DD MERIDIAN PARK

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **DD-Meridian Park Development Corp.** (the Company), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

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

Signature ______________________
Edgar J. Sia II, CEO/Chairman

Signature ______________________
Ferdinand J. Sia, COO/President

Signature ______________________
Rizza Marie Joy J. Sia, CFO/Treasurer

Signed this ____ day of __________ 2019

SUBSCRIBED AND SWORN to before me in PASAY CITY, on APR 12 2019, affiant personally appeared before me and exhibited to me his/her competent Evidence of Identity ______

Doc. No. 377;
Page No. 77;
Book No. 1;
Series of 2019

JON ANDRE C. BANDOMA
Notary Public for Pasay City
Until December 31, 2020
Commission No.19-22
Roll No. 64599
IBP No. 063474/01/04/2019
PTR No. 6419031/01/03/19/Pasay City
DoubleDragon Headquarters, 10th Floor, Tower 1
DoubleDragon Plaza, DD Meridian Park
Cor. Macapagal Avenue & EDSA Ext., Bay Area, Pasay City

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 4 2 0 9 9 2

COMPANY NAME

DD-MERIDIAN PARK DEVELOPMENT CORP. (A Subsidiary of DoubleDragon Properties Corp.)

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

DD Headquarters, 10th Floor Tower 1, DoubleDragon Plaza DD Meridian Park Corner Macapagal Avenue & EDSA Extension, Bay Area Pasay City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	856-7111	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	1st Wednesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Rizza Marie Joy J. Sia	rmjs@doubledragon.com.ph	856-7111	

CONTACT PERSON's ADDRESS

DD Headquarters, 10th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park Corner Macapagal Avenue & EDSA Extension, Bay Area, Pasay City, Metro Manila, Philippines

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

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

DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
DD-Meridian Park Development Corp.
DD Headquarters, 10th Floor, Tower 1, DoubleDragon Plaza
DD Meridian Park Corner Macapagal Avenue & EDSA Extension
Bay Area, Pasay City, Metro Manila

Report on the Audit of the Financial Statements

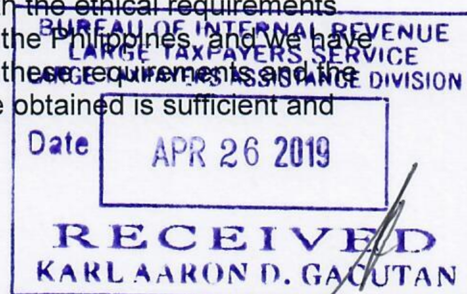
Opinion

We have audited the financial statements of DD-Meridian Park Development Corp. (the "Company"), a subsidiary of DoubleDragon Properties Corp., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for years then ended 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 Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.



R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

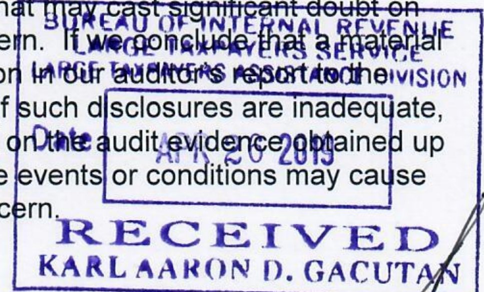
As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

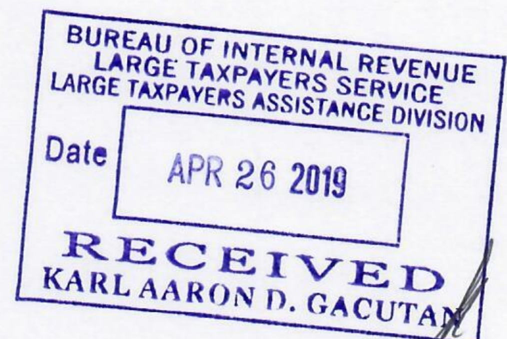
Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. MKT 7333639
Issued January 3, 2019 at Makati City

April 12, 2019
Makati City, Metro Manila



R.G. Manabat & Co.
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Philippines 1226
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
DD-Meridian Park Development Corp.
DD Headquarters, 10th Floor, Tower 1, DoubleDragon Plaza
DD Meridian Park Corner Macapagal Avenue & EDSA Extension
Bay Area, Pasay City, Metro Manila

We have audited the accompanying financial statements of DD-Meridian Park Development Corp. (the "Company"), a subsidiary of DoubleDragon Properties Corp., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 12, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of three (3) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
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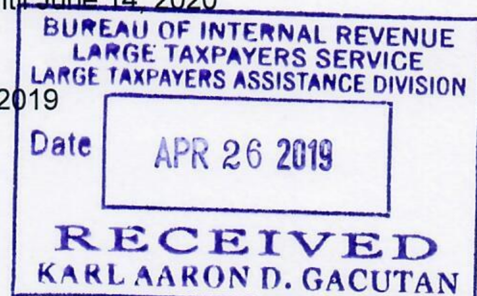

April 12, 2019
Makati City, Metro Manila

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, valid until March 15, 2020
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IC Accreditation No. F-2017/010-R, valid until August 26, 2020
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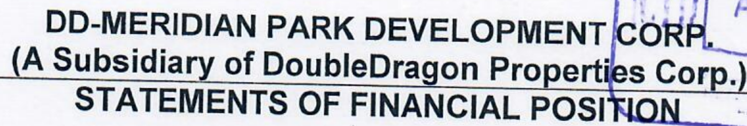
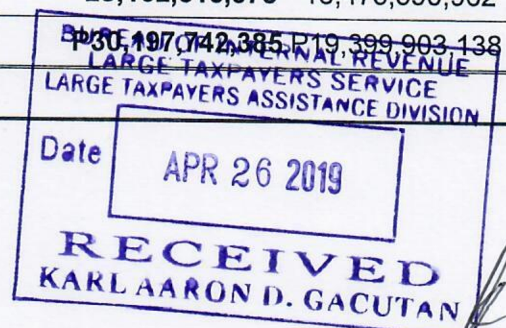


DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017 (As restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P415,411,075**	P667,343,626
Receivables	*6*	**726,928,930**	191,155,491
Due from Parent Company	*15*	**29,896,499**	910,589
Prepaid expenses and other current assets	*3, 7*	**787,355,785**	589,411,599
Total Current Assets		**1,959,592,289**	1,448,821,305
Noncurrent Assets			
Property and equipment - net	*8*	**22,700,341**	467,418
Investment property	*9*	**27,733,329,537**	17,555,848,952
Other noncurrent assets	*3, 10*	**482,120,218**	394,765,463
Total Noncurrent Assets		**28,238,150,096**	17,951,081,833
		P30,197,742,385	P19,399,903,138
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	*11*	**P2,092,490,064**	P1,343,565,352
Dividends payable	*18*	**260,699,940**	-
Due to related parties	*15*	**45,687,069**	-
Income tax payable		**42,739,512**	-
Total Current Liabilities		**2,441,616,585**	1,343,565,352
Noncurrent Liabilities			
Deferred tax liability - net	*17*	**3,616,081,434**	1,026,625,662
Other noncurrent liabilities	*12*	**977,728,493**	554,121,162
Total Noncurrent Liabilities		**4,593,809,927**	1,580,746,824
Total Liabilities		**7,035,426,512**	2,924,312,176
Equity			
Capital stock	*18*	**15,052,440,252**	14,127,431,867
Retained earnings		**8,109,875,621**	2,348,159,095
Total Equity		**23,162,315,873**	16,475,590,962
		P30,197,742,385	P19,399,903,138

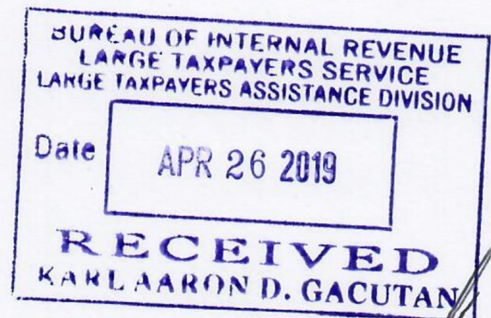
See Notes to the Financial Statements.



DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2018**	2017
INCOME			
Unrealized gains from changes in fair values of investment property	*9*	**P8,193,747,644**	P2,744,696,581
Rent income	*12, 16*	**1,048,350,880**	188,906,253
Mall fees		**69,417,876**	-
Restaurant sales		**23,492,802**	-
Interest income	*5*	**4,390,244**	6,491,442
Other income	*15f*	**16,049,352**	1,773,374
		9,355,448,798	2,941,867,650
COST AND EXPENSES			
General and administrative expenses	*14*	**67,462,753**	25,119,857
Cost of restaurant sales		**20,805,049**	-
Marketing expenses	*13*	**16,579,886**	26,733,156
Interest expense	*12*	**16,471,605**	2,958,745
		121,319,293	54,811,758
INCOME BEFORE INCOME TAX		**9,234,129,505**	2,887,055,892
INCOME TAX EXPENSE	*17*	**(2,768,082,570)**	(884,322,002)
NET INCOME AND TOTAL COMPREHENSIVE INCOME		**P6,466,046,935**	P2,002,733,890

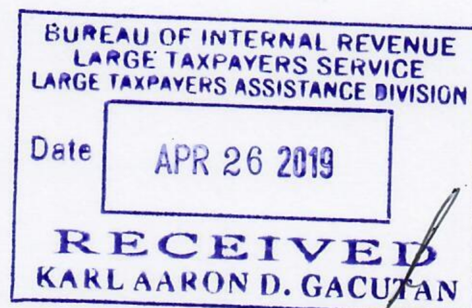
See Notes to the Financial Statements.



DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)
STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2018	2017
CAPITAL STOCK - P1 par value			
Authorized - 17,830,000,000 shares			
Issued and outstanding - 5,348,274,622 shares		**P5,348,274,622**	P5,348,274,622
Subscribed - 12,479,140,784 shares in 2018 and 2017, net of subscription receivable		**9,704,165,630**	8,779,157,245
	18	**15,052,440,252**	14,127,431,867
RETAINED EARNINGS			
Balance at beginning of year		**2,348,159,095**	345,425,205
Net income/total comprehensive income for the year		**6,466,046,935**	2,002,733,890
Dividends declared	18	**(704,330,409)**	-
Balance at end of year		**8,109,875,621**	2,348,159,095
		P23,162,315,873	P16,475,590,962

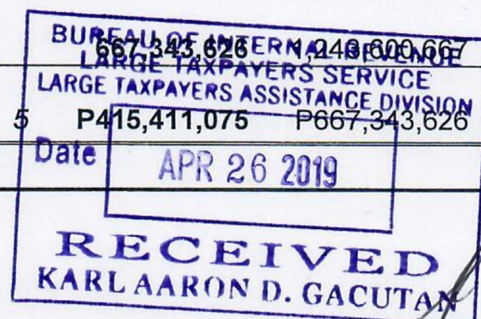
See Notes to the Financial Statements.



DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P9,234,129,505**	P2,887,055,892
Adjustments for:			
Unrealized gains from changes in fair values of investment property	*9*	**(8,193,747,644)**	(2,744,696,581)
Interest expense	*12*	**16,471,605**	2,958,745
Interest income	*5*	**(4,390,244)**	(6,491,442)
Depreciation	*8, 14*	**2,095,764**	73,121
Operating income before working capital changes		**1,054,558,986**	138,899,735
Decrease (increase) in:			
Receivables		**(536,442,181)**	(188,944,028)
Due from Parent Company		**(28,985,910)**	(910,589)
Prepaid expenses and other current assets		**163,683,251**	(194,592,195)
Increase (decrease) in:			
Accounts payable and other current liabilities		**748,924,712**	755,381,066
Due to related parties		**45,687,069**	(953)
Other noncurrent liabilities		**407,135,726**	296,854,381
Cash generated from operations		**1,854,561,653**	806,687,417
Interest received		**5,058,986**	5,822,858
Income tax paid		**(110,818,875)**	(38,144)
Net cash provided by operating activities		**1,748,801,764**	812,472,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment property	*9*	**(1,983,732,941)**	(3,437,328,299)
Decrease (increase) in other noncurrent assets		**(474,050,603)**	199,572,696
Acquisition of:			
Property and equipment	*8*	**(24,328,687)**	(540,539)
Computer software licenses	*10*	**-**	(450,000)
Net cash used in investing activities		**(2,482,112,231)**	(3,238,746,142)
CASH FLOW FROM A FINANCING ACTIVITY			
Collection of subscription receivable	*18*	**925,008,385**	1,850,016,970
Dividends paid	*18*	**(443,630,469)**	-
Net cash provided by financing activities		**481,377,916**	1,850,016,970
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(251,932,551)**	(576,257,041)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**667,343,626**	1,243,600,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P415,411,075**	P667,343,626

See Notes to the Financial Statements.



DD-MERIDIAN PARK DEVELOPMENT CORP.
(A Subsidiary of DoubleDragon Properties Corp.)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

DD-Meridian Park Development Corp. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 27, 2014 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the Company, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. The Company is incorporated primarily to construct DD Meridian Park, a 4.75 hectare ongoing, mixed-use development real estate property situated in Pasay City (Note 9).

The Company is a 70%-owned subsidiary of DoubleDragon Properties Corp. ("DD" or "Parent Company"), a domestic corporation primarily engaged in the business of real estate development and real estate investment. DD became a publicly-listed company on April 7, 2014. DD is also the ultimate parent of the Company.

On December 22, 2017, the SEC approved the Company's application to change its office address to DD Headquarters, 10th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila.

The Company has started its commercial operations on December 1, 2017.

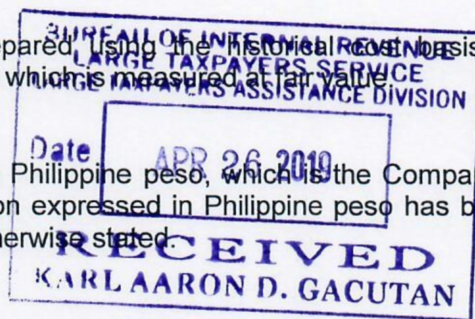
2. Basis of Preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Authorization for Issuance of the Financial Statements
The financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 12, 2019.

Basis of Measurement
The financial statements have been prepared using the historical cost basis of accounting, except for investment property which is measured at fair value.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.



3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company has adopted the following new or revised standards, amendments to standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have significant impact on the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- *PFRS 15 Revenue from Contracts with Customers*. PFRS 15 replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers*, SIC-31 *Revenue - Barter Transactions Involving Advertising Services* and related Interpretations.

  The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

  The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  Except for the impact of Philippine Interpretations and Commission (PIC) Q&A 2018-12-H, *Accounting for Common Usage Service Area (CUSA) Charges,* the adoption of PFRS 15 did not have significant impact on the Company's financial statements.

  PIC Q&A 2018-12-H, Accounting for CUSA
  The interpretation clarifies that for the services provided based on contract of lease with the tenants, the Company should act as an agent for electricity usage and water usage and as principal for CUSA and air-condition charges.

  The Company's policy with regards to electricity and water usage is to recognize the amount billed as part of revenue net of the related cost, which is in line with the guidelines of the PIC Q&A above.

- PFRS 9 (2014), *Financial Instruments,* replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss (ECL) model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Company adopted PFRS 9 using the cumulative effect method, with an initial application date of January 1, 2018. The cumulative effect of applying the new standard is recognized at the beginning of the year of initial application, with no restatement of comparative period. Accordingly, the information presented for 2017 does not reflect requirements of PFRS 9.

  The adoption of PFRS 9 did not have any significant impact on the classification and measurement of financial assets and financial liabilities of the Company.

  The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company's financial assets as of January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	P667,343,626	P667,343,626
Receivables	Loans and receivables	Financial assets at amortized cost	191,155,491	191,155,491
Due from Parent Company	Loans and receivables	Financial assets at amortized cost	910,589	910,589
Refundable deposits	Loans and receivables	Financial assets at amortized cost	7,619,615	7,619,615

  Cash and cash equivalents, receivables, due from Parent Company and refundable deposits previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

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

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

The use of ECL upon adoption of PFRS 9 did not have any significant impact on the Company's financial statements.

- *PIC Q&A on PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Noncurrent (PIC Q&A 2018-15).* The interpretation clarifies that the advance payments made to suppliers or contractors should be classified based on the classification of the assets to which the advances pertain to. The impact of the adoption is applied retrospectively which resulted in the following reclassifications in the statements of financial position as at December 31, 2017 and January 1, 2017:

As at December 31, 2017

	As Previously Reported	Adjustment	As Restated
Assets			
Advances to contractors and suppliers	P386,695,848	(P386,695,848)	P -
Current Assets	**1,835,517,153**	**(386,695,848)**	**1,448,821,305**
Advances to contractors and suppliers	-	386,695,848	386,695,848
Noncurrent Assets	**17,564,385,985**	**386,695,848**	**17,951,081,833**
Total Assets	**P19,399,903,138**	**P -**	**P19,399,903,138**

As at January 1, 2017

	As Previously Reported	Adjustment	As Restated
Assets			
Advances to contractors and suppliers	P142,890,437	(P142,890,437)	P -
Current Assets	1,782,815,243	(142,890,437)	1,639,924,806
Advances to contractors and suppliers	450,619,797	142,890,437	593,510,234
Noncurrent Assets	11,824,821,794	142,890,437	11,967,712,231
Total Assets	P13,607,637,037	P -	P13,607,637,037

The adjustment pertains to advances to contractors previously presented under current assets, representing prepayments for the construction of the Company's investment property, reclassified to noncurrent assets.

Before the adoption of PIC Q&A 2018-15, the classification of the Company is based on the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property and property, plant and equipment).

The Company opted not to present the third statement of financial position given the limited accounts affected, as discussed above. The restatement did not have any impact on equity and profit or loss as at and for the years ended December 31, 2018 and 2017.

The effect of the adoption of this PIC Q&A resulted to retrospective reclassification on prepaid expenses and other current assets and other noncurrent assets included under the Company's operating and investing cash flows, respectively. The adoption resulted in an decrease in net operating cash flows amounting to P192,331,006 and a decrease of the same amount in net investing cash flows in 2017.

The total changes in cash flows includes also the reclassification of movement of refundable deposits amounting to P7,241,690 from operating to investing to conform with the current year presentation.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation of foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

- *Transfers of Investment Property (Amendments to PAS 40)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the financial statements.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretation are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements.

The Company will adopt the following new and amended standards, interpretation and framework on the respective effective dates:

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

Philippine PFRS 16 is effective for annual periods beginning on or after January 1, 2019 with several transition approaches and individual options and practical expedients that can be elected independently of each other. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company plans to apply the new standard on the effective date using the modified retrospective approach. The cumulative effect of adopting PFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019, with no restatement of comparative information.

The Company is currently performing detailed assessment of the potential effect of the new standard and has yet to reasonably estimate the impact. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate as of January 1, 2019, the composition of the lease portfolio at that date, the latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions. There will be more disclosures as required by the new standard.

- Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019 with early application permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income (FVOCI) irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for the early termination.

  The amendment is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. Retrospective application is required subject to relevant transitional reliefs.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to three standards, of which, only the following are applicable to the Company:

    - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (*Amendments to PAS 12).* The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

    - Borrowing Costs Eligible for Capitalization *(Amendments to PAS 23, Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

    The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted.

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

    Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

    The amendments are effective for annual periods beginning on or after January 1, 2020.

- Definition of Material *(Amendments to PAS 1, Presentation of Financial Statements and PAS 8*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized initially at fair value, except for a trade receivable without a significant financing component from January 1, 2018. The initial measurement, except for those designated as FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification and Subsequent Measurement - Policy Applicable from January 1, 2018

The Company classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed information is provided to management.

- the stated policies and objectives for the portfolio and the operations of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessing the cash flow characteristics of financial assets, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for financial assets acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Company has no financial assets at FVOCI and FVPL as at December 31, 2018.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Company's cash and cash equivalents, receivables, due from parent company and refundable deposits under "Other noncurrent assets" accounts are included in this category (Notes 5, 6, 10 and 15).

Classification and Subsequent Measurement - Policy Applicable before January 1, 2018

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

The Company has no HTM investments, AFS financial assets and financial assets at FVPL as at December 31, 2017.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statement of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statement of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Company's cash and cash equivalents, receivables, due from Parent Company and refundable deposits under "Other noncurrent assets" accounts are included in this category (Notes 5, 6, 10 and 15).

Financial Liabilities

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company has no financial liabilities at FVPL as at December 31, 2018 and 2017.

Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's accounts payable and other current liabilities, due to related parties and other noncurrent liabilities (excluding payables to government agencies and unearned rent income) accounts are included in this category (Notes 11, 12 and 15).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Impairment of Financial Assets
Policy Applicable from January 1, 2018

The Company recognizes allowance for ECL on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Policy Applicable before January 1, 2018

The Company assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost such as loans and receivables, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is 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, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurements

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for taxes.

Prepaid expenses are classified in the statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), etc.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Project showroom	5
Equipment	5 to 10
Furniture and fixtures	5

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

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

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

Computer Software Licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful lives of five years as the lives of computer software licenses are considered limited.

The carrying amount of computer software licenses is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment Property
Investment property consists of properties held to earn rentals and/or for capital appreciation. Initially, investment property is measured at cost including certain transaction costs. Subsequent to initial recognition, investment property, is stated at fair value, which reflects market conditions at the reporting date. The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Company's investment property. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment property of the Company is mainly composed of land, building and construction-in-progress.

Investment property is derecognized either when it is disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or real estate inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Non-financial Assets
The carrying amounts of non-financial assets reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as deduction from equity, net of any tax effects.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Revenue and Cost Recognition

Policy from January 1, 2018

Revenue Recognition

The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenues exclude value-added tax (VAT) and other fees collected on behalf of other parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall, retail and spaces, wherein it is acting as agent.

The following specific recognition criteria must also be met before revenue is recognized:

Mall fees
Mall fees includes electricity and water, net of related cost, service fees and interest and penalty charges billed to tenants. Electricity and water charges are recognized when the corresponding expenses are incurred. Services fee, interest and penalty charges are recognized when earned and incurred in accordance with the terms of the agreements.

Restaurant Sales
Restaurant sales is recognized upon performance of services at point of sale to the customer. Sales is recognized net of value-added tax.

<u>Revenue from Other Sources</u>
Rent Income
Rent income from investment property is recognized on a straight-line basis over the lease term and terms of the lease, respectively or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Interest Income
Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

Other Income
Other income consists of income other than those generated in the ordinary course of business. This is recognized on an accrual basis.

Policy before January 1, 2018

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rent Income
Rent income from investment property is recognized on a straight-line basis over the lease term and terms of the lease, respectively or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Interest Income
Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

Expense Recognition
Expenses are recognized when they are incurred and are reported in the financial statement in the periods to which they relate.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

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

Operating Lease
Company as Lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Taxes
Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward tax benefits of the net operating loss carry-over (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plan of the Company.

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

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

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT
Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" account in the statements of financial position.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determination of whether the Company is acting as a Principal or an Agent

The Company is a principal if it controls the specified good or service before it is transferred to a customer. The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and the Company does not control the good or service before it is transferred to the customer.

The Company assesses its revenue arrangements against the following indicators to help determine whether it is acting as a principal or an agent:

- Whether the Company has primary responsibility for providing the services;
- Whether the Company has inventory risk; and
- Whether the Company has discretion in establishing prices.

The contract for the mall retail spaces and office spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage and CUSA expenses.

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

For CUSA expenses such as electricity consumption, security, maintenance and all other common area expenses, the Company acts as a principal. This is because it is the Company who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide the services to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA.

Prior to adoption of PFRS 15, the Company considers credit risk in determining whether they are acting as a principal or an agent.

Impairment on Non-financial Assets
PFRS require that an impairment review be performed on property and equipment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amount of assets requires estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the financial performance.

There were no impairment indicators on the Company's property and equipment in 2018 and 2017 based on management's assessment.

The combined carrying amounts of property and equipment and computer software licenses amounted to P23,150,341 and P917,418 as at December 31, 2018 and 2017, respectively (Notes 8 and 10).

Distinction between Investment Property and Property and Equipment
The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Company considers each property separately in making its judgment.

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Company's financial statements as at December 31, 2018 and 2017.

Estimates and Assumptions
The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the Company's financial statements. Actual results could differ from such estimates.

Assessment for ECL on Receivables (Upon Adoption of PFRS 9). The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates over a two-year period for receivables, which composed of rent receivable, receivable from tenants, accrued interest and others. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Company has assessed that the forward-looking default rate component of its ECL on rent receivable is not material because majority of receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Company from its trade and other receivables.

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

There were no receivables written-off in 2018. The allowance for impairment loss on receivables amounted to nil as of December 31, 2018. The carrying amount of receivables amounted to P726,928,930 as of December 31, 2018 (Note 6).

Assessment for ECL on Other Financial Assets at Amortized Cost (Upon Adoption of PFRS 9). The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because majority of the transactions with respect to these financial assets were entered into by the Company only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2018.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2018
Cash and cash equivalents*	*5*	**P413,944,617**
Due from Parent Company	*15*	**29,896,499**
Refundable deposits	*10*	**5,565,864**
		P449,406,980

**Excluding cash on hand amounting to P1,466,458.*

Allowance for Impairment Losses on Receivables, Due from Parent Company and Refundable Deposits (Prior to Adoption of PFRS 9)
Provisions are made for specific and group of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.

No impairment loss is recognized for receivables, due from Parent Company and refundable deposits in 2017 (Notes 6, 10 and 15).

The combined carrying amounts of the Company's receivables, due from Parent Company and refundable deposits amounted to P199,685,695 as at December 31, 2017 (Notes 6, 10 and 15).

Estimating Useful Lives of Property and Equipment and Computer Software Licenses
The Company estimates the useful lives of property and equipment and computer software licenses based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software licenses are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment and computer software licenses is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and computer software licenses would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation amounted to P22,700,341 and P467,418 as at December 31, 2018 and 2017, respectively. Accumulated depreciation of property and equipment amounted to P2,168,885 and P73,121 as at December 31, 2018 and 2017, respectively (Note 8).

Computer software licenses with definite useful lives amounted to P450,000 as at December 31, 2018 and 2017, respectively (Note 10).

Fair Value Measurement of Investment Property
The Company carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Company engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such property.

Investment property amounted to P27,733,329,537 and P17,555,848,952 as at December 31, 2018 and 2017, respectively. Unrealized gain from changes in fair values of investment property recognized in profit or loss amounted to P8,193,747,644 and P2,744,696,581 in 2018 and 2017, respectively (Note 9).

Realizability of Deferred Taxes
The Company reviews its deferred taxes at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred taxes to be utilized. The Company reviews its projected performance in assessing the sufficiency of future taxable income.

Recognized deferred tax asset amounted to P88,162,436 and P46,106,559 as at December 31, 2018 and 2017, respectively (Note 17).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2018**	2017
Cash on hand and in banks		**P415,411,075**	P315,374,297
Short-term placements		**-**	351,969,329
	19	**P415,411,075**	P667,343,626

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn annual interest at the respective short-term placement rates. Interest income from cash in banks and short-term placements amounted to P4,390,244 and P6,491,442 in 2018 and 2017, respectively (Note 15).

6. Receivables

This account consists of:

	Note	**2018**	2017
Rent receivable		**P652,501,560**	P188,644,613
Receivables from tenants		**5,263,589**	1,774,924
Accrued interest		**-**	668,742
Others		**69,163,781**	67,212
	19	**P726,928,930**	P191,155,491

Rent receivable pertains to receivables arising from the lease of office and commercial spaces relating to the Company's operations. These are generally collectible within thirty (30) days. This account also includes accrued rentals arising from the excess of rent income over rental collections made by lessees in accordance with PAS 17, Leases and receivable from related parties amounting to P11,371,393 and P610,495 as at December 31, 2018 and 2017, respectively. Total rent income from these related parties amounted to P21,005,859 and P5,423,913 in 2018 and 2017, respectively (Note 15).

Receivables from tenants include utilities, common usage service area fees and other charges billed to tenants which are due within thirty (30) days upon billing.

Others represent mostly reimbursable costs chargeable to DoubleDragon Property Management Corp. (DDPMC) such as the monthly electricity and water charges and supply and installation of other utility equipment which amounted to P66,646,118 and nil as at December 31, 2018 and 2017. These are generally collectible within (30) days upon billing (Note 15f).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017 (As restated - Note 3)
Input VAT	**P652,901,559**	P562,060,355
Prepaid real property taxes	**130,644,573**	24,708,552
Prepaid tax	**3,373,793**	2,181,847
Deferred input VAT	**-**	460,845
Other current asset	**435,860**	-
	P787,355,785	P589,411,599

Input VAT represents accumulated input taxes from purchases of goods and services for the Company's operation which can be applied against future output VAT.

Prepaid real property taxes pertain to payments made in 2018 and 2017 for real property taxes of building, machinery and equipment applicable to the subsequent year.

8. Property and Equipment - net

The movements and balances of this account consists of:

	Project showroom	Equipment	Furniture and fixtures	Total
Cost				
January 1, 2017	P -	P -	P -	P -
Additions	540,539	-	-	540,539
December 31, 2017	540,539	-	-	540,539
Additions	65,429	19,280,586	4,982,672	24,328,687
December 31, 2018	**605,968**	**19,280,586**	**4,982,672**	**24,869,226**
Accumulated Depreciation				
January 1, 2017	-	-	-	-
Depreciation	73,121	-	-	73,121
December 31, 2017	73,121	-	-	73,121
Depreciation	100,271	1,580,814	414,679	2,095,764
December 31, 2018	**173,392**	**1,580,814**	**414,679**	**2,168,885**
Carrying Amount				
December 31, 2017	P467,418	P -	P -	P467,418
December 31, 2018	**P432,576**	**P17,699,772**	**P4,567,993**	**P22,700,341**

Depreciation recognized in profit and loss under "General and administrative expenses" account amounted to P2,095,764 and P73,121 in 2018 and 2017, respectively (Note 14).

9. Investment Property

The movements and balances of this account consists of:

	Land	Construction In Progress	Building	Total
January 1, 2017	P8,402,898,000	P2,970,926,072	P -	P11,373,824,072
Additions	-	3,437,328,299	-	3,437,328,299
Reclassifications	-	(3,780,765,342)	3,780,765,342	-
Unrealized gain from changes in fair values of investment property	1,141,641,205	-	1,603,055,376	2,744,696,581
December 31, 2017	9,544,539,205	2,627,489,029	5,383,820,718	17,555,848,952
Additions	-	1,927,332,685	56,400,256	1,983,732,941
Reclassifications	-	(3,800,475,006)	3,800,475,006	-
Unrealized gain from changes in fair values of investment property	440,397,947	-	7,753,349,697	8,193,747,644
December 31, 2018	**P9,984,937,152**	**P754,346,708**	**P16,994,045,677**	**P27,733,329,537**

The Company's investment property mainly relates to the costs incurred in the planning, construction and development of DD Meridian Park (Note 1).

The Company's investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent appraiser.

Valuation Techniques and Significant Unobservable Inputs
The fair values of the investment property were arrived at using the Market Data Approach for land and buildings.

The fair value of the land was arrived at using the Market Data Approach. This approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The unobservable inputs to determine the market value of the property are the following: location characteristics, size and shape of the lot and time element.

The fair value of the building was arrived at using the Market Approach. This approach, the value of the building was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties to be used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of time, corner influence, road influence, unit area/size, unit location, unit improvements, building location, building features/amenities, bargaining allowance and others.

The carrying amount of the construction in-progress approximates its fair value as at December 31, 2018 and 2017. The Company expects the fair value of the construction in-progress to be reliably measurable upon completion of the construction.

The Company recognized unrealized gains from changes in fair values of investment property amounting to P8,193,747,644 and P2,744,696,581 in 2018 and 2017, respectively.

Rent income earned from the investment property amounted to P1,048,350,880 and P188,906,253 in 2018 and 2017, respectively, which is shown as part of "Rent income" account in the statements of comprehensive income. The operating lease commitments of the Company as a lessor are fully disclosed in Note 16.

The total direct operating expense recognized in profit or loss arising from the Company's investment property that generated rent income amounted to P52,138,980 and P2,505,938 in 2018 and 2017, respectively.

10. Other Noncurrent Assets

This account consists of:

	Note	**2018**	2017 (As restated - Note 3)
Advances to contractors	*3*	**P476,104,354**	P386,695,848
Refundable deposits	*19*	**5,565,864**	7,619,615
Computer software licenses		**450,000**	450,000
		P482,120,218	P394,765,463

Advances to contractors represent amount paid as downpayments to contractors and suppliers for the construction of the Company's investment property. These advances are nonfinancial in nature and is expected to be fulfilled by delivery of goods and services.

Refundable deposits pertain to non-interest bearing deposits paid to and held by the Company's utility service provider which are refundable at the end of the contract.

11. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2018	2017
Trade payables		**P117,999,981**	P11,891,273
Accrued expenses			
Project costs		**1,888,855,201**	1,306,686,078
Others		**574,960**	1,120,431
Construction bond		**85,059,922**	23,867,570
	19	**P2,092,490,064**	P1,343,565,352

Trade payables and accrued project costs are liabilities arising from services provided by the contractors and subcontractors. These are non-interest bearing and are normally settled within thirty (30) days.

Construction bond pertains to the cash deposit made by the tenants which function as security during fit-out period. Any damage caused to the leased property during the fit-out will be deducted from the construction bond and the balance will be refunded to the tenant.

12. Other Noncurrent Liabilities

This account consists of:

	Note	2018	2017
Retention payable	*19*	**P354,482,405**	P280,832,932
Unearned rent income		**309,201,975**	99,360,466
Security deposits	*19*	**307,657,041**	173,927,764
Deferred output VAT		**6,387,072**	-
		P977,728,493	P554,121,162

Retention payable pertains to amount retained by the Company from its payment for the contractors' progress billings which are released after the expiration of the project's warranty period. This serves as the Company's security to cover cost of contractors' noncompliance with the construction of the Company's project.

Security deposits account pertains to deposits collected from tenants for the lease of the Company's investment property. These deposits are non-interest bearing and refundable at the end of the lease term. Security deposits are discounted using the effective annual interest rates ranging from 5.21% to 5.78% that are specific to the tenor of the deposits.

Interest expense for the amortization of discount on security deposits amounted to P16,471,605 and P2,958,745 in 2018 and 2017, respectively.

The details of security deposits follow:

	Note	2018	2017
Security deposits		**P438,063,247**	P252,014,879
Less discount on security deposits		**130,406,206**	78,087,115
	19	**P307,657,041**	P173,927,764

The movement in the unamortized discount on security deposits follows:

	2018	2017
Balance at beginning of year	**P78,087,115**	P -
Additions	**68,790,696**	81,045,860
Accretion	**(16,471,605)**	(2,958,745)
Balance at end of year	**P130,406,206**	P78,087,115

Unearned rent income pertains to advance rentals which will be applied as payment of rent for more than twelve months after reporting date.

The account also includes the difference between the discounted value and face values of security deposits as a result of discounting the security deposits. Additional rent income from the amortization on a straight-line basis over the lease term amounted to P8,433,255 and P2,645,128 in 2018 and 2017, respectively.

13. Marketing Expenses

This account consists of:

	2018	2017
Commission	**P10,429,051**	P25,626,372
Marketing	**6,150,835**	527,749
Others	**-**	579,035
	P16,579,886	P26,733,156

14. General and Administrative Expenses

This account consists of:

	Note	2018	2017
Taxes and licenses		**P51,874,435**	P20,963,029
Insurance		**3,640,277**	-
Property maintenance		**2,932,938**	359,046
Depreciation	8	**2,095,764**	73,121
Outsourced services		**1,961,432**	708,325
Professional fees		**1,213,917**	650,449
Salaries and wages		**1,098,950**	-
Association dues		**1,058,213**	-
Transportation and travel		**14,671**	370,761
Electricity and water		**-**	1,438,567
Miscellaneous		**1,572,156**	556,559
		P67,462,753	P25,119,857

15. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties as follows:

				Outstanding Balance			
Category	Year	Ref	Amount of Transaction	Due from Parent Company	Due to Related Parties	Receivables	Terms and Conditions
Parent Company							
Rent	**2018**	*a*	**P83,709,839**	**P -**	**P -**	**P -**	**Demandable; non-interest bearing; unsecured; payable in cash**
	2017	*a*	20,464,502	-	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Intercompany charges	2017	*b*	579,035	-	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Cash advances received	**2018**	*c*	**1,942,566**	-	**1,942,566**	-	**Demandable; non-interest bearing; unsecured; payable in cash**
	2017	*c*	1,218,438	-	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Reimbursements	**2018**	*d*	**142,500,000**	**29,896,499**	-	-	**Demandable; non-interest bearing; unsecured; payable in cash; no impairment**
	2017	*d*	2,129,980	910,589	-	-	Demandable; non-interest bearing; unsecured; payable in cash; no impairment
Entity under Common Control							
Common usage and service	**2018**	*e*	**43,744,503**	-	**43,744,503**	-	**Demandable; non-interest bearing; unsecured; payable in cash**
Reimbursements	**2018**	*f*	**12,321,105**	-	-	**66,646,118**	**Demandable; non-interest bearing; unsecured; payable in cash**
Other Related Parties							
Rent	**2018**	*g*	**21,005,859**	-	-	**11,371,393**	**Demandable; non-interest bearing; unsecured; payable in cash**
	2017	*g*	5,423,913	-	-	610,495	Demandable; non-interest bearing; unsecured; payable in cash
	2018			**P29,896,499**	**P45,687,069**	**P78,017,511**	
	2017			P910,589	P -	P610,495	

a. *Lease of Corporate Office*
The Company entered into a lease agreement with the Parent Company for the lease of 10th and 11th floors of Tower 1 DoubleDragon Plaza, which serves as the headquarters of the Parent Company. This lease provides for fixed monthly rent, subject to 5% escalation rate starting year two. The term of the lease is five years subject for renewal (Note 16).

b. *Intercompany Charges*
The Parent Company charges various operating expenses to the Company for expenses paid on its behalf.

c. *Cash Advances from Parent Company*
The amount pertains to unsecured, non-interest bearing advances received from the Parent Company for working capital requirements. These advances are generally settled within one year from the date of grant.

d. *Reimbursements*
The amount pertains to reimbursement of operating expenses initially paid by the Company for the Parent Company. This consists of expenses incurred on print and multimedia and transportation expenses. These are generally trade-related, noninterest-bearing and settled within one year.

e. *Common Usage and Service*
These are payments to DDPMC received from tenants for the payment of their common usage area charges that are credited to the Company's accounts.

f. *Reimbursements*
The Company charges reimbursable costs, such as the monthly electricity and water charges and supply and installation of other utility equipment, to DDPMC (Note 6).

g. *Rent Income*
The Company entered into contracts with various entities under Jollibee Foods Corporation (JFC), other related parties, for lease of its Mall spaces. These leases generally provide for either fixed monthly rent, subject to escalation rates, or a certain percentage of gross sales. The terms of the leases are for periods ranging from five to 15 years. The fixed monthly rent shall escalate by an average rate of 5% each year. Tenants are also billed with other charges such as fixed share in advertisement and promotions and interest and penalties on default payments (Note 6).

h. *Key Management Compensation*
There is no information with respect to compensation and benefits of key management officers and personnel to be disclosed in accordance with PAS 24, *Related Party Disclosures,* since the administrative and finance functions of the Company were administered by DD at no cost to the Company.

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2018 and 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.

Except when indicated above, all outstanding related party balances are to be settled in cash.

16. Leases

Company as Lessor
The Company leases out corporate offices and commercial spaces included in its investment property under operating lease agreements. The leases generally provide for either fixed monthly rent subject to escalation rates or a certain percentage of gross sales. The terms of the leases are for periods ranging from five to 10 years. The fixed monthly rent shall escalate by an average of five (5%) to ten (10%) each year.

Rent income amounted to P1,048,350,880 and P188,906,253 in 2018 and 2017, respectively.

The scheduled maturities of noncancellable minimum future rental collections are as follows:

	2018	2017
Less than one year	**P745,334,060**	P691,857,893
Between one and five years	**4,846,507,263**	3,288,323,414
More than five years	**2,320,884,168**	1,344,012,414
	P7,912,725,491	P5,324,193,721

17. Income Taxes

The components of the income tax expense are as follows:

	2018	2017
Current	**P178,626,798**	P -
Deferred	**2,589,455,772**	884,322,002
	P2,768,082,570	P884,322,002

The current tax expense in 2018 represents regular corporate income tax.

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense as shown in the profit or loss is as follows:

	2018	2017
Income before income tax	**P9,234,129,505**	P2,887,055,892
Income tax at the statutory income tax rate of 30%	**P2,770,238,852**	P866,116,768
Income tax effects of:		
Nontaxable income	**(5,821,234)**	(793,539)
Nondeductible expense	**4,982,025**	391,444
Interest income subjected to final tax	**(1,317,073)**	(1,746,857)
Expired NOLCO	**-**	20,354,186
	P2,768,082,570	P884,322,002

The components of the Company's deferred tax liability - net charged to profit or loss are shown below:

	2018	
	Amount	**DTA (DTL)**
Unearned rent income	**P293,330,449**	**P87,999,135**
Accrued expenses	**544,335**	**163,301**
DTA	**293,874,784**	**88,162,436**
Unrealized gains on fair value measurements	**(11,585,489,115)**	**(3,475,646,735)**
Accrued rent income	**(418,677,171)**	**(125,603,152)**
Depreciation expense of depreciable investment property	**(343,313,278)**	**(102,993,983)**
DTL	**(12,347,479,564)**	**(3,704,243,870)**
Net DTL	**(P12,053,604,780)**	**(P3,616,081,434)**

	2017	
	Amount	DTA (DTL)
Unearned rent income	P99,360,466	P29,808,140
NOLCO	54,328,063	16,298,419
DTA	153,688,529	46,106,559
Unrealized gains on fair value measurements	(3,391,741,471)	(1,017,522,441)
Accrued rent income	(165,848,260)	(49,754,478)
Depreciation expense of depreciable investment property	(18,184,338)	(5,455,302)
DTL	(3,575,774,069)	(1,072,732,221)
Net DTL	(P3,422,085,540)	(P1,026,625,662)

The Company has recognized deferred tax asset with respect to the carry-forward tax benefits of NOLCO based on the management's assessment that probable sufficient future taxable profits will be available against which the Company can utilize the benefits therefrom.

The details of the Company's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Applied	Remaining Balance	Year of Expiration
2016	P19,535,935	(P19,535,935)	P -	2019
2015	34,792,128	(34,792,128)	-	2018
	P54,328,063	(P54,328,063)	P -	

18. Equity

Capital Stock

The composition of the Company's capital stock as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount
CAPITAL STOCK - P1 par value Authorized - 17,830,000,000 shares Issued and outstanding	**5,348,274,622**	**P5,348,274,622**	5,348,274,622	P5,348,274,622
Subscribed	**12,479,140,784**	**12,479,140,784**	12,479,140,784	12,479,140,784
Less subscriptions receivable:				
Balance at beginning of period		**3,699,983,539**		5,550,000,509
Collections		**(925,008,385)**		(1,850,016,970)
Balance at end of period		**2,774,975,154**		3,699,983,539
		9,704,165,630		8,779,157,245
		P15,052,440,252		P14,127,431,867

On October 30, 2014, the BOD approved the increase in the Company's authorized capital stock from 50,000 common shares to 17,830,000,000 common shares at P1 par value. The aforesaid increase in the authorized capital stock was approved by the SEC on December 2, 2014.

On October 16, 2014, DD entered into an Investment and Shareholders Agreement (ISA) with Benedicto V. Yujuico (BVY), wherein the parties would contribute cash and parcels of land (the "Property"), respectively, that would result in a 70% and 30% interests to DD and BVY. In compliance with the ISA, DD initially invested P3.12 billion and BVY contributed the Property with third-party appraised value of P7.27 billion as determined by an accredited independent appraiser, of which P5.35 billion is treated as payment for BVY's subscribed shares. DD made an additional subscription amounting to P9.36 billion to maintain its 70% equity interest.

The Company collected subscriptions receivable from DD amounting to P925,008,385 and P1,850,016,970 in 2018 and 2017, respectively.

Dividends
The summary of dividend declarations of the Company are as follows:

Type of Dividend	Date of Declaration	Date of Record	Date of Payment	Amount
Cash dividend	February 28, 2018	February 28, 2018	May 30, 2018	P47,325,913
Cash dividend	September 30, 2018	September 30, 2018	September 30, 2018	396,304,556
Cash dividend	December 28, 2018	December 28, 2018	April 16, 2019	260,699,940
Total				P704,330,409

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's principal financial assets include cash and cash equivalents, receivables, due from Parent Company and refundable deposits. These financial assets are used to fund the Company's operations and capital expenditures.

Credit Risk

Credit risk represents the risk of loss the Company would incur if the counterparty fails to perform their contractual obligations. The risk arises principally from the Company's cash in banks and short-term placements, receivables, due from Parent Company and refundable deposits. The Company manages credit risk by dealing with recognized and creditworthy financial institutions. The objective is to reduce the risk of loss through default by counterparties.

Exposure to credit risk is monitored on an ongoing basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	**2018**	2017
Cash and cash equivalents*	*5*	**P413,944,617**	P615,266,743
Receivables	*6*	**726,928,930**	191,155,491
Due from Parent Company	*15*	**29,896,499**	910,589
Refundable deposits**	*10*	**5,565,864**	7,619,615
		P1,176,335,910	P814,952,438

**Excluding cash on hand amounting to P1,466,458 and P52,076,883 as at December 31, 2018 and 2017, respectively.*

***This is presented as part of "Other noncurrent assets" account.*

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost			
	12-month ECL	**Lifetime ECL - not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Total**
Cash and cash equivalents*	**P413,944,617**	**P -**	**P -**	**P413,944,617**
Receivables	**74,427,370**	**652,501,560**	**-**	**726,928,930**
Due from Parent Company	**29,896,499**	**-**	**-**	**29,896,499**
Refundable deposits**	**5,565,864**			**5,565,864**
	P523,834,350	**P652,501,560**	**P -**	**P1,176,335,910**

**Excluding cash on hand amounting to P1,466,458 as at December 31, 2018.*

***This is presented as part of "Other noncurrent assets" account.*

The Company's financial assets are neither past due nor impaired.

The Company assessed the credit quality of cash in banks and short-term placements as high grade since these are deposited in a reputable bank with low probability of insolvency.

Receivables were assessed as high grade as there is no current history of default. Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for refundable deposits is considered negligible since the counterparties are reputable entities with high quality extended credit ratings.

Liquidity Risk

Liquidity risk pertains to the risk that the Company will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Company manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements.

Management closely monitors the Company's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

		As at December 31, 2018			
	Note	**Carrying Amount**	**Contractual Cash Flows**	**1 Year or Less**	**1 Year - 5 Years**
Financial Liabilities					
Accounts payable and other current liabilities	*11*	**P2,092,490,064**	**P2,092,490,064**	**P2,092,490,064**	**P -**
Due to related parties	*15*	**45,687,069**	**45,687,069**	**45,687,069**	**-**
Retention payable*	*12*	**354,482,405**	**354,482,405**	**-**	**354,482,405**
Security deposits*	*12*	**307,657,041**	**438,063,247**	**-**	**438,063,247**
		P2,800,316,579	**P2,930,722,785**	**P2,138,177,133**	**P792,545,652**

**This is presented as part of "Other noncurrent liabilities" account.*

		As at December 31, 2017			
	Note	Carrying Amount	Contractual Cash Flows	1 Year or Less	1 Year - 5 Years
Financial Liabilities					
Accounts payable and other current liabilities*	*11*	P1,343,494,899	P1,343,494,899	P1,343,494,899	P -
Retention payable**	*12*	280,832,932	280,832,932	-	280,832,932
Security deposits**	*12*	173,927,764	252,014,879	-	252,014,879
		P1,798,255,599	P1,876,342,710	P1,343,494,899	P532,847,811

** Excluding withholding taxes payable.*

***This is presented as part of "Other noncurrent liabilities" account.*

Fair Values

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

Cash and Cash Equivalents, Receivables, Due from Parent Company, Accounts Payable and Other Current Liabilities and Due to Related Parties

The carrying amounts of the Company's financial assets and liabilities such as cash and cash equivalents, receivables, due from Parent Company accounts payable and other current liabilities and due to related parties approximate their fair values due to the relatively short-term nature of these financial instruments.

Refundable Deposits/Retention Payable

The carrying amounts of refundable deposits and retention payable approximate their fair values since the impact of discounting is immaterial.

Security Deposits

Security deposits are reported at their present values, which approximate fair values.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company defines capital as total equity, as presented in the statements of financial position. The Company is not subject to externally-imposed capital requirements.

20. Supplementary Information under Revenue Regulations No. 15-2010 as required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, the Company is required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary tax information for the taxable year ended December 31, 2018:

The company is a VAT-registered company with VAT output tax declaration of P99,316,962 based on the amount of gross receipts amounting to P827,641,353.

The company has exempt sales amounting to P1,839,007 pursuant to the provisions of Section 109 (P) of the Tax Code.

A. Value-added Tax (VAT)

1. Output VAT	**P99,316,962**
Basis of the Output VAT:	
Vatable sales	**P827,641,353**
Exempt sales	**1,839,007**
	P829,480,360
2. Input VAT	
Beginning of the year	**P562,060,355**
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	**9,863,055**
b. Services lodged under other accounts	**173,236,256**
c. Capital goods subject to amortization	**2,395,244**
d. Capital goods not subject to amortization	**72,198**
e. Input tax on sales to gov't closed to expense	**(7,125,146)**
f. Input VAT allocable to exempt sales	**(91,641)**
g. VAT withheld on sales to Government	**3,240,777**
	743,651,098
Output VAT application	**(99,316,962)**
Balance at the end of the year	**P644,334,136**

B. All Other Taxes (Local and National)

Creditable withholding taxes	**P40,979,968**
Final withholding taxes	**11,889,103**
Tax on compensation and benefits	**8,825**
	P52,877,896

All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
Real property tax	**P43,626,244**
License and permit fees	**6,909,548**
Documentary stamp tax	**921,300**
Others	**417,343**
	P51,874,435

Information on VAT relative to output tax declared during the year, landed cost of imports and amount of custom duties and tariff fees paid or accrued, amount of excise taxes and withholding taxes are not applicable since there are no transactions that the Company would be subjected to these taxes.

C. Tax Cases and Assessments

As at December 31, 2018, the Company has no pending tax cases nor has received tax assessment notices from the BIR.