industries in both public and private sectors in the Philippines. She graduated *cum laude* with a Bachelor of Science in Accountancy degree from the University of San Carlos, and Bachelor of Laws from the University of Cebu. She is a Certified Public Accountant.

Marie Rose C. Yulo, 50, Filipino, is the Company's Vice-President for Sales. Prior to this, she was the Assistant Vice-President for both Sales and Marketing since March 2011 until August 2016 when the Company spun off its marketing unit as a separate department to provide focused attention to the equally challenging marketing and branding initiative of the Company. Ms. Yulo also has significant experience in the areas of travel and tours and banking, and has worked with AB Soberano, an affiliate of the Company and a well-known local producer of jewelry products for international market. She completed her Bachelor of Science degree in Business Administration at the University of San Carlos and earned units of Masters in Business Administration from the University of the Visayas.

Macario P. Balali, 56, Filipino, is the Vice-President for Human Resources and Administration of the Company. He joined the Company in July 2015. Prior to joining to the Company, Mr. Balali worked in big companies such as Aboitiz Power Corporation, East Asia Utilities Corporation & National Steel Corporation. He has more than 25 years of experience in the field of human resource. He also occupied managerial/executive positions in administration, and purchasing and logistics. Furthermore, Mr. Balali is teaching Master of Business Administration subjects at the University of San Jose-Recoletos in Cebu

City. He earned his Bachelor of Science in Chemical Engineering and Master in Management for Executives & Managers (MMExM) from the University of San Jose-Recoletos.

Jessel M. Kabigting, 49, Filipino, has been the Vice-President for Operations of Cebu Landmasters, Inc.. Jess finished Civil Engineering from the University of Santo Tomas and is the Gold Medalist in the Ateneo-Regis University MBA Program with a specialization in Marketing and Finance. Jess worked for 25 years in construction, real estate, and in outsourcing companies prior to joining Cebu Landmasters. He managed the planning, construction, procurement, and operations of various residential, office, retail, and mixed-use projects in the Philippines under Ayala Land and MCDC. Jess worked in Accenture for 6 years and served as Service Transition Executive and Solution Architect for the Philippines. During this time, Jess led outsourcing and sales engagements for Philippines and India and worked with clients from the USA and Europe. Jess also managed day to day business operations for three firms before joining Cebu Landmasters.

Sylvan John M. Monzon, 43, Filipino, is the Assistant Vice-President of Business Development of Cebu Landmasters, Inc. He holds a Bachelor's Degree in Management and a Professional Program in Business Economics from the University of Asia and the Pacific. Prior to serving CLI, Sylvan has served in business development and project development positions from other leading real estate companies in Cebu and Manila for 20 years.

Item 10 Executive Compensation

The following table sets out the Company's President and CEO and the four most highly compensated senior officers:

Name	Position
Jose R. Soberano III	Chief Executive Officer
Ma. Rosario B. Soberano	Executive Vice-President
Jose Franco B. Soberano	Executive Vice-President & Chief Operating Officer
Stephen A. Tan	Senior Vice-President & Chief Financial Officer
Joanna Marie B. Soberano-Bergundthal	Vice-President- Marketing

The following table identifies and summarizes the aggregate compensation of the Company's President CEO and the four most highly compensated executive officers, and all other officers and directors as a group, for the years ended December 31, 2018, 2017 and 2016.

	Year	Basic Compensation (in ₱)	Other Compensation (in ₱)
President and CEO and the four most highly compensated executive officers named above.....	2018	28,323,326.05	14,589,173.95
	2017	27,459,615.39	14,315,896.12
	2016	14,009,288.00	4,031,230.67

Each of the executive officers named above executed an employment contract with the Company and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan.

No bonuses have been declared for the Board of Directors for the last two years. For the ensuing year, the amount of bonuses to be received by the members of the Board of Directors has yet to be approved by it.

There is no plan or arrangement by which the executive officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

There are no outstanding warrants or options held by the Company's chief executive officer, the named executive officers, and all officers and directors as a group.

Item 11 Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of December 31, 2018:

Title of Class	Name, Address of Record Ownership and Relationship with Issuer	Stockholder Name	No. of Common Shares	Percentage (of common shares)
Common Shares	AB Soberano Holdings Corp., 2877 v. rama avenue guadalupe cebu city	AB SOBERANO HOLDINGS CORP.	985,823,197	57.52%
Common Shares	PCD Nominee Corporation (Filipino) G/F MSE Bldg. Ayala Ave. Makati City	PCD NOMINEE CORP. (FILIPINO)	664,574,050	38.77%

(b) Security Ownership of Directors and Management (Executive Officers) as of December 31, 2018:

Directors

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Jose R. Soberano III	75,625,000	475,751,135	551,376,135	33.070%
Ma. Rosario B. Soberano	59,125,000	475,751,135	534,876,135	32.080%
Jose P. Soberano, Jr.	2,250,000	9,911,482	12,161,482	0.730%

Jose Franco B. Soberano	8,991,700	9,911,482	18,903,182	1.130%
Joanna Marie B. Soberano	7,481,700	9,911,482	17,393,182	1.040%
Janella Mae B. Soberano	7,481,700	9,911,482	17,393,182	1.040%
Rufino Luis T. Manotok	1	0	1	0.000%
M. Jasmine S. Oporto	4,000	0	4,000	0.000%
Ma. Aurora Geotina-Garcia	1	0	1	0.000%
Total	160,959,102	991,148,198	1,152,107,300	69.09%

Officers

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Larri-Nil G. Veloso	5,000	0	5,000	0.000%
Marie Rose C. Yulo	0	120,000	120,000	0.007%
Sylvan John M. Monzon	38,000	12,000	50,000	0.003%

Item 12 Certain Relationships and Related Transactions

The Company and its subsidiaries (the “Group”), in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm’s length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group. CLI employees are also required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

PART IV – CORPORATE GOVERNANCE

Item 13 Corporate Governance

Corporate Governance

The Company is committed to doing business in accordance with the highest professional standards, business conduct and ethics and all applicable laws, rules, and regulations in the Philippines. The Company, its directors, officers, and employees are dedicated to promote and adhere to the principles of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness, and transparency.

Independent Directors

Philippine regulations require the Company to have at least three independent directors in its Board of Directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Company's Board of Directors is composed of nine members, six of whom are regular directors and three are independent directors. The Company's independent directors are Mr. Rufino Luis Manotok, Ms. Ma. Aurora D. Geotina-Garcia and Atty. Jasmine Oporto. Independent directors must hold no interests or relationships with the Company that may hinder their independence from the Company or its management, or which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Revised Code of Corporate Governance, independent directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. The By-Laws of the Company do not provide for such quorum requirement. However, pursuant to the Company's Manual, to promote transparency, the Board requires the presence of at least one independent director in all its meetings.

Compliance Officer

The Board shall appoint a Compliance Officer who shall be a member of the Company's management team and will be in charge of the compliance function. The Compliance Officer should not be a member of the Board and should be different from the Corporate Secretary. He shall have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer is primarily liable to the Company and its shareholders, and not to its Chairman or President. Among others, he shall have the following duties and responsibilities:

- 1) Ensure proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
- 2) Monitor, review, evaluate and ensure the compliance by the Company, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- 3) Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- 4) Ensure the integrity and accuracy of all documentary submissions to regulators;
- 5) Appear before the SEC when summoned in relation to compliance with this Code;

- 6) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- 7) Identify possible areas of compliance issues and work towards the resolution of the same;
- 8) Ensure the attendance of board members and key officers to relevant trainings; and
- 9) Perform such other duties and responsibilities as may be provided by the SEC.

Chief Audit Officer

The Chief Audit Officer, who is appointed by the Board, directly reports functionally to the Audit Committee and administratively to the Chief Executive Officer. He shall oversee and be responsible for the internal audit activity of the Company, including that portion that is outsourced to a third party service provider.

Resolving Stockholders' Disputes

Stockholders who have matters for discussion or concerns directly resulting to the business of the Company may initially elevate such matters or concerns to: (a) the Corporate Secretary; (b) the Investor Relations Officer; (c) Management; or (d) the Board.

Committees of the Board

The Board of Directors has constituted certain committees to effectively manage the operations of the Company. The Company's principal committees include the Audit Committee, Nomination Committee, Compensation and Remuneration Committee, and the Corporate Governance Committee. A brief description of the functions and responsibilities of the key committees are set out below:

A. Audit Committee

The Audit Committee shall be composed of at least three board members, preferably with accounting and finance background, one of whom shall be an independent director and another should have related audit experience. The Chairman of this Committee should be an independent director. He should be responsible for inculcating in the minds of the Board Members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The Audit Committee shall perform the following functions:

- 1) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, internal and external audit process, and monitoring of compliance with applicable laws, rules and regulations.
- 2) Recommend the approval the Internal Audit Charter ("**IA Charter**"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- 3) Through the Internal Audit ("**IA**") Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets.

- 4) Oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Officer. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- 5) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- 6) Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 7) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 8) Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.
- 9) Review and approves the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
- 10) Review the disposition of the recommendations in the external auditor's management letter;
- 11) Perform oversight functions over the Company's internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- 12) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- 13) Recommend to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- 14) Oversee the implementation of the risk management and related party strategies and policies, including but not limited to the following:
 - i. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions ("**RPTs**") are monitored, and subsequent changes in relationships with counter-parties (from non-related to related and vice versa) are captured.
 - ii. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

- iii. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- iv. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- v. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- vi. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

B. Nomination Committee

The Nomination Committee of the Board shall have at least three members, one of whom shall be an independent director. The Nomination Committee shall review and evaluate the qualifications of all individuals nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.

Only a stockholder of record entitled to notice and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected as a director of the Company.

C. Compensation and Remuneration Committee

The Board shall constitute a Compensation and Remuneration Committee which shall be composed of at least three (3) members, one (1) of whom must be an independent director. It shall have the following duties and responsibilities:

- 1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and the business environment in which it operates;
- 2) Design the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and

- 3) Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met.

D. Corporate Governance Committee

The Corporate Governance Committee shall consist of three directors, one of whom must be an independent director. Among other functions that may be delegated by the Board, the Committee shall be responsible for the following:

- 1) Overseeing the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- 2) Overseeing the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- 3) Ensuring that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement
- 4) Recommending continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- 5) Adopting corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- 6) Proposing and planning relevant trainings for the members of the Board;
- 7) Determining the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- 8) Establishing a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

E. Penalties for Non-compliance with the Manual on Corporate Governance

In case of violation of any of the provisions of the Manual on Corporate Governance, the following penalties shall be imposed, after due notice and hearing, on the Company's directors, officers, and employees:

- 1) First Violation – reprimand;
- 2) Second Violation –suspension from office, the duration of which shall depend on the gravity of the violation; and
- 3) Third Violation – removal from office.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

PART V – EXHIBITS AND SCHEDULES

Item 14 Exhibits

The schedules required by SRC Rule 68 be presented is included/shown in the related consolidated financial statements or in the notes thereto.

Item 15 Reports on SEC Form 17-C

There were no filings for SEC form 17-C made by the company during the past 6 months.

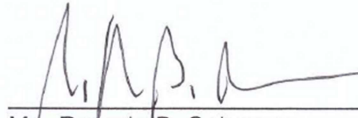
SIGNATURES

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

CEBU CITY on 15 APR 2019

By:


 Jose R. Soberano III
 PRESIDENT & CEO


 Ma. Rosario B. Soberano
 Executive VP & Treasurer


 Stephen A. Tan
 Chief Finance Officer


 Connie N. Guieb
 VP-Accounting & Finance


 Atty. Larri-Neil Veloso
 Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15 APR 2019 day of 20 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Jose R. Soberano III	SSS ID: 06-0583595-5	N/A	N/A
Ma. Rosario B. Soberano	PRC ID: 0013942	November 2016	Cebu, Philippines
Stephen A. Tan	PRC ID: 0082427	June 2015	Manila, Philippines
Connie N. Guieb	PRC ID: 0104301	November 2014	Cebu City, Philippines

ATTY. JOHN PATRICK T. CABRERA
 Notary Public
 Cebu City, Cebu
 Commission No. 000-17 | December 2020
 MCLE Compliance No. V-0005413 | Roll No. 62261
 P.T.R. No. 287-53, 12/19/18, Cebu
 ISF No. 400717137, 12/26/18, Cebu Province
 1010 P.O. Box 114, P.O. Box 114, Mar. St.,
 Cebu L.T. Hall, Ayala, Cebu City 6000 Philippines

Doc No. 383;
 Page No. 37;
 Book No. XII;
 Series of 2019.

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


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

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

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

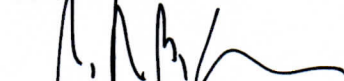
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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



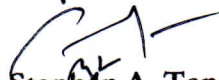
Jose R. Soberano III

Chairman of the Board, Chief Executive Officer and President
TIN# 108-729-320-000



Ma Rosarip B. Soberano

Treasurer / Executive Vice President
TIN# 106-129-910-000



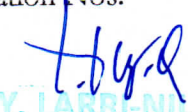
Stephen A. Tan

Chief Finance Officer
TIN# 103-693-416-000

Signed this ____ day of 10 APR 2019

SUBSCRIBED AND SWORN to before me this 10 APR 2019 at TALISAY CITY, CEBU
affiants exhibiting to me their respective Tax Identification Nos.

Doc No. 789 ;
Page No. 79 ;
Book No. VII ;
Series of 2019.



ATTY. LARRY G. VELOSO
Notary Public
Talisay City and Naga City, Cebu
Commission No. 2017-05-EJ | December 31, 2020
MCLE Compliance No. VI-0000292 | Roll No. 58901
PTR No. 233553, 12/19/18, Cebu
IDP No. AR 45405510, 12/20/18, Cebu Province
Block 1, Lot 11, San Josemaria Village, Magaway,
Talisay City, Cebu, Philippines 6045



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

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F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss, 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 (PFRS).

Basis for Opinion

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

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.

(a) Revenue Recognition for Sale of Real Estates

Description of the Matter

In 2018, the Group's revenue from sale of real estates accounts for 98% of the Group's total revenues. It uses the percentage of completion (POC) method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation, to determine the appropriate amount of contract revenues to be recognized for the reporting period. The Group applied the POC method in 2018 based on the requirements of PFRS 15, *Revenue from Contracts with Customers* (PFRS 15), which the Group adopted for the first time on January 1, 2018 using the modified retrospective approach. PFRS 15 introduces a comprehensive five-step model which serves as a framework for recognition of revenue as the Group satisfies a performance obligation rather than rely primarily on management's judgments on when the transfers of risk and rewards to customers transpired.

The Group's revenue recognition for sale of real estates is significant to our audit because of the significant volume of transactions and amount of revenue from sale of real estates involved. Coupled with this is the complexity of the application of PFRS 15 in real estate sales contracts; and the application of significant management judgments in determining when to recognize revenue, particularly on the assessment of the probability of collecting the consideration, and in estimating the stage of project completion. An error in the application of the requirements of PFRS 15 and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's disclosures on the impact of the adoption of PFRS 15, new accounting policy on revenue recognition of real estate sales contracts, and basis of significant judgment and estimates are included in Notes 2 and 3 to the consolidated financial statements. In addition, the details of contract revenues, specifically the disaggregation of revenues, and costs of sale of real estates are disclosed in Notes 17 and 18 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

To address the matter, we started by obtaining an understanding of the new revenue recognition policy of the Group and checked its compliance with the provisions of PFRS 15 and the related issuances by the Philippine Interpretations Committee and the Securities and Exchange Commission.

Our procedures in testing the appropriateness of prior period adjustments, which related primarily to the costs of sale of real estates, include tests of mathematical accuracy and completeness of supporting contract summary, review of reasonableness of prior period adjustments, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results. In addition, we also tested the IT general and application controls over the automated system that generated the data used as a basis for the adjustments.

In respect of the risks of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness, including IT general controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract; this involves a historical analysis of customer payment pattern and behavior.

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

(b) Existence and Valuation of Real Estate Inventories

Description of the Matter

Real estate inventories amount to P6.3 billion which accounts for 38% of total current assets and 24% of total assets of the Group as of December 31, 2018. The Group's real estate inventories comprise of condominium units, subdivision units, construction-in-progress, and raw land inventory which are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price less costs to complete and sell. More details on the Group's policy for existence and valuation of real estate inventories, and an analysis of the components of inventories are disclosed in Notes 2 and 7 to the consolidated financial statements, respectively.

In consideration of the volume of the real estate projects undertaken by the Group, an assessment of the net realizable value of real estate inventories is carried out at each reporting date. For this same reason, it is also necessary to establish the existence of inventories because of the asset's material effect on the consolidated financial statements should it be proven otherwise. In addition, the valuation of the asset is also hinged on its existence. The determination of its net realizable value requires estimation of selling prices that consider recent market prices and conditions, and costs to complete and sell, which are subject to market conditions in respect of materials and subcontractor's cost and construction issues. Accordingly, a change in the Group's estimation of selling prices and estimated cost to complete and sell could have a material impact on the carrying value of real estate inventories in the consolidated financial statements.

How the Matter was Addressed in the Audit

We performed ocular inspection of selected real estate projects near the reporting date to confirm their existence and examined documents such as land titles, progress reports, contractors' accomplishment billings among others to corroborate with other procedures as well as to ensure completeness of recorded costs. Moreover, we checked the mathematical accuracy and reasonableness of the Group's schedule of lower of cost and net realizable value of real estate inventories, and tested on a sampling basis the estimated selling price and costs to complete and sell. We tested the assumptions used by management in estimating the selling price by comparing it with the contract price of recently sold real estate projects and considering the market values of properties in the same location; the estimated cost to complete using recent projects of the Group and historical data on restoration costs, among others; and estimated cost to sell by analyzing selling expenses such as commissions and other related expenses.

As part of our audit strategy, we have obtained an understanding and performed testing of the design effectiveness of the Group's internal control related to inventory existence and valuation.

(c) Consolidation Process

Description of the Matter

The consolidated financial statements of the Group represent the financial statements of the Parent Company and its subsidiaries viewed as a single economic and reporting entity. We consider the Group's consolidation process as a key audit matter because of the significant judgments made to determine whether control exists on subsidiaries where shareholdings of the Group is 50% and lower, and the complexity arising from the component entities with significant intercompany transactions that require elimination and valuation of non-controlling interests in net profit and net assets of the Group.

The Group's accounting policy and judgment applied on consolidation are presented in Notes 2 and 3 to the consolidated financial statements.

How the Matter was Addressed in the Audit

To address this matter, we obtained understanding of the Group's structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, and recognition of equity transactions to measure non-controlling interest. In respect of subsidiaries where shareholdings of the Group is 50% and lower, we obtained documents supporting management's judgment in respect of its assumed control over the entities and discussed with management how it is able to demonstrate such control over the entities. Finally, we analyzed the operations of each of those subsidiaries to determine whether indeed, the parent company controls their operations.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

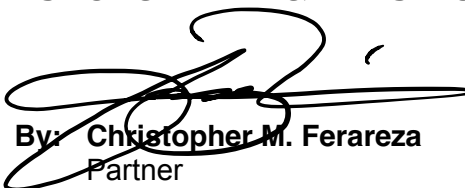
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audits resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO


By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 7333693, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 10, 2019

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(With Corresponding Figures as of January 1, 2017)
(Amounts in Philippine Pesos)

		December 31, 2018	December 31, 2017 (As Restated - see Notes 2 and 26)	January 1, 2017 (As Restated - see Notes 2 and 26)
	Notes			
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 949,161,931	P 1,460,011,866	P 115,818,665
Receivables - net	6	3,093,200,762	3,851,982,965	1,860,248,974
Contract assets - net	17	4,283,208,009	-	-
Real estate inventories	7	6,256,527,195	5,441,680,565	3,621,967,823
Deposits on land for future development	8	621,175,611	919,936,119	259,897,127
Due from related parties	25	21,154,189	17,841,951	24,253,697
Prepayments and other current assets	9	864,141,909	339,273,239	186,103,367
Total Current Assets		<u>16,088,569,606</u>	<u>12,030,726,705</u>	<u>6,068,289,653</u>
NON-CURRENT ASSETS				
Receivables - net	6	945,894,535	698,476,436	189,781,636
Contract assets - net	17	1,158,917,984	-	-
Available for sale financial assets	10	-	55,633,275	54,133,275
Deposits on land for future development	8	1,133,587,835	28,608,400	-
Investments in associates	11	11,205,003	11,642,150	12,233,254
Property and equipment - net	12	325,720,720	174,969,442	164,357,500
Investment properties - net	13	5,699,104,914	323,945,511	297,664,109
Other non-current assets - net	14	64,664,201	225,577,182	22,878,048
Total Non-current Assets		<u>9,339,095,192</u>	<u>1,518,852,396</u>	<u>741,047,822</u>
TOTAL ASSETS		<u>P 25,427,664,798</u>	<u>P 13,549,579,101</u>	<u>P 6,809,337,475</u>
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	P 1,559,866,154	P 1,080,635,599	P 787,980,146
Trade and other payables	16	2,318,263,599	1,561,755,633	904,991,317
Contract liabilities	17	457,927,612	-	-
Customers' deposits	17	42,774,376	366,442,848	326,954,126
Income tax payable		17,728,700	105,466	-
Reserve for property development	7	-	796,669,136	267,029,632
Total Current Liabilities		<u>4,396,560,441</u>	<u>3,805,608,682</u>	<u>2,286,955,221</u>
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	9,081,414,157	4,021,099,312	2,857,930,715
Trade and other payables	16	84,704,896	73,026,935	16,956,129
Post-employment defined benefit obligation	23	5,967,694	11,363,514	2,105,858
Deferred tax liabilities - net	24	537,036,656	224,193,760	100,169,356
Total Non-current Liabilities		<u>9,709,123,403</u>	<u>4,329,683,521</u>	<u>2,977,162,058</u>
Total Liabilities		<u>14,105,683,844</u>	<u>8,135,292,203</u>	<u>5,264,117,279</u>
EQUITY				
Equity attributable to shareholders of Parent Company	26			
Capital stock		1,714,000,000	1,714,000,000	1,284,000,000
Additional paid-in capital		1,608,917,974	1,608,917,974	-
Treasury shares		(212,459,418)	-	-
Revaluation reserves		(12,428,442)	(4,319,093)	(625,202)
Retained earnings		2,943,393,829	1,524,723,105	237,786,706
		<u>6,041,423,943</u>	<u>4,843,321,986</u>	<u>1,521,161,504</u>
Non-controlling interest	26	5,280,557,011	570,964,912	24,058,692
Total Equity		<u>11,321,980,954</u>	<u>5,414,286,898</u>	<u>1,545,220,196</u>
TOTAL LIABILITIES AND EQUITY		<u>P 25,427,664,798</u>	<u>P 13,549,579,101</u>	<u>P 6,809,337,475</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

			2017 (As Restated - see Notes 2 and 26)	2016 (As Restated - see Notes 2 and 26)
	Notes	<u>2018</u>		
REVENUES	17			
Sale of real estates		P 6,692,537,760	P 3,878,512,273	P 2,321,887,719
Rental		57,480,871	45,647,337	38,870,444
Management fees		<u>12,920,716</u>	<u>3,662,984</u>	<u>375,000</u>
		6,762,939,347	3,927,822,594	2,361,133,163
COST OF SALES AND SERVICES	18	(<u>3,136,059,915</u>)	(<u>1,893,381,563</u>)	(<u>1,124,034,649</u>)
GROSS PROFIT		3,626,879,432	2,034,441,031	1,237,098,514
OPERATING EXPENSES	19	(<u>893,891,554</u>)	(<u>566,473,801</u>)	(<u>345,064,323</u>)
OTHER OPERATING INCOME	20	<u>33,500,390</u>	<u>28,450,333</u>	<u>17,150,070</u>
OPERATING PROFIT		2,766,488,268	1,496,417,563	909,184,261
SHARE IN NET LOSS OF ASSOCIATES	11	(<u>437,147</u>)	(<u>591,104</u>)	(<u>4,501,842</u>)
FINANCE COSTS	21	(<u>132,572,322</u>)	(<u>36,406,762</u>)	(<u>23,927,298</u>)
IMPAIRMENT LOSS ON FINANCIAL ASSETS	30	(<u>44,779,695</u>)	-	(<u>2,404,888</u>)
FINANCE INCOME	5	18,861,865	5,262,332	523,873
OTHER GAINS (LOSSES) - Net	22	(<u>26,582</u>)	(<u>515,708</u>)	<u>4,763,119</u>
PROFIT BEFORE TAX		2,607,534,387	1,464,166,321	883,637,225
TAX EXPENSE	24	<u>438,609,074</u>	<u>202,760,529</u>	<u>116,480,927</u>
NET PROFIT		<u>P 2,168,925,313</u>	<u>P 1,261,405,792</u>	<u>P 767,156,298</u>
Net profit attributable to:				
Parent Company's shareholders		P 1,667,369,943	P 1,286,936,399	P 778,097,609
Non-controlling interests		<u>501,555,370</u>	(<u>25,530,607</u>)	(<u>10,941,311</u>)
		<u>P 2,168,925,313</u>	<u>P 1,261,405,792</u>	<u>P 767,156,298</u>
Earnings per Share:				
Basic and diluted	27	<u>P 0.98</u>	<u>P 0.86</u>	<u>P 0.91</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
NET PROFIT		P 2,168,925,313	P 1,261,405,792	P 767,156,298
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Loss on remeasurements of post-employment defined benefit obligation	23	(2,562,785)	(6,776,987)	(510,088)
Tax income	24	768,836	2,033,096	153,026
		(1,793,949)	(4,743,891)	(357,062)
Item that will be reclassified subsequently to profit or loss				
Fair value gains on available-for-sale financial assets	10	-	1,500,000	3,500,000
Tax expense	24	-	(450,000)	(1,050,000)
		-	1,050,000	2,450,000
Other Comprehensive Income (Loss) - Net of Tax		(1,793,949)	(3,693,891)	2,092,938
TOTAL COMPREHENSIVE INCOME		P 2,167,131,364	P 1,257,711,901	P 769,249,236
Total comprehensive income attributable to:				
Parent Company's shareholders		P 1,665,575,994	P 1,283,242,508	P 780,190,547
Non-controlling interests		501,555,370	(25,530,607)	(10,941,311)
		P 2,167,131,364	P 1,257,711,901	P 769,249,236

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

Notes	Attributable to Parent Company's Shareholders						Non-controlling Interests (See Note 26)	Total
	Common Stock (See Note 26)	Treasury Stock (See Note 26)	Additional Paid-in Capital (See Note 26)	Revaluation Reserves (See Note 26)	Retained Earnings (See Note 26)	Total		
Balance at January 1, 2018								
As previously reported	P 1,714,000,000	p -	P 1,608,917,974	(P 4,319,093)	P 1,533,484,459	P 4,852,083,340	P 93,905,358	P 4,945,988,698
Effect of prior period adjustment	-	-	-	-	(8,761,354)	(8,761,354)	477,059,554	468,298,200
Balance after prior period adjustment	1,714,000,000	-	1,608,917,974	(4,319,093)	1,524,723,105	4,843,321,986	570,964,912	5,414,286,898
Effect of adoption of PFRS 9 and 15	-	-	-	-	1,860,381	1,860,381	22,593,229	24,453,610
As restated	1,714,000,000	-	1,608,917,974	(4,319,093)	1,526,583,486	4,845,182,367	593,558,141	5,438,740,508
Transactions with owners of Parent Company								
Investments from non-controlling shareholders	-	-	-	-	-	-	4,185,443,500	4,185,443,500
Cash dividend	-	-	-	-	(256,875,000)	(256,875,000)	-	(256,875,000)
Acquisition of treasury stock	(212,459,418)	(212,459,418)	-	-	(212,459,418)	(212,459,418)	-	(212,459,418)
	(212,459,418)	(212,459,418)	-	-	(256,875,000)	(469,334,418)	4,185,443,500	3,716,109,082
Total comprehensive income for the year	-	-	-	-	1,667,369,943	1,667,369,943	501,555,370	2,168,925,313
Net profit for the year	-	-	-	-	1,667,369,943	1,667,369,943	501,555,370	2,168,925,313
Derecognition of revaluation reserve due to sale of financial asset at fair value through other comprehensive income	-	-	-	(6,315,400)	6,315,400	-	-	-
Other comprehensive loss	(1,793,949)	-	(1,793,949)	-	-	(1,793,949)	-	(1,793,949)
	(8,109,349)	-	-	(8,109,349)	1,673,685,343	1,665,575,994	501,555,370	2,167,131,364
Balance at December 31, 2018	P 1,714,000,000	(P 212,459,418)	P 1,608,917,974	(P 12,428,442)	P 2,943,393,829	P 6,041,423,943	P 5,280,557,011	P 11,321,980,954
Balance at January 1, 2017								
As previously reported	P 1,284,000,000	p -	p -	(P 625,202)	P 239,963,006	P 1,523,337,804	p -	P 1,523,337,804
Effect of prior period adjustment	-	-	-	-	(2,176,300)	(2,176,300)	24,058,692	21,882,392
As restated	1,284,000,000	-	-	(625,202)	237,786,706	1,521,161,504	24,058,692	1,545,220,196
Transactions with owners of Parent Company								
Issuance of capital stock	430,000,000	-	1,608,917,974	-	-	2,038,917,974	-	2,038,917,974
Investments from non-controlling shareholders	-	-	-	-	-	-	572,436,827	572,436,827
	430,000,000	-	1,608,917,974	-	-	2,038,917,974	572,436,827	2,611,354,801
Total comprehensive income for the year	-	-	-	-	1,286,936,399	1,286,936,399	(25,530,607)	1,261,405,792
Net profit for the year	-	-	-	(3,693,891)	-	(3,693,891)	-	(3,693,891)
Other comprehensive loss	-	-	-	(3,693,891)	1,286,936,399	1,283,242,508	(25,530,607)	1,257,711,901
Balance at December 31, 2017	P 1,714,000,000	p -	P 1,608,917,974	(P 4,319,093)	P 1,524,723,105	P 4,843,321,986	P 570,964,912	P 5,414,286,898
Balance at January 1, 2016								
As previously reported	P 837,690,000	p -	p -	(P 2,718,140)	P 315,727,514	P 1,150,699,374	p -	P 1,150,699,374
Effect of prior period adjustment	-	-	-	-	55,040	55,040	-	55,040
As restated	837,690,000	-	-	(2,718,140)	315,782,554	1,150,754,414	-	1,150,754,414
Transactions with owners								
Cash dividend	-	-	-	-	(856,093,457)	(856,093,457)	-	(856,093,457)
Issuance of capital stock	400,000,000	-	-	-	-	400,000,000	-	400,000,000
Collection of subscription receivable	46,310,000	-	-	-	-	46,310,000	-	46,310,000
Investments from non-controlling shareholders	-	-	-	-	-	-	35,000,003	35,000,003
	446,310,000	-	-	-	(856,093,457)	(409,783,457)	35,000,003	(374,783,454)
Total comprehensive income for the year	-	-	-	-	778,097,609	778,097,609	(10,941,311)	767,156,298
Net profit for the year	-	-	-	2,092,938	-	2,092,938	-	2,092,938
Other comprehensive income	-	-	-	2,092,938	778,097,609	780,190,547	(10,941,311)	769,249,236
Balance at December 31, 2016	P 1,284,000,000	p -	p -	(P 625,202)	P 237,786,706	P 1,521,161,504	P 24,058,692	P 1,545,220,196

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

			2017 (As Restated - see Notes 2 and 26)	2016 (As Restated - see Notes 2 and 26)
	Notes	2018		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,607,534,387	P 1,464,166,321	P 883,637,225
Adjustments for:				
Interest expense on interest-bearing loans	15	88,467,056	24,197,737	21,284,594
Depreciation and amortization	19	52,474,358	50,790,457	31,307,074
Impairment loss on financial assets	30	44,779,695	-	-
Day one loss, net of amortization	6	42,964,142	11,589,073	2,319,730
Interest income	5	(18,861,865)	(5,262,332)	(523,873)
Share in net losses of associates	11	437,147	591,104	4,501,842
Net gains on sale of investment properties	13	-	-	(4,762,807)
Operating profit before working capital changes		2,817,794,920	1,546,072,360	937,763,785
Decrease (increase) in receivables		454,853,112	(1,991,733,991)	(1,007,217,343)
Increase in contract assets		(5,495,689,229)	-	-
Increase in real estate inventories		(2,426,188,310)	(2,204,259,795)	(2,170,073,661)
Increase in deposits on land for future development		(806,218,927)	(688,647,392)	(182,337,512)
Increase in prepayments and other current assets		(349,856,907)	(229,789,396)	(148,220,733)
Decrease (increase) in other non-current assets		161,340,668	(202,225,414)	(10,749,667)
Increase in trade and other payables		362,028,572	712,835,123	572,633,391
Increase in contract liabilities		457,927,612	-	-
Increase (decrease) in customers' deposits		(323,668,472)	39,488,722	25,454,900
Increase in reserve for property development		-	529,639,504	59,802,312
Increase (decrease) in post-employment defined benefit obligation		(7,958,605)	2,480,669	(3,427,926)
Cash used in operations		(5,155,635,566)	(2,486,139,610)	(1,926,372,454)
Cash paid for taxes		(78,391,701)	(428,039)	(52,965)
Net Cash Used in Operating Activities		(5,234,027,267)	(2,486,567,649)	(1,926,425,419)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	12	(183,934,845)	(46,363,390)	(108,279,324)
Proceeds from transfer of financial assets at FVOCI	10	55,633,275	-	-
Interest received	5	18,861,865	5,262,332	523,873
Advances to related parties	25	(3,324,163)	(2,480,309)	(110,030,074)
Acquisitions of computer software	14	(1,620,697)	(1,560,745)	(777,195)
Acquisitions of investment properties	13	(153,828)	(40,233,386)	(6,782,161)
Collections of advances to related parties	25	11,925	8,892,055	260,494,232
Proceeds from sale of investment properties	13	-	-	32,272,233
Acquisitions of equity interest in associates		-	-	(4,000,000)
Acquisitions of available-for-sale financial assets		-	-	(865,000)
Net Cash From (Used in) Investing Activities		(114,526,468)	(76,483,443)	62,556,584

Forward

			2017 (As Restated - see Notes 2 and 26)	2016 (As Restated - see Notes 2 and 26)
	Notes	2018		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of interest-bearing loans	15	P 7,303,922,875	P 2,227,888,273	P 2,857,489,687
Repayments of interest-bearing loans	15	(1,766,308,093)	(773,035,248)	(546,172,497)
Interest paid	15	(304,926,564)	(158,963,533)	(77,357,003)
Cash dividends paid	26	(256,875,000)	-	(856,093,457)
Acquisition of treasury stock	26	(212,459,418)	-	-
Additional investment from non-controlling shareholders	26	74,350,000	572,436,827	35,000,003
Proceeds from issuance of shares of stock	26	-	2,150,000,000	400,000,000
Stock issuance costs charged to additional paid-in capital	26	-	(111,082,026)	-
Collection of subscriptions receivable	26	-	-	46,310,000
Repayments of advances from related parties	25	-	-	(3,133,857)
Net Cash From Financing Activities		<u>4,837,703,800</u>	<u>3,907,244,293</u>	<u>1,856,042,876</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(510,849,935)	1,344,193,201	(7,825,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		<u>1,460,011,866</u>	<u>115,818,665</u>	<u>123,644,624</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		<u>P 949,161,931</u>	<u>P 1,460,011,866</u>	<u>P 115,818,665</u>

Supplemental Information for Non-cash Investing and Financing Activities:

- 1) In 2018, non-controlling shareholders of the Group's subsidiaries transferred parcels of land totalling P4.2 billion, which were classified as investment property, to the subsidiaries in exchange for shares and settlement of an obligation (see Notes 13 and 26).
- 2) The Group made certain reclassifications which are as follows (see Notes 7, 12 and 13):
 - a) In 2018, real estate construction in progress of P816.4 million intended for leasing were reclassified to investment properties (see Note 7).
 - b) In 2017, parking units of P3.4 million from the Property and Equipment account to the Investment Property account.
 - b) In 2016, condominium units of P4.6 million and P2.0 million from the Property and Equipment and Real Estate Inventory accounts, respectively, to the Investment Property account.

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714 million of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430 million unissued common shares of CLI. CLI's shares were listed in the Philippine Stock Exchange on June 2, 2017.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the parent company of CLI.

ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership	
		2018	2017
<i>Subsidiaries</i>			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100	100
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100	100
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100	100
BL CBP Ventures, Inc. (BL Ventures)	(d)	50	50
Yuson Excellence Soberano, Inc. (YES)	(e)	50	50
Mivesa Garden Residences, Inc. (MGR)	(f)	45	45
Yuson Huang Excellence Soberano, Inc. (YHES)	(g)	50	50

Forward

Entity	Note	Effective Percentage of Ownership	
		2018	2017
<i>Subsidiaries</i>			
YHEST Realty and Development Corporation (YHEST)	(h)	50	-
CCLI Premier Hotels, Inc. (CCLI)	(i)	50	-
El Camino Developers Cebu, Inc. (El Camino)	(j)	35	35
<i>Associates</i>			
Magspeak Nature Park, Inc. (Magspeak)	(k)	25	25
Ming-mori Development Corporation (MDC)	(l)	20	20

CLI and its subsidiaries (collectively referred as “the Group”) and its associates are incorporated in the Philippines, except CPM, CPH and CCLI, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly-owned subsidiary of the CLI and has not yet started commercial operations as of December 31, 2018. The principal place of business of CPH is located at Cebu City;
- (b) CPM was incorporated in 2017 as a wholly-owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPM is located at Cebu City;
- (c) ASF was incorporated in 2017 as a joint venture where the CLI initially holds 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly-owned subsidiary as of December 31, 2017. The principal place of business of ASF is located at Cebu City;
- (d) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located at Cebu City;
- (e) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located at Davao City;
- (f) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located at Cebu City;
- (g) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located at Davao City;
- (h) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located at Davao City;
- (i) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The Citadines hotel is planned to be managed by Ascott. The principal place of business of CCLI is located at Bacolod City;

- (j) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located at Cebu City;
- (k) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located at Cebu City; and,
- (l) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located at Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2018 (including the comparative consolidated financial statements for the years ended December 31, 2017 and 2016, including the corresponding figures as of January 1, 2017) were authorized for issue by the BOD on April 10, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The relief granted by the SEC under Memorandum Circular (MC) Nos. 14-2018 and 3-2019 is availed by the Group as discussed under Note 2.2.

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

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

(i) *Changes in Accounting Policies – Adoption of New Accounting Standards*

In 2018, the Group adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Group not to restate its prior periods' consolidated financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement and impairment of financial assets are recognized in the opening balance of Retained Earnings [see Note 2.2(a)(ii)].

At the same time, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, together with the *Clarifications to PFRS 15*, as indicated in various issuances of the FRSC and Philippine Interpretations Committee (herein referred to as PFRS 15), which was applied using the modified retrospective approach under which changes having a material retrospective restatements on certain accounts in the consolidated statement of financial position as at January 1, 2018 are presented together as a single adjustment to the opening balance of Retained Earnings [see Note 2.2(a)(iii)].

Accordingly, the adoption of these two new accounting standards did not necessitate presentation of a third consolidated statement of financial position.

(ii) *Retrospective Restatement and Reclassifications*

In 2018, the Group restated its previously issued consolidated financial statements because of error in the assessment of control over its investees. There are some investees that were previously accounted as a joint venture (YHES) and associates (MGR and El Camino) that are actually controlled by the Parent Company since their incorporation. Control was determined by management based on its ability to direct activities over these entities rather than the legal form of their agreements.

Because of these prior period adjustments, the comparative consolidated statement of financial position and corresponding figures contained in these consolidated financial statements differ from those previously presented in the Group's consolidated statements of financial position as at December 31, 2017 and January 1, 2017. Thus, a third consolidated statement of financial position is presented.

An analysis of the adjustments made to the balance of retained earnings and non-controlling interest as at January 1, 2018 because of the foregoing matters is presented below.

	Notes	Effects on Shareholder's Equity		
		Retained Earnings	Non-controlling Interests	Total Equity
As previously reported		P 1,533,484,459	P 93,905,358	P 4,945,988,698
Effect of prior period adjustments [see (ii)]	26.5	(8,761,354)	477,059,554	468,298,200
Balance after prior period adjustments		1,524,723,105	570,964,912	5,414,286,898

Forward

	Notes	Effects on Shareholder's Equity		
		Retained Earnings	Non-controlling Interests	Total Equity
Impact of adoption of PFRS 9 [see (i)]				
Additional allowance for credit losses on:				
Trade and other receivables	30.2	(P 5,021,210)	(P 186,601)	(P 5,207,811)
Contract assets	30.2	(17,146,847)	-	(17,146,847)
		(22,168,057)	(186,601)	(22,354,658)
Increase in deferred tax asset arising from the additional allowance for credit losses	24	3,034,767	55,980	3,090,747
		(19,133,290)	(130,621)	(19,263,911)
Impact of adoption of PFRS 15 [see (i)]				
Timing difference on the recognition of:				
Accrued expenses	16	(456,346,012)	-	(456,346,012)
Prepaid commission	9	162,848,754	13,927,265	176,776,019
Reversal of reserve for property development	7	783,629,571	13,039,565	796,669,136
Decrease in inventory	7	(496,566,683)	-	(496,566,683)
		(6,434,370)	26,966,830	20,532,460
Changes in deferred tax liabilities as a result of restatements	24	27,428,041	(4,242,980)	23,185,061
		20,993,671	22,723,850	43,717,521
Net impact of adoption of PFRS 9 and 15		1,860,381	22,593,229	24,453,610
As restated		P 1,526,583,486	P 593,558,141	P 5,438,740,508

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

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

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

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

Discussed below are the relevant information about these standards, amendments, and improvements.

- (i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendments states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use. The application of these amendments had no impact on the Group's consolidated financial statements.
- (ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
 - an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.5 and 2.11.

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

(a) *Debt Instruments Reclassified from Loans and Receivables to Financial Assets at Amortized Cost*

With respect to cash and cash equivalents, receivables, due from related parties and refundable deposits which were classified under loans and receivable, management determined that the Group will continue to hold and collect these financial assets until their contractual maturity date and their cash flow characteristics only include solely payments of principal and interests (SPPI). Accordingly, these are reclassified from loans and receivable to financial assets at amortized cost.

(b) *Investment Securities Reclassified from Available-for-Sale Financial Assets to FVOCI*

With respect to the unquoted equity securities amounting to P6,633,275 as of January 1, 2018 which were previously classified as available-for-sale (AFS) financial assets, the Group elected to irrevocably designate these equity securities at FVOCI, as the assets are now held by the Group with the objective of selling in the future for liquidity purposes. On the other hand, the proprietary golf shares under AFS financial assets with a carrying amount of P49,000,000 is equivalent to its fair value upon reclassification on January 1, 2018, which were also reclassified to FVOCI. Accordingly, there were no gain or losses that resulted from adjustments made on these investments as of January 1, 2018.

(c) *Credit Losses on Financial Assets that are Debt Instruments*

The application of the ECL methodology based on the stages of impairment assessment for trade and other receivables and contract assets resulted in the recognition of additional allowance for credit losses for trade and other receivables amounting P22,354,658 as of January 1, 2018. Such amount, net of the related deferred tax income of P3,090,747, was charged against the opening balance of Retained Earnings account and the corresponding deferred tax asset was likewise recognized.

The table below summarizes the effects of the adoption of PFRS 9 (2014) in the carrying amounts and presentation of the categories of the financial assets in the consolidated statement of financial position as at January 1, 2018. The adoption of PFRS 9 has no significant impact on the Group's financial liabilities.

Measurement Category	Carrying Amount PAS 39			Carrying Amount PFRS 9		
	December 31, 2017	Reclassifications	Remeasurements	January 1, 2018		
Loans and receivables:						
Cash and cash equivalents	P 1,460,011,866	(P 1,460,011,866)	P -	P -		
Receivables-net ¹	4,511,353,662	(4,511,353,662)	-	-		
Refundable deposits	33,926,539	(33,926,539)	-	-		
Due from related parties	17,841,951	(17,841,951)	-	-		
AFS financial assets	55,633,275	(55,633,275)	-	-		
Financial assets at amortized cost:						
Cash and cash equivalents	-	1,460,011,866	-	1,460,011,866		
Receivables-net ¹	-	1,468,965,133	(5,207,811)	1,463,757,322		
Contract assets	-	3,042,388,529	(17,146,847)	3,025,241,682		
Refundable deposits	-	33,926,539	-	33,926,539		
Due from related parties	-	17,841,951	-	17,841,951		
Investment securities at FVOCI	-	55,633,275	-	55,633,275		
	P 6,078,767,293	P -	(P 22,354,658)	P 6,056,412,635		

¹ Receivables - net excludes advances to officers and employees.

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

Relative to the adoption of PFRS 15 in the Philippines, the Philippine Interpretations Committee (PIC) issued the following Question and Answers (Q&A):

- PIC Q&A No. 2016-04, Application of PFRS 15, “*Revenue from Contracts with Customers*,” on Sale of Residential Properties under Pre-completion Contracts, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction [i.e., using percentage of completion (POC)].
- PIC Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry*, which provides clarification and some illustrative examples on the application of PFRS 15 in the Philippines.
- PIC Q&A No. 2018-14, *PFRS 15 - Accounting for Cancellation of Real Estate Sale*, which provides two acceptable approaches in accounting the cancellation of real estate sales.

The SEC issued Memorandum Circular (MC) No. 14 in 2018 and MC No. 3 in 2019 which provided relief by deferral of the application on the following items for three years until calendar year ending December 31, 2020:

1. Concept of the significant financing component in the contract to sell;
2. Treatment of land in the determination of POC;
3. Treatment of the uninstalled materials in the determination of POC;
4. Accounting for common usage service area charges; and,
5. Accounting for cancellation of real estate sales.

The Group opted to avail of the relief of all the abovementioned items until calendar year ending December 31, 2020. Had the Group opted not to avail of the foregoing items, the following are the impact on the financial statements:

- There would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense are calculated using the effective interest rate method. This will impact the retained earnings as at January 1, 2018 and real estate sales in 2018.

- There would have been a reduction in the POC that will be used to recognize revenue from real estate sales because the cost of land allocated to the units sold would not have been considered in the computation of the POC. This would have decreased the retained earnings balance as at January 1, 2018 and the real estate sales recognized in 2018.
- Similar to the effect of the treatment of land above, there would have been a reduction in the POC that will be used to recognize revenue from real estate sales because the uninstalled materials would have not been considered in the computation of the POC.
- There would have been no effect on the retained earnings balance as at January 1, 2018 and total consolidated comprehensive income in 2018 because the related revenue and cost associated with the common usage service area would have been presented at gross amounts. These were currently presented by the Group at net amount.
- There would have been an increase in the retained earnings balance as at January 1, 2018 and net profit in 2018 as a result of the gain from repossession. This is because repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its carrying amount and recognize in profit or loss the difference between the carrying amount of the repossessed inventory and receivable.

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

(a) Distinction of Contract Assets and Contract Receivables

The Group distinguishes its rights to consideration as conditional or unconditional based on its eventual realization to cash. Conditional rights to consideration are classified as contract asset while unconditional rights are classified as contract receivables.

(b) Recognition of Prepaid and Accrued Commissions

Sales commission given to agents after the inception of the real estate contract are accounted as costs of obtaining the contract. The Group recognizes commission based on POC in parallel of the revenue from real estate sales. Advance payment are treated as prepaid commissions while unpaid commissions are accrued.

(c) Derecognition of Reserve for Property Development

Costs allocated on real estate sales are now based on the actual costs incurred by the Group. Cost of real estate sales are no longer deferred solely to match it with the related revenue, nor used to normalize profit margins. Any estimated development costs and costs in excess of billings were derecognized upon the Group's adoption of PFRS 15.

The table below shows the effects of the adoption of PFRS 15 in the consolidated statement of financial position as of January 1, 2018.

	Notes	December 31, 2017 (As Restated)	Adjustment/ Reclassification	January 1, 2018
Assets				
Receivables - net	6	P 4,550,459,401	(P 3,042,388,529)	P 1,508,070,875
Contract assets	17.2	-	3,042,388,529	3,042,388,529
Real estate inventory	7	5,441,680,565	(496,566,683)	4,945,113,882
Prepayments and other current assets	9	339,273,239	176,776,019	516,049,258
Effect on total assets			(P 319,790,664)	
Liabilities				
Trade and other payables	16	P 1,634,782,568	P 456,346,012	P 2,091,128,580
Reserve for property development	7	796,669,136	(796,669,136)	-
Change in deferred tax liabilities	24	224,193,760	(23,185,061)	201,008,669
Effect on total liabilities			(363,508,185)	
Equity				
Retained earnings		1,524,723,105	20,993,671	1,545,716,776
Non-controlling interest		570,964,912	22,723,850	593,688,762
Effect on total equity			43,717,521	
Effect on total liabilities and equity			(P 319,790,664)	

Presented below are the comparison of each financial statement line item between the adoption of PFRS 15 and using the superseded revenue standards and related interpretations.

Consolidated Statement of Financial Position as of December 31, 2018

	Notes	PFRS 15	Superseded PFRS	Difference
Assets				
Receivables - net	6	P 4,039,095,297	P 9,481,221,290	(P 5,442,125,993)
Contract assets	17.2	5,442,125,993	-	5,442,125,993
Real estate inventory	7	6,256,527,195	6,149,855,296	106,671,899
Prepayments and other current assets	9	864,141,909	633,851,396	230,290,513
		P 16,601,890,394	P 16,264,927,982	P 336,962,412
Liabilities				
Trade and other payables	16	P 2,402,968,495	P 2,292,254,774	P 110,713,721
Contract liability	17.2	457,927,612	-	457,927,612
Customers' deposits	17.2	42,774,376	(108,805,082)	151,579,458
Reserve for property development		-	1,040,452,975	(1,040,452,975)
Deferred tax liabilities	24	537,036,656	331,729,163	205,307,493
		3,440,707,139	3,555,631,830	(114,924,691)
Equity				
Retained earnings	26	2,943,393,829	2,596,003,825	347,390,004
Non-controlling interest	26	5,280,557,011	5,176,059,912	104,497,099
		8,223,950,840	7,772,063,737	451,887,103
		P 11,664,657,979	P 11,327,695,567	P 336,962,412

Consolidated Statement of Profit or Loss for the year ended December 31, 2018.

	Notes		PFRS 15		Superseded PFRS		Difference
Revenue							
Sale of Real Estates	17.1	P	6,692,537,760	P	6,692,537,760	P	-
Cost of Sales and Services							
Cost of real estate sales	18	(	3,136,059,915)	(	3,597,351,720)		461,291,805
Operating Expenses							
Commissions	19	(	264,860,997)	(	460,763,788)		195,902,791
Tax expense							
Deferred tax expense	24	(	342,594,139)	(	137,286,646)	(	205,307,493)
			P 2,949,022,709		P 2,497,135,606	P	451,887,103

(iv) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification*. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.
- PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions*. The amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.

In addition to the PIC Q&A enumerated under the adoption of PFRS 15, the following PIC Q&A are also relevant to the operations of the Group which was adopted in the consolidated financial statements.

- PIC Q&A No. 2018-01, *Classification of Land by Real Estate Developer*. It provides clarification on how to record land as either real estate inventory or investment property depending on the plan and utilization of the Group.

The adoption of this PIC Q&A resulted in the following reclassification:

	Notes		December 31, 2017		Adjustment/ Reclassification		January 1, 2018
Assets							
Real estate inventory	7	P	5,441,680,565	(P	97,616,288)	P	5,344,064,277
Investment property - net	13		323,945,511		97,616,288		421,561,799
Effect on total assets					P -		

- PIC Q&A No. 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*. It provides clarification on how to record advances from contractors depending on the asset being constructed.

This PIC Q&A had no significant impact on the consolidated financial statements.

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

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

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
IFRIC 22	:	Foreign Currency Transactions and Advance Consideration

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

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

- (i) Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments clarify the definition of “materiality” in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRS and other pronouncements.
- (ii) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).
- (iii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.
- (iv) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

- (v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

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

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group’s consolidated financial statements.

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
 - PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and associates and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

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

(b) Investments in Associates

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the share in net loss of associates in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

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

(c) Transactions with Non-controlling Interests

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

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

2.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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

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

2.5 Financial Assets

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

(a) Classification, Measurement and Reclassification of Financial Assets under PFRS 9 (Applicable to 2018)

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

(i) Financial Assets at Amortized Cost

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

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

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables, Due from Related Parties and Other Non-current Assets in respect of the Refundable Deposits included therein.

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

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

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

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

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Operating Income account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39 (Applicable to 2017)

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

A more detailed description of the four categories of financial assets relevant to the Group as of and for the year ended December 31, 2017 follows:

(i) Loans and Receivables

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables, Due from Related Parties and Other Non-current Assets in respect of the Refundable Deposits included therein. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, corporate bonds and gold club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Fair value gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(c) Impairment of Financial Assets Under PFRS 9 (Applicable to 2018)

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

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 30.2(b)].

For debt instruments measured at FVOCI and at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

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

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

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

(d) *Impairment of Financial Assets under PAS 39 (Applicable to 2017)*

As of December 31, 2017, the Group's assessed impairment of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables*

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

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

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

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(e) *Derecognition of Financial Assets*

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

2.6 Real Estate Inventory

This pertains to cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. Interest incurred during the development of the project is capitalized (see Note 2.15).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either Real Estate Inventory or Investment Property account.

The Group present land for future development that are intended for subdivision and condominium for sale under current assets while those that are intended for commercial leasing or with no definite plans as non-current assets in the consolidated statement of financial position.

2.8 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.9 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see Note 2.15).

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

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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

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

2.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.17). Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and trade and other payables [except government-related obligations, advance rental and deferred output value-added tax (VAT) and output VAT], are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability, except those that are capitalized, are recognized as Finance Costs in the consolidated statement of profit or loss.

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

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

2.12 Offsetting Financial Instruments

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

2.13 Provisions and Contingencies

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

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

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

2.14 Revenue and Expense Recognition

Revenue of the Group arises mainly from the sale of real estate units, lease of property and rendering of management services. Lease of property, is not within the scope of PFRS 15; hence, accounted for separately in accordance with the applicable accounting standard (see Note 2.16).

The Group follows the five-step process below to when it recognizes revenue.

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

A contract with a customer is identified when the following five gating criteria are present:

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

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

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

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

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(a)]:

- (a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy (RFO) units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statements of financial position.

Subsequent cancellations of prior year sales are deducted from real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

- (b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.

The Group presents a contract asset when the value of property development performed in proportion to the contract price is greater than the consideration received. A contract asset is the Group's right to consideration in exchange for the performance of property development to the unit transferred to a customer.

A contract receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., receivable), before the Group transfers control of an RFO unit or performs property development. A contract liability is the Group's obligation to transfer goods or perform property development for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred.

The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards (see Notes 2.6 and 2.9).

In 2017 and prior periods, the Group recognizes revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognized by reference to the stage of completion, measured by reference to the labor hours incurred to date as a percentage of total estimated labor hours for each contract. This is generally when the customer has approved the services that have been provided. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.15).

2.15 Borrowing Costs

Borrowing costs are recognized in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Revenue from leasing of properties are recognized monthly on a straight-line basis based on the total lease consideration indicated in the contract between the Group and the customer. Invoicing are made monthly as the customer utilizes the leased property, these are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

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

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investment in associates, computer software and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

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

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

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

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

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

(b) Post-Employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

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

(d) *Performance Bonus*

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

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

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

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

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

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

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

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

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

2.20 Related Party Relationships and Transactions

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

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

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

2.21 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except post-employment benefit expenses in arriving at the operating profit of the operating segments.

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

2.22 Equity

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

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Treasury shares represent the shares that are reacquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from the revaluation of AFS financial assets (up to 2017 only) and remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

Non-controlling interest (NCI) represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of NCI to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by NCI changes. The Group directly recognize in equity any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.23 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Timing of Satisfaction of Performance Obligations (applicable to 2018)

(i) Performance of Property Development on Real Estate Units Sold Under Pre-completed Contracts

The Group determined that its revenue from property development on condominium and subdivision units sold under pre-completed contracts shall be recognized over time. In making its judgment, the Group considered that it has no alternative use to the real estate unit sold and that it has right to the consideration as it performs property development. The Group performs the property development without the need of reperformance from other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's performance of property development as construction progresses.

In determining the best method of measuring the progress of the Group's performance of property development, management considers the input method under PFRS 15 because of the direct measurements of the value to the customer of the property development to date relative to the promised unit under the contract.

(ii) Sale of RFO Real Estate Units

The Group determines that its revenue from sale of RFO units shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(b) Determination of Transaction Price and Amounts Allocated to Performance Obligations (applicable to 2018)

The transaction price for a contract is allocated amongst the material right and all performance obligations identified in the contract based on the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The transaction price for a contract excludes any amounts collected on behalf of third parties (e.g., VAT).

The transaction price is considered receivable to the extent of products sold with a right of return. Such variable consideration is estimated based on the method described on Note 3.1(e). Moreover, the Group considers the collectability of the total transaction price to be reasonably assured. In determining whether total transaction price is collectible, the Group considers the paying capacity of the buyer and an initial and continuing investment by the buyer of a certain percentage of the contract price would demonstrate the buyer's commitment to fulfil the obligations of the Group. Management's evaluation of historical and expected sales cancellation rate is a very important factor in its determination of the appropriate collection rate that it uses as benchmark in determining that collection is reasonably assured.

Management regularly assess the factors that it considers in determining that collection is reasonably assured to adjust to changing times and circumstances. Major changes in management's assumptions or its failure to make the right judgment could potentially have a significant impact on the consolidated financial statements.

Also, the Group uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Group expects, at contract inception, that the period between when the Group transfers promised goods or services to the customer and payment due date is one year or less.

(c) Evaluation of Business Model Applied in Managing Financial Instruments (applicable to 2018)

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of the Group's financial instrument, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group as those relate to the Group's investment and trading strategies.

It assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

(d) *Impairment of AFS Financial Assets (applicable to 2017)*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management has assessed that no impairment loss is required to be recognized for the year ended December 31, 2017. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(e) *Assessment Involving Right of Return*

The Group's sale of real estate under pre-completed contracts has variable consideration which is the right of return when a buyer defaulted the equity payments. Moreover, Republic Act No. 6552, *Realty Installment Buyer Act* or which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to fifty percent of the total collected amount, and, after five years of installments, an additional five per cent every year but not to exceed ninety percent of the total collections received.

Management is confident that when the collections received from the buyers exceed a certain threshold, it would be remote that the buyer will default and the contract will be cancelled. Accordingly, as discussed in Note 2.14 under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the threshold is not yet reached.

(f) *Distinction Between Investment Properties and Owner-managed Properties*

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

(g) *Distinction Between Operating and Finance Leases*

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

Management has determined that all of its lease agreements qualify under operating leases (see Note 2.16).

(b) Accounting for Equity Ownership Interest in Subsidiaries and Associates

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of YHEST and CCLI (in 2018), MGR and YHES (in 2017), and BL Ventures, El Camino and YES (in 2016), from the time of their incorporation as indicated. Accordingly, these companies are accounted for as subsidiaries of the Parent Company.

It had able to demonstrate control over the operations of its investee despite having its shareholdings at 50% or less on its investees by virtue of a formal agreement among the shareholders of the investees.

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL (applicable to 2018)

The measurement of the allowance for ECL of the Group's financial assets which are all carried at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 30.2(b).

The Group uses a provision matrix to calculate ECL for receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's receivables are disclosed in Note 30.2.

(b) Impairment of Receivables and Due from Related Parties (applicable to 2017)

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with related and third party borrowers, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The carrying values of receivables and due from related parties and the related allowance for impairment on such financial assets are shown in Notes 6 and 25.1.

(c) Determination of Net Realizable Value of Real Estate Inventory

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventory within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventory for sale are determined to be higher than their related costs.

(d) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's Financial Assets at FVOCI (in 2018) and AFS financial assets (in 2017) and the amounts of fair value changes recognized on those assets are disclosed in Note 10.

(e) Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software

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

The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 12, 13 and 14, respectively. Based on management's assessment as at December 31, 2018 and 2017, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, especially property and equipment and investment properties, as at December 31, 2018, 2017 and 2016.

(g) Valuation of Post-employment Defined Benefit Obligation

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(h) Fair Value Measurement for Investment Properties

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which 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. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2018 and 2017 is disclosed in Notes 13 and 31.3.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management has assessed that the deferred tax assets recognized as at December 31, 2018 and 2017 are fully recoverable because management is optimistic that it will recognize sufficient revenues from its operations. Details of the recognized and unrecognized deferred tax assets as of those dates are disclosed in Note 24.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units. Its rental segment includes leasing of office and commercial spaces and its management services segment focuses on the management of real estate projects and upkeep services. Segment accounting policies are the same as the policies described in Note 2.21. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2018, 2017 and 2016 and certain assets and liabilities information regarding segments as at December 31, 2018 and 2017:

2018

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 6,807,159,656	P 57,480,871	P 12,920,716	(P 114,621,896)	P 6,762,939,347
Intersegment sales	-	-	23,716,627	(23,716,627)	-
Total revenues	<u>P 6,807,159,656</u>	<u>P 57,480,871</u>	<u>P 36,637,343</u>	<u>(P 138,338,523)</u>	<u>P 6,762,939,347</u>
COSTS AND EXPENSES					
Costs of sales and services	P 3,153,612,898	P 18,815,010	P 7,217,626	(P 43,585,619)	P 3,136,059,915
Operating expenses	893,208,366	557,803	125,385	-	893,891,554
Impairment loss	44,779,695	-	-	-	44,779,695
Total costs and expenses	<u>4,091,600,959</u>	<u>19,372,813</u>	<u>7,343,011</u>	<u>(43,585,619)</u>	<u>4,074,731,164</u>
Segment results	<u>P 2,715,558,697</u>	<u>P 38,108,058</u>	<u>P 29,294,332</u>	<u>(P 94,752,904)</u>	P 2,688,208,183
Other operating income					33,500,390
Finance costs					(132,572,322)
Finance income					18,861,865
Share in net loss of associates					(437,147)
Other losses					(26,582)
Tax expense					(438,609,074)
Net profit					<u>P 2,168,925,313</u>
ASSETS AND LIABILITIES					
Segment assets	<u>P19,725,386,889</u>	<u>P 5,701,695,573</u>	<u>P 582,336</u>	<u>P -</u>	<u>P25,427,664,798</u>
Segment liabilities	<u>P13,568,647,188</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	P13,568,647,188
Deferred tax liabilities					537,036,656
Total liabilities					<u>P14,105,683,844</u>

2017

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 3,890,486,586	P 45,647,337	P 14,008,440	(P 22,319,769)	P 3,927,822,594
Intersegment sales	-	-	8,160,343	(8,160,343)	-
Total revenues	<u>P 3,890,486,586</u>	<u>P 45,647,337</u>	<u>P 22,168,783</u>	<u>(P 30,480,112)</u>	<u>P 3,927,822,594</u>
COSTS AND EXPENSES					
Costs of sales and services	P 1,885,635,934	P 18,459,088	P 1,825,368	(P 12,538,827)	P 1,893,381,563
Operating expenses	565,052,807	653,922	767,072	-	566,473,801
Total costs and expenses	<u>2,450,688,741</u>	<u>19,113,010</u>	<u>2,592,440</u>	<u>(12,538,827)</u>	<u>2,459,855,364</u>
Segment results	<u>P 1,439,797,845</u>	<u>P 26,534,327</u>	<u>P 19,576,343</u>	<u>P 17,941,285</u>	1,467,967,230
Other operating income					28,450,333
Finance cost					(36,406,762)
Finance income					5,262,332
Share in net loss of associates					(591,104)
Other losses					(515,708)
Tax expense					(202,760,529)
Net profit					<u>P 1,261,405,792</u>
ASSETS AND LIABILITIES					
Segment assets	<u>P13,219,257,706</u>	<u>P 328,824,203</u>	<u>P 1,497,192</u>	<u>P -</u>	<u>P13,549,579,101</u>
Segment liabilities	<u>P 7,911,098,443</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	P 7,911,098,443
Deferred tax liabilities					224,193,760
Total liabilities					<u>P 8,135,292,203</u>

2016

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 2,321,887,719	P 38,870,444	P 375,000	P -	P 2,361,133,163
Intersegment sales	-	-	-	-	-
Total revenues	<u>P 2,321,887,719</u>	<u>P 38,870,444</u>	<u>P 375,000</u>	<u>P -</u>	<u>P 2,361,133,163</u>
COSTS AND EXPENSES					
Costs of sales and services	P 1,106,082,726	P 17,929,243	P 22,680	P -	P 1,124,034,649
Operating expenses	344,703,173	357,699	3,451	-	345,064,323
Impairment loss	<u>2,404,888</u>	-	-	-	<u>2,404,888</u>
Total costs and expenses	<u>1,450,785,899</u>	<u>18,286,942</u>	<u>26,131</u>	<u>-</u>	<u>1,471,503,860</u>
Segment results	<u>P 871,101,820</u>	<u>P 20,583,502</u>	<u>P 348,869</u>	<u>P -</u>	<u>P 889,629,303</u>
Other operating income					17,150,070
Impairment losses					2,404,888
Share in net losses of associates					(4,501,842)
Finance cost					23,927,298
Finance income					523,873
Other gains					4,763,119
Tax expense					(116,480,927)
Net profit					<u>P 767,156,298</u>
ASSETS AND LIABILITIES					
Segment assets	<u>P 6,510,258,550</u>	<u>P 299,065,406</u>	<u>P 13,519</u>	<u>P -</u>	<u>P 6,809,337,475</u>
Segment liabilities	<u>P 5,163,947,923</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,163,947,923</u>
Deferred tax liabilities					<u>100,169,356</u>
Total liabilities					<u>P 5,264,117,279</u>

The real estate segment is further analyzed based on their geographical location as shown in Note 17.1. Both rental and management services segments are located in Cebu City.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>2018</u>	<u>2017</u> (As Restated - see Note 26.5)
Cash on hand	P 605,006	P 224,597,008
Cash in banks	474,238,425	597,414,858
Short-term placements	<u>474,318,500</u>	<u>638,000,000</u>
	<u>P 949,161,931</u>	<u>P 1,460,011,866</u>

Cash in banks (savings and demand deposits) generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying period from 10 to 90 days and earn effective interest ranging from 3.18% to 4.52% and 0.38% to 2.38% per annum for 2018 and 2017, respectively.

Interest income earned from cash and cash equivalents amounted to P18,861,865, P5,262,332 and P523,873 in 2018, 2017 and 2016, respectively, are presented as Finance Income in the consolidated statements of Profit or Loss.

6. RECEIVABLES

This account includes the following:

	Notes	<u>2018</u>	<u>2017</u> (As Restated - see Note 26.5)
Contract receivables			
Third parties		P 3,685,848,392	P 4,067,574,754
Related parties	25.6, 25.7	214,328,706	240,855,231
Retention receivable		31,904,954	-
Advances to officers and employees		21,836,616	39,105,739
Loans to employees		16,900,959	12,735,905
Management fee receivable		4,091,247	1,788,027
Advances to co-venturers		-	139,216,667
Other receivables		84,537,090	51,890,773
		4,059,447,964	4,553,167,096
Allowance for impairment	30.2(b)	(20,352,667)	(2,707,695)
		<u>P 4,039,095,297</u>	<u>P 4,550,459,401</u>

Receivables are presented in the consolidated statements of financial position as follows.

	<u>2018</u>	<u>2017</u> (As Restated - see Note 26.5)
Current	P 3,093,200,762	P 3,851,982,965
Non-current	945,894,535	698,476,436
	<u>P 4,039,095,297</u>	<u>P 4,550,459,401</u>

Buyers of real estate properties are given two to three years to complete the amortization of their down payment which ranges from 15% to 20% of the contract price of the real estate being purchased. contract receivables, which are all covered by postdated checks, are only recognized when the total transaction price is reasonably assured. Generally, full payment by buyers of their equity payments is made within 24 to 36 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Group.

Advances to officers and employees are composed of advances for liquidation.

Loans to employees are usually personal loans such as medical loans and emergency cash loans which has a term of less than one year. These are unsecured and noninterest-bearing loans that are settled through salary deduction.

Non-current contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on non-current contract receivables amounts to P60,193,686 and P17,229,544 as at December 31, 2018 and 2017, respectively. Day one loss on non-current contract receivables, net of amortization amounted to P42,964,142, P11,589,073, and P2,319,730 in 2018, 2017 and 2016, respectively, and is presented as part of Finance Costs in the consolidated statements of profit or loss (see Note 21).

The Group assesses an expected credit loss when the receivables from contract with customers are initially recognized and update the assessment at each reporting date based on the provisional matrix determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year			
As previously reported		P 2,707,695	P 2,707,695
Effect of adoption of PFRS 9	2.1(b)	<u>5,207,811</u>	<u>-</u>
As restated		7,915,506	2,707,695
Changes in expected credit losses		<u>12,437,161</u>	<u>-</u>
Balance at end of year		<u>P 20,352,667</u>	<u>P 2,707,695</u>

7. REAL ESTATE INVENTORIES

This account includes the following inventories carried at cost, which are lower than their NRV.

	<u>Note</u>	<u>2018</u>	<u>2017</u> (As Restated - see Note 26.5)
Condominium units		P 479,027,175	P 40,216,235
Subdivision units		<u>434,906,435</u>	<u>49,941,990</u>
		<u>913,933,610</u>	<u>90,158,225</u>
Construction-in-progress (CIP):			
Land development costs		1,435,340,061	1,274,620,593
Condominium building costs		794,298,221	213,115,748
Housing costs		<u>718,815,323</u>	<u>1,653,957,269</u>
		<u>2,948,453,605</u>	<u>3,141,693,610</u>
Raw land inventory	8	<u>2,394,139,980</u>	<u>2,209,828,730</u>
		<u>P6,256,527,195</u>	<u>P5,441,680,565</u>

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 18.

Land development costs pertain to the cost of land acquisition, and site development costs of subdivision projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group.

Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2018 and 2017, the Group reclassified deposits on land for future development amounting to P612,046,854 and P391,495,239, respectively, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated (see Note 8).

Borrowing costs that are capitalized as part of real estate inventory amounted to P242,236,345 and P135,736,820 in 2018 and 2017, respectively, which represents the general and specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for general borrowings ranges from 2.00% to 5.50% for the years ended December 31, 2018 and 2017.

In 2017 and previous years, the Group estimates the costs to complete the units that are already sold and recognizes the corresponding obligation to complete the units. The estimated obligation amounts to P796,669,136 as at December 31, 2017 and is presented as Reserve for Property Development in the consolidated statements of financial position. In 2018, upon adoption of PFRS 15, this estimated obligation was derecognized and it formed part of the adjustment to retained earnings as at January 1, 2018 [see Note 2.2(a)].

The Group reclassified various real estate inventories totaling P816,408,411 and nil to investment properties in 2018 and 2017 (see Note 13).

Certain real estate inventory amounting to P2,348,343,299 and P2,462,459,649 as at December 31, 2018 and 2017, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable or leasable real estate projects.

A reconciliation of the deposits on land for future development is presented below.

	Note	<u>2018</u>	<u>2017</u>
Balance at the beginning of year		P 948,544,519	P 259,897,127
Additions		1,418,265,781	1,080,142,631
Reclassified to raw land inventory	7	(612,046,854)	(391,495,239)
Balance at end of year		<u>P1,754,763,446</u>	<u>P 948,544,519</u>

The deposits on land for future development is presented in the consolidated statements of financial position as follows:

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Current	P 621,175,611	P 919,936,119
Non-current	<u>1,133,587,835</u>	<u>28,608,400</u>
	<u>P1,754,763,446</u>	<u>P 948,544,519</u>

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Prepaid commissions	P 230,290,513	P -
Input VAT and deferred input VAT	263,307,072	134,303,959
Advances to subcontractors	161,206,317	139,096,218
Prepaid expenses	110,039,390	10,416,018
Advances to suppliers	87,222,473	21,168,414
Prepaid income tax	11,789,663	21,914,281
Retention receivable	-	12,278,866
Others	<u>286,481</u>	<u>95,483</u>
	<u>P 864,141,909</u>	<u>P 339,273,239</u>

Prepaid expenses include advance payment for insurance and rent.

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid in behalf of subcontractors. These are applied against the progress billings of subcontractors.

In 2018, the Group expensed commissions of P264,860,997 based on the POC of its related real estate contract.

10. FINANCIAL ASSETS AT FVOCI (2018) AND AFS FINANCIAL ASSETS (2017)

The Group's financial assets at FVOCI (2018)/AFS financial assets (2017) are investments in proprietary membership club shares and in shares of non-publicly traded companies acquired by the Group. These are composed of both quoted and unquoted local shares.

An analysis of the movements in carrying amounts of the Parent's financial assets at FVOCI (2018)/AFS financial assets (2017) is presented as follows:

	Note	<u>2018</u>	<u>2017</u>
Balance at the beginning of year		P 55,633,275	P 54,133,275
Transfer to a shareholder	25.4	(55,633,275)	-
Unrealized fair value gains	26.2	<u>-</u>	<u>1,500,000</u>
Balance at end of year		<u>P -</u>	<u>P 55,633,275</u>

The Group derecognized the revaluation reserve of P6,315,400 in relation to the sale of its financial asset at FVOCI to a shareholder (see Note 26.2).

An analysis of the quoted and unquoted equity securities of the Group as at December 31, 2017 (none in 2018) is presented below.

	<u>2017</u>
Quoted	P 49,000,000
Unquoted	<u>6,633,275</u>
	<u>P 55,633,275</u>

11. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2018 and 2017 is shown below.

	<u>2018</u>	<u>2017</u> (As Restated - see Note 26.5)
Balance at beginning of year	P 11,642,150	P 12,233,254
Share in net losses during the year	(437,147)	(591,104)
Balance at end of year	<u>P 11,205,003</u>	<u>P 11,642,150</u>

An analysis of the carrying amount of the Parent Group's investments in associates as at December 31, 2018 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost			
Balance at beginning and end of year	<u>P 5,135,096</u>	<u>P 11,600,000</u>	<u>P 16,735,096</u>
Accumulated equity in net losses			
Balance at beginning of year	(19,565)	(5,073,381)	(5,092,946)
Equity in net losses during the year	(111,200)	(325,947)	(437,147)
Balance at end of year	(130,765)	(5,399,328)	(5,530,093)
Net carrying amount	<u>P 5,004,331</u>	<u>P 6,200,672</u>	<u>P 11,205,003</u>

An analysis of the carrying amount of the Parent Group's investments in associates as at December 31, 2017 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost			
Balance at beginning and end of year	<u>P 5,135,096</u>	<u>P 11,600,000</u>	<u>P 16,735,096</u>
Accumulated equity in net losses			
Balance at beginning of year	(5,576)	(4,496,266)	(4,501,842)
Equity in net losses during the year	<u>(13,989)</u>	<u>(577,115)</u>	<u>(591,104)</u>
Balance at end of year	<u>(19,565)</u>	<u>(5,073,381)</u>	<u>(5,092,946)</u>
Net carrying amount	<u>P 5,115,531</u>	<u>P 6,526,619</u>	<u>P 11,642,150</u>

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Magspeak</u>	<u>MDC</u>	<u>Magspeak</u>	<u>MDC</u>
Current assets	P 1,785,240	P 31,310,024	P 2,363,040	P 32,647,637
Non-current assets	<u>18,234,084</u>	<u>-</u>	<u>18,108,084</u>	<u>-</u>
Total assets	<u>P 20,019,323</u>	<u>P 31,310,024</u>	<u>P 20,471,124</u>	<u>P 32,647,637</u>
Current liabilities	P -	P 306,667	P -	P 14,544
Non-current liabilities	<u>20,479,885</u>	<u>-</u>	<u>20,486,885</u>	<u>-</u>
Total liabilities	<u>P 20,479,885</u>	<u>P 306,667</u>	<u>P 20,486,885</u>	<u>P 14,544</u>
Total revenues	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Net loss	P 444,800	P 1,629,736	P 55,958	P 2,885,577
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>P 444,800</u>	<u>P 1,629,736</u>	<u>P 55,958</u>	<u>P 2,885,577</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates is shown below.

	<u>2018</u>		<u>2017</u>	
	<u>Magspeak</u>	<u>MDC</u>	<u>Magspeak</u>	<u>MDC</u>
Net assets	P 20,017,323	P 32,633,093	P 20,462,124	31,003,357
Proportion of equity interest by the Group	<u>25%</u>	<u>20%</u>	<u>25%</u>	<u>20%</u>
Carrying value of investment	<u>P 5,004,331</u>	<u>P 6,526,619</u>	<u>P 5,115,531</u>	<u>P 6,200,672</u>

Shares in net losses of associates totaling P437,147, P591,104 and P4,501,842 were recognized in 2018, 2017 and 2016, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2018, 2017 and 2016.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2018 and 2017 are shown below.

		Land		Building		Office Equipment		Transportation Equipment		Furniture and Fixture		Leasehold Improvements		Construction in Progress		Total
December 31, 2018																
Cost	P	139,198,121	P	147,503,733	P	52,750,891	P	50,638,536	P	21,833,195	P	2,355,282	P	16,673,810	P	430,953,568
Accumulated depreciation and amortization		-	(	46,341,468)	(	17,125,820)	(	26,982,786)	(	12,790,293)	(	1,992,481)	-	(	105,232,848)	
Net carrying amount	P	139,198,121	P	101,162,265	P	35,625,071	P	23,655,750	P	9,042,902	P	362,801	P	16,673,810	P	325,720,720
December 31, 2017																
Cost	P	-	P	143,924,630	P	47,076,085	P	33,730,848	P	19,399,779	P	2,305,996	P	603,709	P	247,041,047
Accumulated depreciation and amortization		-	(	24,251,066)	(	11,464,270)	(	25,207,083)	(	9,393,876)	(	1,755,310)	-	(	72,071,605)	
Net carrying amount	P	-	P	119,673,564	P	35,611,815	P	8,523,765	P	10,005,903	P	550,686	P	603,709	P	174,969,442
January 1, 2017																
Cost	P	-	P	114,633,594	P	40,368,231	P	30,222,508	P	16,589,876	P	2,305,994	P	-	P	204,120,203
Accumulated depreciation and amortization		-	(	5,053,894)	(	6,788,583)	(	21,294,049)	(	5,983,360)	(	642,817)	-	(	39,762,703)	
Net carrying amount	P	-	P	109,579,700	P	33,579,648	P	8,928,459	P	10,606,516	P	1,663,177	P	-	P	164,357,500

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2018 and 2017 is shown below.

		Land		Building		Office Equipment		Transportation Equipment		Furniture and Fixture		Leasehold Improvements		Construction in Progress		Total
Balance at January 1, 2018 net of accumulated depreciation and amortization	P	-	P	119,673,564	P	35,611,815	P	8,523,765	P	10,005,903	P	550,686	P	603,709	P	174,969,442
Additions		139,198,121		3,579,103		5,674,806		16,907,688		2,455,740		49,286		16,070,101		183,934,845
Depreciation and amortization for the year		-	(	22,090,402)	(	5,661,550)	(	1,775,703)	(	3,418,741)	(	237,171)	-	(	33,183,567)	
Net carrying amount	P	139,198,121	P	101,162,265	P	35,625,071	P	23,655,750	P	9,042,902	P	362,801	P	16,673,810	P	325,720,720
Balance at January 1, 2017 net of accumulated depreciation and amortization	P	-	P	109,579,700	P	33,579,648	P	8,928,459	P	10,606,516	P	1,663,177	P	-	P	164,357,500
Additions		-		32,733,582		6,707,856		3,508,340		2,809,903		-		603,709		46,363,390
Reclassifications		-	(	3,442,545)	-	-	-	-	-	-	-	-	-	-	(	3,442,545)
Depreciation and amortization for the year		-	(	19,197,173)	(	4,675,689)	(	3,913,034)	(	3,410,516)	(	1,112,491)	-	(	32,308,903)	
Net carrying amount	P	-	P	119,673,564	P	35,611,815	P	8,523,765	P	10,005,903	P	550,686	P	603,709	P	174,969,442

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 19).

Building and leasehold improvements with a total carrying amount of P73,415,817 and P81,740,236 as at December 31, 2018 and 2017, respectively are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15.1).

In 2018 and 2017, the Group reclassified various property and equipment to investment property totaling nil and P3,442,545, respectively, to investment properties because of change in the intended use for the assets (see Note 13).

As at December 31, 2018 and 2017, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P38,485,932 and P22,679,896, respectively.

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for undetermined future use and, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2018 and 2017 are shown below.

		<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2018							
Costs	P	45,228,005	P 285,413,555	P 31,371,804	P 4,576,694,944	P 816,408,412	P 5,755,116,720
Accumulated depreciation	(	11,475,859)	(41,710,811)	(2,825,136)	-	-	(56,011,806)
Carrying amount	P	33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,944	P 816,408,412	P 5,699,104,914
December 31, 2017							
Costs	P	45,228,005	P 285,256,727	P 31,371,804	P -	P -	P 361,859,536
Accumulated depreciation	(	9,214,459)	(27,443,020)	(1,256,546)	-	-	(37,914,025)
Carrying amount	P	36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511
January 1, 2017							
Costs	P	45,057,848	P 263,720,562	P 9,405,194	P -	P -	P 318,183,604
Accumulated depreciation	(	6,891,332)	(13,393,033)	(235,130)	-	-	(20,519,495)
Carrying amount	P	38,166,516	P 250,327,529	P 9,170,064	P -	P -	P 297,664,109

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2018 and 2017 is shown below.

		<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2018							
net of accumulated depreciation	P	36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511
Additions	-	-	153,828	-	4,576,694,945	-	4,576,848,773
Reclassifications	-	-	-	-	-	816,408,411	816,408,411
Depreciation during the year	(	2,261,400)	(14,267,791)	(1,568,590)	-	-	(18,097,781)
Balance at December 31, 2018							
net of accumulated depreciation	P	33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914
Balance at January 1, 2017							
net of accumulated depreciation	P	38,166,516	P 250,327,529	P 9,170,064	P -	P -	P 297,664,109
Additions	-	170,156	21,539,165	18,524,065	-	-	40,233,386
Reclassification	-	-	-	3,442,545	-	-	3,442,545
Depreciation during the year	(	2,323,126)	(14,049,987)	(1,021,416)	-	-	(17,394,529)
Balance at December 31, 2017							
net of accumulated depreciation	P	36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511

The Group reclassified various real estate inventories in 2018 (see Note 7) and various property and equipment in 2017 (see Note 12) to investment properties and because of change in the intended use for the assets.

Income and expenses from investment properties for the years ended December 31, 2018, 2017 and 2016 are presented below.

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rental income	17.1	P 57,480,871	P 45,647,337	P 38,870,444
Expenses:				
Depreciation		P 18,097,781	P 17,394,529	P 15,862,647
Real property taxes		717,228	1,064,559	973,600
	18	P 18,815,009	P 18,459,088	P 16,836,247

The expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2018, 2017 and 2016 (see Note 18).

In 2016, the Group sold certain investment property to ABS at a net gain of P4,762,807. The properties have a total carrying value of P27,509,426 at the time of sale. The gain on sale of these properties to ABS is presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Notes 22 and 25.4). There is no similar transaction in 2018 and 2017.

Investment properties have a total fair value of P5,907,123,491 and P983,012,000 as at December 31, 2018 and 2017, respectively, based on the appraisal done by an independent expert [see Note 31.3(d)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2018 and 2017 [see also Note 3.2(d)].

Investment property with a total carrying amount of P236,426,053 and P309,972,541 as at December 31, 2018 and 2017, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Refundable deposits	P 57,418,776	P 33,926,539
Deferred input VAT	4,711,382	-
Computer software - net of accumulated amortization	2,155,607	1,727,920
Deposit on unincorporated investee	-	189,555,167
Others	<u>378,436</u>	<u>367,556</u>
	<u>P 64,664,201</u>	<u>P 225,577,182</u>

Refundable deposits pertain to recoverable payments by the Group which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

In 2017, the Parent Company made an investment in an unincorporated investee for the Davao Matina Project which is yet to be incorporated as at December 31, 2017. In 2018, the Davao Matina project was incorporated as YHEST.

Total additions to computer software amounted to P1,620,697 and P1,560,745 in 2018 and 2017, respectively. The amortization expense on the computer software amounted to P1,193,010, P1,087,022 and P832,148 in 2018, 2017 and 2016, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	Note	<u>2018</u>	2017 (As Restated - see Note 26.5)
Current			
Bank loans	15.1	<u>P 1,559,866,154</u>	<u>P 1,080,635,599</u>
Non-current			
Bank loans	15.1	<u>6,135,484,402</u>	4,021,099,312
Corporate notes	15.2	<u>2,945,929,755</u>	-
		<u>9,081,414,157</u>	<u>4,021,099,312</u>
		<u>P10,641,280,311</u>	<u>P 5,101,734,911</u>

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Balance at beginning of year	<u>P 5,101,734,911</u>	P 3,645,910,861
Proceeds and drawdowns	<u>4,358,899,382</u>	2,227,888,273
Repayments	<u>(1,766,308,093)</u>	(773,035,248)
Amortization of debt issue costs	<u>1,024,356</u>	<u>971,025</u>
Balance at end of year	<u>P 7,695,350,556</u>	<u>P 5,101,734,911</u>

The unamortized debt issue cost as at December 31, 2018 and 2017 amounts to P5,957,307 and P5,957,307, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2018 and 2017 is shown below.

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Balance at beginning of year	<u>P 5,957,307</u>	P 6,128,332
Debt issue costs from new loans	<u>2,212,500</u>	800,000
Amortization of debt issue cost	<u>(1,024,356)</u>	(971,025)
Balance at end of the year	<u>P 7,145,451</u>	<u>P 5,957,307</u>

The loans bear interest rates per annum ranging from 2.75% to 7.37% in 2018, 2.75% to 7.25% in both 2017 and 2016. Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders (see Note 25.5) and the rest are secured by the specific projects for which the loans were obtained. The cost of such projects aggregating to P2,658,185,169 and P2,854,172,426 as at December 31, 2018 and 2017, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the statements of financial position (see Notes 7, 12 and 13).

In 2018, the Group availed of new loans from various commercial banks, which have outstanding balances of P4,160,149,401 as at December 31, 2018 and bear interest ranging from 2.75% to 7.37% with maturity dates ranging from one month to ten years.

Loans obtained by the Group in 2017 from various commercial banks bear interest ranging from 2.75% to 7.25% with maturity dates ranging from one to nine years and has outstanding balance of P1,676,531,606 and P1,697,888,274, as of December 31, 2018 and 2017, respectively.

In years prior to 2017, the Group obtained certain secured loans from various commercial banks with an aggregate outstanding balance of P1,858,669,549 and P3,088,846,637 as at December 31, 2018 and 2017, respectively (see Note 25.5). These loans are expected to mature in years from 2019 to 2025, and bear interest rates ranging from 2.75% to 7.25% per annum.

The Group also has various 90-day short term loans from other commercial banks. Interests on these loans are payable monthly at an annual interest rate ranging from 3.25% to 3.50% in 2017. The outstanding balance of these loans amounts to nil and P315,000,000 as at December 31, 2018 and 2017, respectively.

Total interest incurred from the foregoing loans amounted to P290,309,916, P158,963,533, and P78,612,671 in 2018, 2017 and 2016, respectively. The Group capitalized borrowing costs from interest-bearing loans specifically obtained for the construction of its projects. As at December 31, 2018 and 2017, capitalized borrowing costs amounting to P221,240,157 and P135,736,820, respectively, are included as part of real estate inventory (see Note 7).

15.2 Corporate Notes

On July 20, 2018, the Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of corporate notes amounting P5 billion.

The NFA is composed of the following tranches:

<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
Series A	Seven years	P2,500,000,000
Series B	Ten years	1,000,000,000
Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000

In 2018, the Parent Company made the following drawdowns from the NFA.

<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Series A	7.25%	December 2025	P 500,000,000
Series B	6.63%	August - September 2028	1,000,000,000
Series C	6.75%	October - December 2028	<u>1,500,000,000</u>
			<u>P 3,000,000,000</u>

In 2018, the Parent Company recognized debt issuance costs amounting to P54,976,507, which has a carrying amount of P54,070,245 as at December 31, 2018 after deducting the amortization for the year, in relation to the drawdowns from the NFA. The debt issuance costs are deducted from the fair value or issue price of the note. Total interest incurred related to the NFA amounted to P40,393,485 of which P20,996,188 was capitalized as part of real estate inventory and P19,397,297 was recognized as expense in 2018. Included in interest expense is the amortization of debt issuance costs of P906,262 in 2018.

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As of December 31, 2018, the Parent Company is compliant with the requirements.

The total interest expense, included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P88,467,056, P24,197,737 and P21,112,926 in 2018, 2017 and 2016, respectively (see Note 21). The Parent Company accrued interest on Corporate Notes amounting to P25,776,837 as of December 31, 2018, and is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statement of financial position.

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Current:		
Trade payables	P 1,164,258,606	P 1,153,479,734
Accrued expenses	583,080,169	10,698,018
Retention payable	204,864,157	138,369,738
Output VAT including deferred	141,907,130	147,015,098
Sales commissions payable	110,713,721	-
Advances from NCI for future stock subscription in subsidiaries	60,489,250	41,078,500
Government-related obligations	33,403,437	24,028,348
Other payables	19,547,129	47,086,197
	<u>2,318,263,599</u>	<u>1,561,755,633</u>

Forward

	<u>2018</u>	2017 (As Restated - see Note 26.5)
Non-current:		
Retention payable	P 71,880,015	P 71,880,015
Advance rental	10,006,362	-
Other payables	<u>2,818,519</u>	<u>1,146,920</u>
	<u>84,704,896</u>	<u>73,026,935</u>
	<u>P 2,402,968,495</u>	<u>P 1,634,782,568</u>

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Current portion of the other payables include construction bonds from various subcontractors.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

In 2018, the Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical areas:

	<u>Cebu</u>	<u>Mindanao</u>	<u>Bacolod</u>	<u>Dumaguete</u>	<u>Total</u>
<i>Sale of real estate units</i>					
Over time	P 4,117,685,634	P 1,588,688,880	P 584,933,339	P 197,151,812	P 6,488,459,665
At a point in time	<u>204,078,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,078,095</u>
	4,321,763,729	1,588,688,880	584,933,339	197,151,812	6,692,537,760
<i>Render of management services</i>					
Over time	12,920,716	-	-	-	12,920,716
<i>Lease of properties</i>					
Over time	<u>57,480,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,480,871</u>
	<u>P 4,392,165,316</u>	<u>P 1,588,688,880</u>	<u>P 584,933,339</u>	<u>P 197,151,812</u>	<u>P 6,762,939,347</u>

17.2 Contract Balance

The breakdown of contract balances as of December 31, 2018 is as follows:

Contract assets - net	P 5,442,125,993
Contract liabilities	(<u>457,927,612</u>)
Contract assets - net	<u>P 4,984,198,381</u>

A reconciliation of the opening and closing balance of Contract Assets in 2018 is shown in the below.

	<u>Notes</u>
Balance at beginning of year	2.2(a) P 3,042,388,529
Effect of PFRS 9 – ECL at beginning of year	2.2 (a) (17,146,847)
Performance of property development	6,656,193,490
Transfers to trade receivables	(4,016,078,184)
Collections	(190,888,461)
Changes in ECL	30.2(b) (<u>32,342,534</u>)
Balance at end of year	<u>P 5,442,125,993</u>

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period.

The contract assets of the Group are presented in the consolidated statement of the financial position as of December 31, 2018 as follows:

Current	P 4,283,208,009
Non-current	<u>1,158,917,984</u>
	<u>P 5,442,125,993</u>

A reconciliation of the opening and closing balance of Contract Liabilities in 2018 is shown in the below.

Balance at beginning of year	P 353,752,781
Revenue recognized that was included in contract liability at the beginning of year	(147,275,173)
Increase due to cash received excluding amount recognized as revenue during the year	<u>251,450,004</u>
Balance at end of year	<u>P 457,927,612</u>

Contract liabilities pertains collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract has not yet met are accounted as Customers' deposits.

Details of the Group's contract liabilities and customers' deposits is presented below.

	<u>2018</u>	<u>2017</u>
Contract liabilities	P 457,927,612	P -
Customers' deposits:		
Advances from buyers	42,774,376	353,752,781
Reservation fees	<u>-</u>	<u>12,690,067</u>
	<u>P 500,701,988</u>	<u>P 366,442,848</u>

Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively. The Group's estimated performance obligation are as follows.

Within one year	P 3,717,576,632
More than one year but less than five years	<u>3,427,124,837</u>
	<u>P 7,144,701,469</u>

18. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see also Note 19).

	<u>Note</u>	<u>2018</u>	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Cost of real estate sales:				
Actual costs		P 3,110,027,278	P 1,691,695,772	P 804,892,468
Estimated costs		<u>-</u>	<u>181,234,317</u>	<u>302,283,254</u>
		<u>3,110,027,278</u>	<u>1,872,930,089</u>	<u>1,107,175,722</u>
Cost of rental services:				
Depreciation		18,097,781	17,394,529	15,862,647
Real property taxes		<u>717,228</u>	<u>1,064,559</u>	<u>973,600</u>
	13	<u>18,815,009</u>	<u>18,459,088</u>	<u>16,836,247</u>
Cost of management services:				
Salaries and wages		<u>7,217,628</u>	<u>1,992,386</u>	<u>22,680</u>
		<u>P 3,136,059,915</u>	<u>P 1,893,381,563</u>	<u>P 1,124,034,649</u>

Cost of real estate sales are further broken down as follows:

	<u>Note</u>	<u>2018</u>	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Contracted services	19	P 2,430,807,113	P 1,210,592,618	P 716,348,187
Land cost	19	579,191,014	632,044,133	372,904,067
Borrowing costs	19	88,478,442	28,450,856	16,830,472
Other costs		<u>11,550,709</u>	<u>1,842,482</u>	<u>1,092,996</u>
		<u>P 3,110,027,278</u>	<u>P 1,872,930,089</u>	<u>P 1,107,175,722</u>

19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below.

	Notes	2018	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Contracted services	18	P 2,430,807,113	P 1,210,592,618	P 716,348,187
Land cost	18	579,191,014	632,044,133	372,904,067
Commissions		264,860,997	146,236,559	90,540,629
Salaries and employee benefits	23.1	220,794,631	156,240,895	94,070,907
Taxes and licenses		141,431,621	48,181,654	42,583,683
Interest	7, 18	88,478,442	28,450,856	16,830,472
Advertising		53,594,172	48,703,407	17,067,888
Depreciation and amortization	12, 13, 14	52,474,358	50,790,457	31,307,074
Professional and legal fees		28,883,240	20,051,987	13,539,612
Transportation and travel		26,839,560	19,004,064	10,235,705
Utilities		21,803,010	8,440,916	7,210,755
Rent	25.3, 28.2	15,275,105	11,999,959	6,507,124
Representation and entertainment		12,367,064	6,664,977	10,801,549
Insurance		12,034,422	7,712,931	4,660,057
Repairs and maintenance		12,027,943	4,868,649	3,702,214
Security services		9,727,211	3,747,659	2,419,546
Donations		8,170,000	22,850,641	4,118,240
Supplies		6,387,294	5,529,533	3,138,763
Communications		6,154,359	4,121,488	1,901,850
Subscription and membership dues		5,619,552	6,518,120	1,873,286
Penalties		2,520,735	140,031	10,187,686
Trainings and seminars		1,488,291	693,792	947,049
Fuel and lubricants		122,248	10,656	-
Others		28,899,087	16,259,382	6,652,629
		<u>P 4,029,951,469</u>	<u>P 2,459,855,364</u>	<u>P 1,469,098,972</u>

Interest pertains to those that were initially capitalized as part of real estate inventory but expensed when the related asset was sold.

The expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2018	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Cost of sales and services	18	P 3,136,059,915	P 1,893,381,563	P 1,124,034,649
Operating expenses		<u>893,891,554</u>	<u>566,473,801</u>	<u>345,064,323</u>
		<u>P 4,029,951,469</u>	<u>P 2,459,855,364</u>	<u>P 1,469,098,972</u>

20. OTHER OPERATING INCOME

This account is composed of the following:

	Note	2018	2017 (As Restated - see Note 26.5)	2016
Reservation fees foregone	17	P 22,090,887	P 3,281,608	P 4,444,906
Administrative charges		5,139,183	5,693,135	3,806,725
Reversal of payables		3,520,559	14,650,062	5,673,748
Late payment penalties charged to customers		721,961	1,562,596	1,322,193
Documentation fee		287,857	1,356,339	1,123,866
Referral incentive		202,845	112,056	107,890
Foreign exchange gains		38,457	-	-
Water income		-	925,514	-
Others		1,498,641	869,023	670,742
		P 33,500,390	P 28,450,333	P 17,150,070

Reversal of payables pertains to recoveries from cancelled contracts with certain building contractors.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

21. FINANCE COSTS

This is composed of the following:

	Notes	2018	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Interest expense on:				
Loans	15.1, 15.2	P 88,467,056	P 24,197,737	P 21,112,926
Post-employment defined benefit obligation	23.2	310,716	97,922	92,178
Day one loss, net of amortization of non-current contracts receivables	6	42,964,142	11,589,073	2,319,730
Bank charges		830,408	522,030	402,464
		P 132,572,322	P 36,406,762	P 23,927,298

Interest expense on loans is the portion not capitalized as part of real estate inventory (see Notes 7 and 15).

22. OTHER GAINS (LOSSES)

This is composed of the following:

	Note	2018	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Foreign exchange loss		(P 383,726)	(P 515,708)	P -
Gain on sale of				
Investment property	13	357,144	-	6,353,291
Loss on sale of asset		-	-	(1,590,172)
		<u>(P 26,582)</u>	<u>(P 515,708)</u>	<u>P 4,763,119</u>

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

	Note	2018	2017	2016
Short-term employee benefits		P 217,063,952	P 153,912,148	P 92,591,011
Post-employment defined benefit	23.2	<u>3,730,679</u>	<u>2,328,747</u>	<u>1,479,896</u>
		<u>P 220,794,631</u>	<u>P 156,240,895</u>	<u>P 94,070,907</u>

23.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

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

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

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2018</u>	<u>2017</u>
Present value of the obligation	P 30,075,774	P 23,664,131
Fair value of plan assets	(24,108,080)	(12,300,617)
	<u>P 5,967,694</u>	<u>P 11,363,514</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 23,664,131	P 14,178,215
Current service cost	3,730,679	2,382,747
Interest cost	1,348,855	659,287
Benefits paid	(175,317)	-
Remeasurements - actuarial losses (gains) arising from:		
Experience adjustments	8,791,265	3,924,070
Changes in financial assumptions	(7,283,839)	3,356,230
Changes in demographic assumptions	-	(836,418)
Balance at end of year	<u>P 30,075,774</u>	<u>P 23,664,131</u>

The movements in the fair value of plan assets are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 12,300,617	P 12,072,357
Contributions to the plan	12,000,000	-
Interest income	1,038,139	561,365
Benefits paid	(175,317)	-
Return on plan assets (excluding amounts included in net interest)	(1,055,359)	(333,105)
Balance at end of year	<u>P 24,108,080</u>	<u>P 12,300,617</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	P 14,811,528	P 3,538,496
Financial assets at fair value through other comprehensive income		
Government securities	7,414,096	5,408,812
Unitized investment funds	<u>1,882,456</u>	<u>3,353,309</u>
	<u>P 24,108,080</u>	<u>P 12,300,617</u>

The fair values of the above unitized investment funds are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized a loss of P17,220 in 2018 and a return of P228,260 and P72,357 in 2017 and 2016, respectively.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Recognized in profit or loss</i>			
Current service cost	P 3,730,679	P 2,382,747	P 1,479,896
Net interest expense on defined benefit obligation	<u>310,716</u>	<u>97,922</u>	<u>92,178</u>
	<u>P 4,041,395</u>	<u>P 2,480,669</u>	<u>P 1,572,074</u>
<i>Recognized in other comprehensive income</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	P 8,791,265	(P 3,924,070)	(P 41,577)
Financial assumptions	(7,283,839)	(3,356,230)	(193,880)
Demographic assumptions	-	836,418	-
Loss (return) on plan assets (excluding amounts included in net interest expense)	<u>1,055,359</u>	<u>(333,105)</u>	<u>(274,631)</u>
	<u>P 2,562,785</u>	<u>(P 6,776,987)</u>	<u>(P 510,088)</u>

The net interest expense is included in Finance Costs in profit or loss (see Note 21).

Amounts recognized in other comprehensive income (loss) were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Discount rates	7.53%	5.70%	4.65%
Salary increase rates	8.00%	10.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25.80 both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

<u>Impact on Post-employment Defined Benefit Obligation</u>					
	<u>Changes in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>
<u>December 31, 2018</u>					
Discount rate	+/-1.0%	(P	1,493,670)	P	1,267,185
Salary increase rate	+/-1.0%		1,471,797	(	1,272,967)
<u>December 31, 2017</u>					
Discount rate	+/-1.0%	(P	1,364,439)	P	1,636,838
Salary increase rate	+/-1.0%		1,326,838	(	1,123,746)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P22,395,143 and P32,334,536 for the years ended December 31, 2018 and 2017, respectively.

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

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

(ii) *Asset-Liability Matching Strategies*

To efficiently manage the retirement plan, the Group, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2018</u>	<u>2017</u>
Within one year	P 19,555,620	P 15,403,796
More than one year to five years	10,469,672	6,427,619
More than five years to ten years	<u>13,453,761</u>	<u>6,635,637</u>
	<u>P 43,479,053</u>	<u>P 28,467,052</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.6 years.

24. CURRENT AND DEFERRED TAXES

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 14 and 7 registered projects with BOI as of December 31, 2018 and 2017, respectively.

The components of tax expense (income) relating to profit or loss and other comprehensive loss (income) are as follows:

	<u>2018</u>	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 92,981,634	P 77,018,326	P 60,371,055
Final income tax	<u>3,033,301</u>	<u>546,168</u>	<u>62,144</u>
	96,014,935	77,564,494	60,433,199
Deferred tax expense relating to origination and reversal of temporary differences	<u>342,594,139</u>	<u>125,196,035</u>	<u>56,047,728</u>
	<u>P 438,609,074</u>	<u>P 202,760,529</u>	<u>P 116,480,927</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>(P 768,836)</u>	<u>(P 1,583,096)</u>	<u>P 896,974</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is presented below.

	<u>2018</u>	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Tax on pretax profit at 30%	P 782,260,316	P 437,774,233	P 265,091,168
Adjustments for income subject to lower tax rate	(2,473,694)	(1,032,526)	(52,510)
Tax effects of:			
Timing difference from tax exempt real estate sales	(319,785,609)	(208,187,709)	(96,160,639)
Tax-exempt sales	(67,889,306)	(36,558,067)	(66,288,720)
Non-deductible expenses	25,754,052	9,714,151	8,184,855
Changes in unrecognized deferred tax assets	<u>20,743,315</u>	<u>1,050,447</u>	<u>5,706,773</u>
Tax expense	<u>P 438,609,074</u>	<u>P 202,760,529</u>	<u>P 116,480,927</u>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2018</u>	2017 (As Restated - See Note 26)
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	P 594,799,819	P 237,587,207
Rental income	2,906,896	-
Change in fair value of AFS financial assets	<u>-</u>	<u>2,706,600</u>
	<u>597,706,715</u>	<u>240,293,807</u>
Deferred tax assets:		
Sales commissions	35,972,429	-
Allowance for impairment	13,694,142	812,308
Net operating loss carry-over	9,213,180	11,878,686
Post-employment benefit obligation	<u>1,790,308</u>	<u>3,409,053</u>
	<u>60,670,059</u>	<u>16,100,047</u>
	<u>P 537,036,656</u>	<u>P 224,193,760</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Profit or Loss			Consolidated Statements of Comprehensive Income		
	2018	2017 (As Restated - See Note 26.5)	2016	2018	2017	2016
Deferred tax liabilities						
Difference between tax reporting base and financial reporting base used in sales recognition	P 340,811,420	P 138,230,388	P 55,831,658	P -	P -	P -
Rental income	2,906,896	-	-	-	-	-
Changes in fair value of investment securities at fair value through other comprehensive income	-	-	-	-	450,000	1,050,000
Deferred tax assets						
Allowance for impairment	(9,791,087)	-	(812,308)	-	-	-
Sales commissions	3,613,823	-	-	-	-	-
Net operating loss carry-over	2,665,506	(11,878,686)	-	-	-	-
Post-employment defined benefit obligation	2,387,581	(744,202)	1,028,378	(768,836)	(2,033,096)	(153,026)
Deferred tax expense (income)	<u>P 342,594,139</u>	<u>P 125,607,500</u>	<u>(P 56,047,728)</u>	<u>(P 768,836)</u>	<u>(P 1,583,096)</u>	<u>P 896,974</u>

The Group has unrecognized deferred tax assets from net operating loss carry-over as follows.

Entity	Years Incurred			Outstanding Balance	
	2018	2017	2016	2018	2017
YHEST	P 72,373,674	P -	P -	P 72,373,674	P -
YHES	11,542,401	2,971,260	-	14,513,661	2,971,260
YES	-	14,732,147	1,337,777	5,102,112	16,069,924
ASF	120,222	2,315,746	-	2,435,968	2,315,746
CCLI	2,211,356	-	-	2,211,356	-
CPH	81,112	37,264	15,411	133,787	52,675
El Camino	-	29,904,392	9,691,231	-	39,595,620
MGR	-	1,114,459	-	-	1,114,459
BL Ventures	-	-	7,978,157	-	-
	<u>P 86,328,765</u>	<u>P 51,075,268</u>	<u>P 19,022,576</u>	<u>P 96,770,558</u>	<u>P 62,119,684</u>

In 2018, only the Parent Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as it has not operated beyond four taxable years. No MCIT was reported in 2017 and 2016 as the RCIT was higher than MCIT in both years.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction.

The Group opted to claim itemized deductions in computing its income tax due for both years ended December 31, 2018, 2017 and 2016.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, unconsolidated subsidiary, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.20.

A summary of the Group's transactions and outstanding balances with related parties is presented below.

		Amount of Transaction			Outstanding Balance	
	Notes	2018	2017	2016	2018	2017
Shareholders						
Net collections	25.1	P -	P -	(P 130,233,234)	P -	P -
Advances from	25.2	-	-	(3,133,857)	-	-
Sale and transfer of property	25.4	55,633,275	-	32,272,233	-	-
Sale of real estate	25.6	15,886,745	158,359,074	-	149,300,130	149,339,940
Entities under Common Ownership						
Net advances (collections)	25.1	3,324,163	(6,411,964)	(20,242,632)	21,154,189	17,830,025
Associates						
Net advances (collections)	25.1	(11,925)	218	39,297	-	11,925
Key Management Personnel						
Sale of real estate	25.7	8,501,882	80,834,073	48,703,620	65,028,576	91,515,291
Compensation	25.8	81,760,354	85,886,192	22,590,730	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2018 and 2017. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period.

Details of the transactions follow.

25.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2018 and 2017 is presented below.

	Entities Under Common Ownership		Associates	Total
Balance at January 1, 2018	P	17,830,026	P 11,925	P 17,841,951
Additional advances		3,324,163	-	3,324,163
Collections		-	(11,925)	(11,925)
Balance at December 31, 2018	P	21,154,189	P -	P 21,154,189
Balance at January 1, 2017	P	24,241,990	P 11,707	P 24,253,697
Collections	(	8,880,348)	(11,707)	(8,892,055)
Additional advances		2,468,384	11,925	2,480,309
Balance at December 31, 2017	P	17,830,026	P 11,925	P 17,841,951

25.2 Advances from Related Parties

In prior years, the Parent Company obtained cash advances from ABS for working capital purposes. Net repayments to this cash advances amounting to nil in 2018 and 2017, and P3,133,857 in 2016. There is no outstanding balance as of December 31, 2018 and 2017 relating to this transaction.

25.3 Rental of Office Space

ABS has been charging the Parent Company for its usage of a portion of the office compound owned by the former (see Note 28.2). Rent expense incurred in 2015 amounted to P339,916. This is shown as part of rent expense which is presented under Operating Expenses in the consolidated statements of profit or loss (see Notes 19 and 28.2). The lease ended in 2015.

25.4 Sale and Transfer of Property

In 2018, the Parent Company transferred all its financial assets at FVOCI to one of its shareholder at market price as of January 1, 2018 of P55,633,275 which was returned by the shareholder in cash. There is no similar transaction in 2017 and 2016.

In 2016, the Parent Company sold a parcel of land and condominium units in cash to ABS with a total contract price of P32,272,232. The Parent Company realized a net gain of these transactions with ABS amounting to P4,762,807 and are presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Note 13).

25.5 Parent Company Loans Secured by Stockholders' Properties

Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders of the Parent Company at no cost to the Group (see Note 15).

25.6 Sale of Real Estate to Ultimate Parent Company

In 2017, CLI sold condominium units to ABS totaling P158,359,074. The outstanding balance related to this transaction amounted to P149,300,130 and P149,339,940 as at December 31, 2018 and 2017, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.7 Sale of Real Estate to Key Management Personnel

In 2018, 2017 and 2016, CLI sold condominium units totaling P8,501,882, P80,834,073 and P48,703,620, respectively, to key management personnel. Outstanding balance related to these transactions amounts to P65,028,576 and P91,515,291 as at December 31, 2018 and 2017, respectively. These are presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.8 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2018, 2017 and 2016 is shown below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Short-term benefits	P 76,696,262	P 83,813,957	P 21,761,025
Post-employment benefits	<u>5,064,092</u>	<u>2,072,235</u>	<u>829,705</u>
	<u>P 81,760,354</u>	<u>P 85,886,192</u>	<u>P 22,590,730</u>

25.9 Retirement Fund

CLP's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2018 and 2017 consists of the contributions to the plan and interest earned (see Note 23.2). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

26. EQUITY

26.1 Capital Stock

Details of the authorized capital stock as of December 31, 2018 and 2017 are as follows:

<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Amount</u>
Common stock	P 1.00	2,400,000,000	P 2,400,000,000
Preferred stock	0.10	1,000,000,000	100,000,000

An analysis of the issued and outstanding common stock, net of 46.5 million treasury shares (2018) as of December 31, 2018 and 2017 is shown below.

	<u>Shares</u>		<u>Amount</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year	1,714,000,000	1,284,000,000	P 1,714,000,000	P 1,284,000,000
Issued during the year	-	430,000,000	-	430,000,000
Reacquired during the year	(46,500,000)	-	(212,459,418)	-
Balance at end of year	<u>1,667,500,000</u>	<u>1,714,000,000</u>	<u>P 1,501,540,582</u>	<u>P 1,714,000,000</u>

There are no issued preferred stock as of December 31, 2018 and 2017.

As disclosed in Note 1.1, the Parent Company had a successful IPO of 430 million unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

The share price of the Parent Company's common stock closed at P4.14 per share on December 28, 2018, the last trading day in the PSE for 2018.

The Group has no other listed securities as at December 31, 2018 and 2017.

On February 27, 2018, the BOD of the Parent Company approved a P250 million budget for a share buy-back program and employee stock option plan. The share buy-back program and employee stock option plan has not yet implemented in 2018.

The common stock of the Parent Company that is held under nominee accounts totaled 706,371,750 shares and 708,126,800 shares as of December 31, 2018 and 2017, respectively. This represents 38% and 41% of the Parent Company's outstanding shares as of December 31, 2018 and 2017, respectively. In relation to this program, the Parent Company reacquired 46,500,000 shares of common stock for P212.50 million and presented it as Treasury Stock in the consolidated statement of financial position.

On July 1, 2016, the stockholders and BOD of the Parent Company approved the proposed increase in authorized capital stock of the Parent Company, including a stock split on its existing unissued shares and outstanding capital stock, which was approved by the SEC on October 24, 2016. The stock split was made to effect by reducing the P100 par value per share of common stock and preferred stock to P1.0 per share and P0.10 per share, respectively. Upon approval by the SEC, the authorized common stock of the Parent Company increased from P1,000,000,000 divided into 10,000,000 shares at P100 par value to P2,400,000,000 divided into 2,400,000,000 shares at P1 par value. Its preferred stock remained the same at P100,000,000 but increased in number of shares from 1,000,000 shares to 1,000,000,000 shares at P0.10 par value per share. There are no issued and outstanding preferred shares as at December 31, 2017 and 2016.

26.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	Post-employment Defined Benefit Obligation	Financial Asset at FVOCI	Total
Balance as of January 1, 2018	(P	10,634,493)	P 6,315,400	(P 4,319,093)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2 9	(2,562,785)	-	(2,562,785)
Sale of financial asset at FVOCI	9	-	(9,022,000)	(9,022,000)
		(2,562,785)	(9,022,000)	(11,584,785)
Tax income (expense)		768,836	2,706,600	3,475,436
		(1,793,942)	(6,315,400)	(8,109,342)
Balance as of December 31, 2018		(P 12,428,442)	P -	(P 12,428,442)
	Notes	Post-employment Defined Benefit Obligation	AFS Financial Assets	Total
Balance as of January 1, 2017	(P	5,890,602)	P 5,265,400	(P 625,202)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2 9	(6,776,987)	-	(6,776,987)
AFS financial assets	9	-	1,500,000	1,500,000
		(6,776,987)	1,500,000	(5,276,987)
Tax income (expense)		2,033,096	(450,000)	1,583,096
		(4,743,891)	1,050,000	(3,693,891)
Balance as of December 31, 2017		(P 10,634,493)	P 6,315,400	(P 4,319,093)

	Notes	Post-employment Defined Benefit Obligation	AFS Financial Assets	Total
Balance as of January 1, 2016		(P 5,533,540)	P 2,815,400	(P 2,718,140)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2	(510,088)	-	(510,088)
AFS financial assets		-	3,500,000	3,500,000
		(510,088)	3,500,000	2,989,912
Tax income (expense)		153,026	(1,050,000)	896,974
		(357,062)	2,450,000	(2,092,938)
Balance as of December 31, 2016		(P 5,890,602)	P 5,265,400	(P 625,202)

26.3 Retained Earnings

On February 27, 2018, the BOD declared cash dividend of P0.15 per share with a total amount of P256,875,000 to stockholders on record as of March 23, 2018. Such dividend was paid on April 23, 2018.

Details of the Company's cash dividend declarations for 2016 are as follows:

Date of Declaration	Date of Record	Date of Payment	Amount Declared and paid	Dividend per share
April 1, 2016	March 31, 2016	April 20, 2016	P 20,000,000	P 0.03
September 2, 2016	August 31, 2016	September 14, 2016	52,943,457	0.07
September 16, 2016	September 15, 2016	September 21, 2016	38,150,000	0.05
October 7, 2016	September 30, 2016	October 11, 2016	15,000,000	0.02
November 22, 2016	November 21, 2016	November 24, 2016	650,000,000	0.74
December 2, 2016	December 1, 2016	December 9, 2016	40,000,000	0.05
December 2, 2016	December 1, 2016	December 9, 2016	40,000,000	0.05

A portion of the Company's retained earnings which is equivalent of the cost of treasury shares, is restricted from dividend declaration as of the end of the reporting period.

26.4 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at December 31, 2018 and 2017 are as follows.

Subsidiaries	NCI Ownership %		NCI Equity in Subsidiaries	
	2018	2017	2018	2017
YHEST	50%	50%	P 3,738,377,806	P -
El Camino	65%	65%	472,340,626	371,923,095
YHES	50%	50%	441,226,269	110,632,870
YES	50%	50%	228,148,289	68,816,697
MGR	55%	55%	192,956,265	753,589
BL Ventures	50%	50%	134,247,260	18,838,661
CCPH	50%	50%	73,260,496	-
			P 5,280,557,011	P 570,964,912

In 2016, BL Ventures, YES and El Camino were incorporated with paid-in capital from non-controlling shareholders on these entities amounting to P12,500,000, P6,250,003, and P16,250,000, respectively.

In 2017, YHES, and MGR were incorporated with paid-in capital from non-controlling shareholders on these entities amounting P1,375,000 and P112,118,500, respectively. Moreover, P70,683,840 and P388,259,487 were invested by non-controlling shareholders of YES and El Camino, respectively.

In 2018, YHEST and CCLI were incorporated with the non-controlling shareholders transferred land with a fair value of P3,774,738,000 and cash of P74,350,000, respectively, in exchange for shares of stock of these entities. The non-controlling shareholder also transferred land worth P448,474,000 to YHES in exchange for shares of stock worth P336,355,500 and settlement of its P112,118,500 liability.

There were no dividends paid to non-controlling shareholders in 2018, 2017 and 2016 as the related subsidiaries have not declared dividends yet.

Significant information on the financial position and financial performance of YHEST as at and for the year ended December 31, 2018 are as follows:

Current assets	P 7,763,057
Non-current Assets	<u>4,792,094,603</u>
Total assets	<u>P4,799,857,660</u>
Current liabilities	P 5,528,217
Non-current liabilities	<u>-</u>
Total liabilities	<u>P 5,528,217</u>
Revenues	<u>P -</u>
Net loss	P 72,720,388
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>P 72,720,388</u>

The 2018 profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	P 36,360,194
Non-controlling interests	<u>36,360,194</u>
Net loss	<u>P 72,720,388</u>

Significant information on the financial position and financial performance of EL Camino as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current assets	P2,477,352,231	P 2,069,490,325
Non-current Assets	<u>319,167,568</u>	<u>56,488,393</u>
Total assets	<u>P2,796,519,799</u>	<u>P 2,125,978,718</u>
Current liabilities	P 316,762,598	P 139,746,646
Non-current liabilities	<u>1,752,539,313</u>	<u>1,414,042,693</u>
Total liabilities	<u>P 2,069,301,911</u>	<u>P 1,553,789,339</u>
Revenues	<u>P 653,176,410</u>	<u>P 11,263,086</u>
Net profit (loss)	P 136,717,289	(P 40,452,007)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>P 136,717,289</u>	<u>(P 40,452,007)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2018</u>	<u>2017</u>
Parent Company's shareholders	P 47,851,051	(P 14,158,202)
Non-controlling interests	<u>88,866,238</u>	<u>(26,293,805)</u>
Net profit (loss)	<u>P 136,717,289</u>	<u>(P 40,452,007)</u>

Significant information on the financial position and financial performance of YHES as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current assets	P 149,216,099	P 224,237,000
Non-current Assets	<u>512,887,936</u>	<u>3,516,750</u>
Total assets	<u>P 662,104,035</u>	<u>P 227,753,750</u>
Current liabilities	P 3,888,497	P 6,488,010
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>P 3,888,497</u>	<u>P 6,488,010</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	P 11,524,202	P 2,971,260
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>P 11,524,202</u>	<u>P 2,971,260</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2018</u>	<u>2017</u>
Parent Company's shareholders	P 5,762,101	P 1,485,630
Non-controlling interests	<u>5,762,101</u>	<u>1,485,630</u>
Net loss	<u>P 11,524,202</u>	<u>P 2,971,260</u>

Significant information on the financial position and financial performance of YES as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current assets	P 956,524,707	P 237,500,303
Non-current Assets	<u>5,411,425</u>	<u>6,580,960</u>
Total assets	<u>P 961,936,132</u>	<u>P 244,081,263</u>
Current liabilities	P 202,370,291	P 68,477,822
Non-current liabilities	<u>303,269,258</u>	<u>40,000,000</u>
Total liabilities	<u>P 505,639,549</u>	<u>P 108,477,822</u>
Revenues	<u>P 827,947,591</u>	<u>P -</u>
Net profit (loss)	P 318,663,184	(P 14,896,514)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>P 318,663,184</u>	<u>(P 14,896,514)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2018</u>	<u>2017</u>
Parent Company's shareholders	P 159,331,592	(P 7,448,257)
Non-controlling interests	<u>159,331,592</u>	<u>(7,448,257)</u>
Net profit (loss)	<u>P 318,663,184</u>	<u>(P 14,896,514)</u>

Significant information on the financial position and financial performance of MGR as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current assets	P 888,702,247	P 89,386,377
Non-current Assets	<u>-</u>	<u>-</u>
Total assets	<u>P 888,702,247</u>	<u>P 89,386,377</u>
Current liabilities	P 334,608,661	P 88,859,966
Non-current liabilities	<u>203,264,013</u>	<u>-</u>
Total liabilities	<u>P 537,872,674</u>	<u>P 88,859,966</u>

	<u>2018</u>	<u>2017</u>
Revenues	<u>P 812,312,112</u>	P -
Net profit (loss)	<u>P 349,459,412</u>	(P 1,129,839)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>P 349,459,412</u>	(P 1,129,839)

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2018</u>	<u>2017</u>
Parent Company's shareholders	<u>P 157,256,736</u>	(P 508,428)
Non-controlling interests	<u>192,202,676</u>	(<u>621,411</u>)
Net profit (loss)	<u>P 349,459,412</u>	(P 1,129,839)

Significant information on the financial position and financial performance of BL Ventures as at and for the year ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current assets	<u>P 683,095,468</u>	P 325,569,086
Non-current Assets	<u>246,957,913</u>	<u>24,927,603</u>
Total assets	<u>P 930,053,381</u>	P 350,496,689
Current liabilities	<u>P 196,507,563</u>	P 165,612,757
Non-current liabilities	<u>465,078,039</u>	<u>147,206,607</u>
Total liabilities	<u>P 661,585,602</u>	P 312,819,364
Revenues	<u>P 519,407,146</u>	P 79,759,938
Net profit	<u>P 208,733,326</u>	P 20,636,992
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 208,733,326</u>	P 20,636,992

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2018</u>	<u>2017</u>
Parent Company's shareholders	<u>P 104,366,663</u>	P 10,318,496
Non-controlling interests	<u>104,366,663</u>	<u>10,318,496</u>
Net profit (loss)	<u>P 208,733,326</u>	P 20,636,992

Significant information on the financial position and financial performance of CCPH as at and for the year ended December 31, 2018 are as follows:

Current assets	P 30,857,692
Non-current Assets	<u>144,966,844</u>
Total assets	<u>P 175,824,536</u>
Current liabilities	P 29,303,543
Non-current liabilities	<u>-</u>
Total liabilities	<u>P 29,303,543</u>
Revenues	<u>P -</u>
Net loss	P 2,179,008
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>P 2,179,008</u>

The 2018 profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	P 1,089,504
Non-controlling interests	<u>1,089,504</u>
Net loss	<u>P 2,179,008</u>

26.5 Prior Period Adjustments

The balance of Retained Earnings as of December 31, 2017 and January 1, 2017 has been restated from the amount previously reported to correct the accounting for the Group's investments in subsidiaries and associates. There are investees that were previously considered as joint venture (YHES) and associates (MGR and El Camino) [see Note 2.1(ii)].

However, the Group made a prior period adjustment to its previously issued consolidated financial statements to include other investees that it had control over its operations.

The analyses of the impact on the prior period adjustments and reclassifications on the Group's consolidated statement of financial position are as follows:

	As at December 31, 2017			As at January 1, 2018		
	As previously Reported	Prior Period Error	As Restated	PIC Q&A No. 2018-01	Effects of Adoption of PFRS 15	PFRS 9
Changes in assets						
Cash and cash equivalents	P 1,206,637,796	P 253,374,070	P 1,460,011,866	P -	P -	P -
Receivables - net	4,685,107,305	(134,647,904)	4,550,459,402	-	(3,042,388,529)	(5,207,811)
Contract assets	-	-	-	-	3,042,388,529	(17,146,847)
Real estate inventory	3,338,919,413	2,102,761,152	5,441,680,565	(97,616,288)	(496,566,683)	-
Due from related parties - net	92,459,144	(74,617,193)	17,841,951	-	-	-
Prepayments and other current assets	160,144,660	179,128,579	339,273,239	-	176,776,019	-
Deposit on land for future development	945,027,769	3,516,750	948,544,519	-	-	-
Property and equipment - net	150,080,717	24,888,725	174,969,442	-	-	-
Investment properties - net	323,945,511	-	323,945,511	97,616,288	-	-
Investments in associates	522,235,524	(510,593,374)	11,642,150	-	-	-
Other non-current assets - net	32,136,717	193,440,465	225,577,182	-	-	-
Effect in total assets		<u>P 2,037,251,270</u>		<u>P -</u>	<u>(P 319,790,664)</u>	<u>(P 22,354,658)</u>

	As at December 31, 2017			As at January 1, 2018		
	As previously Reported	Prior Period Error	As Restated	PIC Q&A No. 2018-01	Effects of Adoption of PFRS 15	PFRS 9
Changes in liabilities						
Trade and other payables	P 1,560,654,725	P 74,127,843	P 1,634,782,568	P -	P 456,346,012	P -
Customers' deposits	273,062,313	93,380,535	366,442,848	-	-	-
Reserve for property development	792,219,041	4,450,095	796,669,136	-	(796,669,136)	-
Interest-bearing loans	3,687,692,218	1,414,042,693	5,101,734,911	-	-	-
Deferred tax liabilities - net	241,241,856	(17,048,096)	224,193,760	-	(23,185,061)	(3,090,747)
Effect in total liabilities		<u>1,568,953,070</u>		-	(363,508,185)	(3,090,747)
Changes in equity						
Retained earnings	1,533,484,459	(8,761,354)	1,524,723,105	-	20,993,671	(19,133,290)
Non-controlling interests	93,905,358	<u>477,059,554</u>	570,964,912	-	<u>22,723,850</u>	(130,621)
Effect in equity		<u>468,298,200</u>		-	<u>43,717,521</u>	(19,263,911)
Effect in total liabilities and equity		<u>P 2,037,251,270</u>		<u>P -</u>	<u>(P 319,790,664)</u>	<u>(P 22,354,658)</u>

The analyses of the impact on the affected accounts in the Group's consolidated statement of financial position as of January 1, 2017 are as follows:

	As Previously Reported	Prior Period Error	As Restated
Changes in assets:			
Cash and cash equivalents	P 90,617,743	P 25,200,922	P 115,818,665
Receivables - net	2,165,629,390	(115,598,780)	2,050,030,610
Real estate inventory	1,657,553,805	1,964,414,018	3,621,967,823
Due from related parties - net	26,739,222	(2,485,525)	24,253,697
Prepayments and other current assets	102,631,805	83,471,562	186,103,367
Investments in associates	242,935,316	(230,702,062)	12,233,254
Property and equipment - net	164,166,429	<u>191,071</u>	164,357,500
Increase in total assets		<u>P 1,724,491,206</u>	
Changes in liabilities:			
Trade and other payables	P 473,210,300	P 448,737,146	P 921,947,446
Interest-bearing loans	2,392,039,193	<u>1,253,871,668</u>	3,645,910,861
Increase in total liabilities		<u>P 1,702,608,814</u>	
Change in equity:			
Retained earnings	239,963,006	(2,176,300)	237,786,706
Non-controlling interest	-	<u>24,058,692</u>	24,058,692
Increase in equity		<u>P 21,882,392</u>	

The analysis of the affected line items in the consolidated statement of comprehensive income of the Group for the year ended December 31, 2017 are shown below.

	As Previously Reported	Adjustments	As Restated
Revenues			
Sale of real estates	P 3,869,007,064	P 9,505,209	P 3,878,512,273
Cost of sales and service	(1,885,689,516)	(7,692,047)	(1,893,381,563)
Operating Expenses	(513,517,914)	(52,955,887)	(566,473,801)
Other operating income	28,435,777	14,556	28,450,333
Finance Costs	(31,364,653)	(5,042,109)	(36,406,762)
Finance Income	5,198,995	63,337	5,262,332
Other gains (loss) - net	(16,935,266)	16,419,558	(515,708)
Tax Expense	(219,795,962)	<u>17,035,433</u>	(202,760,529)
Decrease in net profit		<u>(P 22,651,950)</u>	

The decrease in net profit did not significantly affect the EPS, it still remained at P0.86 per share.

The analysis of the affected line items in the consolidated statement of comprehensive income of the Group for the year ended December 31, 2016 are shown below.

	Notes	As Previously Reported	Adjustments	As Restated
Operating Expenses	19 (P	335,809,363)	(P 9,254,960)	(P 345,064,323)
Finance Costs	21 (	16,572,078)	(7,355,220)	(23,927,298)
Other gains (loss) - net	22 (	5,544,420)	10,307,539	4,763,119
Finance Income		477,973	45,900	523,873
Tax Expense	24 (	116,471,747)	(9,180)	(116,480,927)
Decrease in net income			(P 6,265,921)	

The decrease in net profit did not significantly affect the EPS, it still remained at P0.91 per share.

The analysis of the affected line items in the consolidated statement of cash flows of the Group for the year ended December 31, 2017 are shown below.

		As Previously Reported	Adjustments	As Restated
<i>Changes in cash flows from operating activities:</i>				
Profit before tax	P	1,514,790,264	(P 50,623,943)	P 1,464,166,321
Adjustments for:				
Depreciation and amortization		50,715,785	74,672	50,790,457
Interest expense on loans		19,247,371	4,950,366	24,197,737
Interest income	(	5,198,995)	(63,337)	(5,262,332)
Share in net losses of associates		16,487,226	(15,896,122)	591,104
Operating profit before working capital changes		1,607,630,724	(61,558,364)	1,546,072,360
Increase in receivables	(	2,531,066,988)	539,332,997	(1,991,733,991)
Increase in real estate inventory	(	1,681,365,608)	(522,894,187)	(2,204,259,795)
Increase in deposits on land for future development	(	685,130,642)	(3,516,750)	(688,647,392)
Increase in prepayments and other current assets	(	134,119,716)	(95,669,680)	(229,789,396)
Increase in other non-current assets	(	8,784,950)	(193,440,464)	(202,225,414)
Increase in trade and other payables		1,179,954,094	(467,118,971)	712,835,123
Increase (decrease) in customers' deposits	(	53,891,813)	93,380,535	39,488,722
Increase in reserve for property development		525,189,409	4,450,095	529,639,504
Cash used in operations			(707,140,255)	
Cash paid for taxes	(	533,505)	105,466	(428,039)
<i>Net Cash Used in Operating Activities</i>			(707,034,789)	
<i>Changes in cash flows from investing activities:</i>				
Acquisitions of property and equipment	(	21,591,063)	(24,772,327)	(46,363,390)
Interest received		5,198,995	63,337	5,262,332
Advances to related parties	(	85,962,818)	83,482,509	(2,480,309)
Collections of advances to related parties		20,242,896	(11,350,841)	8,892,055
Acquisitions of equity interest in associates	(	311,286,101)	311,286,101	-
Cash from newly controlled and consolidated entities		19,406,862	(19,406,862)	-
<i>Net Cash Used in Investing Activities</i>			339,301,917	
<i>Forward</i>				

	As Previously Reported	Adjustments	As Restated
<i>Changes in cash flows from financing activities:</i>			
Proceeds of interest-bearing loans	P 2,068,688,273	P 159,200,000	P 2,227,888,273
Interest paid	(100,166,568)	(58,796,965)	(158,963,533)
Additional investment from non-controlling shareholders	76,933,842	<u>495,502,985</u>	572,436,827
<i>Net Cash From Financing Activities</i>		<u>595,906,020</u>	
Net increase in cash and cash equivalents	1,116,020,053	228,173,148	1,344,193,201
Cash and cash equivalents at beginning of year	90,617,743	<u>25,200,922</u>	115,818,665
		<u>P 253,374,070</u>	

The analysis of the affected line items in the consolidated statement of cash flows of the Group for the year ended December 31, 2016 are shown below.

	As Previously Reported	Adjustments	As Restated
<i>Changes in cash flows from operating activities:</i>			
Profit before tax	P 896,800,696	(P 13,163,471)	P 883,637,225
Adjustments for:			
Interest expense on loans	13,757,757	7,526,837	21,284,594
Interest income	(477,973)	(45,900)	(523,873)
Share in net losses of associates	10,307,539	<u>(5,805,697)</u>	4,501,842
Operating profit before working capital changes	949,252,016	(11,488,231)	937,763,785
Increase in receivables	(1,255,994,715)	248,777,372	(1,007,217,343)
Increase in real estate inventory	(130,152,464)	(2,039,921,197)	(2,170,073,661)
Increase in prepayments and other current assets	(4,368,937)	(143,851,796)	(148,220,733)
Increase in trade and other payables	122,623,941	<u>450,009,450</u>	572,633,391
Cash used in operations	(429,898,052)	<u>(1,496,474,402)</u>	(1,926,372,454)
<i>Net Cash Used in Operating Activities</i>		<u>(1,496,474,402)</u>	
<i>Changes in cash flows from investing activities:</i>			
Acquisitions of property and equipment	(108,088,253)	(191,071)	(108,279,324)
Interest received	477,973	45,900	523,873
Advances to related parties	(112,515,599)	2,485,525	(110,030,074)
Acquisitions of equity interest in associates	(240,562,800)	<u>236,562,800</u>	(4,000,000)
<i>Net Cash Used in Investing Activities</i>		<u>113,789,986</u>	
<i>Changes in cash flows from financing activities:</i>			
Proceeds of interest-bearing loans	1,603,789,687	1,253,700,000	2,857,489,687
Interest paid	(71,429,170)	(5,927,833)	(77,357,003)
Additional investment from non-controlling shareholders	-	<u>35,000,003</u>	35,000,003
<i>Net Cash From Financing Activities</i>		<u>1,282,772,170</u>	
Net decrease in cash and cash equivalents		<u>P 25,200,922</u>	

27. EARNINGS PER SHARE

EPS is computed as follows:

	<u>2018</u>	2017 (As Restated - see Note 26.5)	2016 (As Restated - see Note 26.5)
Income available to common stockholders	P 1,667,369,943	P 1,286,936,399	P 778,097,609
Divided by weighted average number of outstanding common stock	<u>1,693,132,500</u>	<u>1,499,000,000</u>	<u>854,333,333</u>
Basic and diluted EPS	<u>P 0.98</u>	<u>P 0.86</u>	<u>P 0.91</u>

There were no instruments that could potentially dilute basic earnings per share for years ended December 31, 2018, 2017 and 2016; hence, basic EPS is the same as diluted EPS.

28. COMMITMENTS AND CONTINGENCIES

28.1 Operating Lease Commitments - Group as Lessor

The Group is a lessor under several operating leases covering investment properties (see Note 13). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Within one year	P 53,665,650	P 47,466,242	P 38,815,164
After one year but not more than five years	108,046,002	98,926,829	117,480,689
More than five years	<u>147,761,404</u>	<u>4,956,444</u>	<u>9,580,865</u>
	<u>P 309,473,056</u>	<u>P 151,349,515</u>	<u>P 165,876,718</u>

Rental income amounted to P57,480,871, P45,647,337 and P38,870,444 in 2018, 2017 and 2016, respectively (see Note 13).

28.2 Operating Lease Commitments - Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P15,275,105, P11,999,959 and P6,057,124 in 2018, 2017 and 2016, respectively, and is shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 19 and 25.3).

As at December 31, 2018 and 2017, there are no expected future rentals because of the terms of the leases.

28.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. In 2018, the Group recognized a contract liability when it collects more than it is entitled to base on the stage of completion of the project development.

In 2017 and prior years, the Group accrues for the estimated costs to complete for sold real estate units that are being developed. The accrual as of December 31, 2017 amounted to P796,669,136 which is recorded as Reserve for Property Development in the 2017 consolidated statement of financial position (see Note 7).

28.4 Purchase of Land

As at December 31, 2018 and 2017, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land and for which the Group has made advance payments totalling P1,754,763,446 and P948,544,519, respectively (see Note 8). The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

28.5 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at December 31, 2018 and 2017, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (RCC) (effective March 8, 2019), was signed into law and published in the Official Gazette on February 21, 2019. The significant provision, among others, of the RCC that would have financial reporting impact to the Group, is the removal of the maximum 50-year corporate term for stock corporations. The RCC states that corporations shall now have perpetual existence unless their articles of incorporation provide otherwise.

Further, it clarifies that even corporations with certificates of incorporation issued prior to the effectivity of the RCC, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing majority of its outstanding capital stock, notifies SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation. Provided, that any change in the corporate term is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC.

On February 26, 2019, the BOD declared cash dividend of P0.20 per share with a total amount of P332,590,000 to stockholders on record as of March 26, 2019. Such dividend will be paid on April 24, 2019.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 31. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

30.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

The Group has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

30.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from debt instruments, primarily from the selling of goods and services to customers, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2018	2017 (As Restated - see Note 26.5)
Cash and cash equivalents	5	P 948,556,925	P 1,235,414,858
Receivables ¹	6	4,037,611,348	4,514,061,357
Contract assets	17.2	5,491,615,374	-
Due from related parties	25.1	21,154,189	17,841,951
Refundable deposits ²	14	57,418,776	33,926,539
		<u>P 10,556,356,612</u>	<u>P 5,801,244,705</u>

Receivables excludes advances to officers and employees and Refundable deposits are presented as part of other non-current assets.

Certain financial assets of the Group are secured by collateral or other credit enhancements as discussed below.

The Group's management determined that all the foregoing financial assets that are not impaired or past due for each reporting dates are of good credit quality.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) *Receivables and Contract Assets*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all receivables and contract assets.

The Group's maximum exposure to credit risk as of December 31, 2018 and 2017 is equal to the carrying value of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. The provision rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the unemployment rate of the locations in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the loss rates based on expected changes in these factors.

As of December 31, 2018 and 2017, the average expected credit loss rate as at December 31, 2018 and January 1, 2018 (upon adoption of PFRS 9) is 0.72% and 0.57% that resulted in the ECL of P69,842,048 and P25,062,353, respectively.

A reconciliation of the closing loss allowance for trade and other receivables and contract assets as at December 31, 2018 to the opening loss allowance is presented below.

	<u>Receivables</u>	<u>Contract Asset</u>	<u>Total</u>
Balance at beginning of year	P 7,915,506	P 17,146,847	P 25,062,353
Lifetime ECL	<u>12,437,161</u>	<u>32,342,534</u>	<u>44,779,695</u>
Balance at end of year	<u>P 20,352,667</u>	<u>P 49,489,381</u>	<u>P 69,842,048</u>

A reconciliation of the closing loss allowance for trade and other receivables as at January 1, 2018 to the opening loss allowance is presented below.

	<u>Receivables</u>	<u>Contract Asset</u>	<u>Total</u>
Balance at beginning of year	P 2,707,695	P -	P 2,707,695
Effect of PFRS 9 - ECL	<u>5,207,811</u>	<u>17,146,847</u>	<u>22,354,658</u>
As restated	<u>P 7,915,506</u>	<u>P 17,146,847</u>	<u>P 25,062,353</u>

As at December 31, 2018 and 2017, the Group has no past due but unimpaired financial assets.

30.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored on a week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2018 and 2017, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Current</u>		<u>Non-current</u>	
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
<u>December 31, 2018</u>				
Interest-bearing loans	P1,326,646,615	P 326,366,857	P4,741,080,363	P5,550,940,768
Trade and other payables ²	<u>1,142,655,725</u>	<u>787,081,472</u>	<u>86,109,708</u>	<u>-</u>
	<u>P2,469,302,340</u>	<u>P1,113,437,329</u>	<u>P4,827,190,071</u>	<u>P5,550,940,768</u>
<u>December 31, 2017</u>				
Interest-bearing loans	P 808,291,945	P 412,568,210	P2,597,637,548	P 262,795,225
Trade and other payables ²	<u>1,345,469,351</u>	<u>-</u>	<u>73,026,937</u>	<u>-</u>
	<u>P2,153,761,296</u>	<u>P 412,568,210</u>	<u>P2,670,664,485</u>	<u>P 262,795,225</u>

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

31. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

31.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2018		2017	
	Notes	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
at amortized cost:					
Cash and cash equivalents	5	P 949,161,931	P 949,161,931	P 1,460,011,866	P 1,460,011,866
Receivables - net¹	6	4,017,258,681	4,017,258,681	4,511,353,662	4,511,353,662
Contract assets - net	17.2	5,442,125,993	5,442,125,993	-	-
Due from related parties	25.1	21,154,189	21,154,189	17,841,951	17,841,951
Refundable deposits	14	57,418,776	57,418,776	33,926,539	33,926,539
		<u>10,487,119,570</u>	<u>10,487,119,570</u>	<u>6,023,134,018</u>	<u>6,023,134,018</u>
at fair value through other comprehensive income	10	-	-	55,633,275	55,633,275
		<u>P 10,487,307,167</u>	<u>P 10,487,307,167</u>	<u>P 6,078,767,293</u>	<u>P 6,078,767,293</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans	15	P 10,641,280,311	P 10,641,280,311	P 5,101,734,911	P 5,101,734,911
Trade and other payables²	16	2,217,651,566	2,217,651,566	1,463,739,122	1,463,739,122
		<u>P 12,858,931,877</u>	<u>P 12,858,931,877</u>	<u>P 6,565,474,033</u>	<u>P 6,565,474,033</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 30.

31.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated <u>statements of financial position</u>		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated <u>statements of financial position</u>		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	<u>Net amount</u>
December 31, 2018						
Cash and cash equivalents	<u>P 949,161,931</u>	<u>P -</u>	<u>P 949,161,931</u>	<u>P 301,879,079</u>	<u>P -</u>	<u>P 647,282,852</u>
Receivables - net ¹	<u>P 4,017,258,681</u>	<u>P -</u>	<u>P 4,017,258,681</u>	<u>P -</u>	<u>P -</u>	<u>P 4,017,258,681</u>
December 31, 2017						
Cash and cash equivalents	<u>P 1,460,011,866</u>	<u>P -</u>	<u>P 1,460,011,866</u>	<u>P -</u>	<u>P -</u>	<u>P 1,460,011,866</u>
Receivables - net ¹	<u>P 4,511,353,662</u>	<u>P -</u>	<u>P 4,511,353,662</u>	<u>P -</u>	<u>P -</u>	<u>P 4,511,353,662</u>

¹ Receivables - net excludes advances to officers and employees.

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		
	Financial liabilities	Financial assets set off	of financial position	Financial instruments	Cash collateral received	Net amount
December 31, 2018						
Interest-bearing loans	<u>P 10,641,280,311</u>	<u>P -</u>	<u>P 10,641,280,311</u>	<u>P 301,879,079</u>	<u>P -</u>	<u>P 10,339,401,232</u>
Trade and other payables ²	<u>P 2,217,651,566</u>	<u>P -</u>	<u>P 2,217,651,566</u>	<u>P -</u>	<u>P -</u>	<u>P 2,217,651,566</u>
December 31, 2017						
Interest-bearing loans	<u>P 5,101,734,911</u>	<u>P -</u>	<u>P 5,101,734,911</u>	<u>P -</u>	<u>P -</u>	<u>P 5,101,734,911</u>
Trade and other payables ²	<u>P 1,463,739,122</u>	<u>P -</u>	<u>P 1,463,739,122</u>	<u>P -</u>	<u>P -</u>	<u>P 1,463,739,122</u>

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

31.3 Fair Value Measurements and Disclosures

(a) Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2017 (There is none as of December 31, 2018).

	Level 1	Level 2	Level 3	Total
<u>December 31, 2017</u>				
<i>Financial assets</i>				
Equity securities				
AFS financial assets	P -	P 49,000,000	P 6,633,275	P 55,633,275

There were no transfers from Level 2 to Level 3 and vice versa of the fair value hierarchy as of December 31, 2018 and 2017.

(c) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2018 and 2017 consolidated statements of financial position, but for which fair value is disclosed (see Note 31.1).

	2018			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Cash and cash equivalents	P 949,161,931	P -	P -	P 949,161,931
Receivables – net ¹	-	-	4,017,258,681	4,017,258,681
Contract assets - net	-	-	5,442,125,993	5,442,125,993
Due from related parties	-	-	21,154,189	21,154,189
Refundable deposits	-	-	57,418,776	57,418,776
	<u>P 949,161,931</u>	<u>P -</u>	<u>P 9,537,957,639</u>	<u>P 10,487,119,570</u>
<i>Financial liabilities</i>				
Interest-bearing loans	P -	P -	P 10,641,280,311	P 10,641,280,311
Trade and other payables ²	-	-	2,217,651,566	2,217,651,566
	<u>P -</u>	<u>P -</u>	<u>P 12,858,931,877</u>	<u>P 12,858,931,877</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

	2017			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Cash and cash equivalents	P 1,460,011,866	P -	P -	P 1,460,011,866
Receivables – net ¹	-	-	4,511,353,662	4,511,353,662
Due from related parties	-	-	17,841,951	17,841,951
Refundable deposits	-	-	33,926,539	33,926,539
	<u>P 1,460,011,866</u>	<u>P -</u>	<u>P 4,563,122,152</u>	<u>P 6,023,134,018</u>
<i>Financial liabilities</i>				
Interest-bearing loans	P -	P -	P 5,101,734,911	P 5,101,734,911
Trade and other payables ²	-	-	1,463,739,122	1,463,739,122
	<u>P -</u>	<u>P -</u>	<u>P 6,565,474,033</u>	<u>P 6,565,474,033</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans, because of their short-term nature.

(d) Fair Value Measurement for Non-financial Assets

The Group has no non-financial assets measured at fair value as at December 31, 2018 and 2017. However, the fair values of its investment properties are required to be disclosed, as shown in Note 13.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2018 and 2017.

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Investment property	<u>P -</u>	<u>P 1,034,936,000</u>	<u>P 4,872,187,491</u>	<u>P 5,907,123,491</u>
December 31, 2017				
Investment property	<u>P -</u>	<u>P 983,012,000</u>	<u>P -</u>	<u>P 983,012,000</u>

In 2018 and 2017, the fair value of the Group's Investment Properties are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(a) Fair Value Measurement for Land, Condominium Units and Retail Buildings

The Level 2 fair value of the parcels of land, condominium units and retail building under Investment Properties account was determined using the market approach and income approach. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

Under the income approach, these uses valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

On the other hand, under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Improvements under Retail Buildings

The Level 2 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2018 and 2017.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

	<u>2018</u>	<u>2017</u>
Total liabilities	P 14,105,683,844	P 8,135,292,203
Total equity	<u>11,321,980,954</u>	<u>5,414,286,898</u>
Debt-to-equity ratio	<u>1.25:1.00</u>	<u>1.50:1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2018 and 2017.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.