COVER SHEET

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S. E. C. Registration Number

SAN MIGUEL
PROPERTIES, INC.

(Company's Full Name)

THIRD FLOOR, NO. 40
HOC BLDG. SAN MIGUEL
AVE. MANDALUYONG CITY

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

Atty. Karen Cas-Caballa
Contact Person

632-3282
Company Telephone Number

04 23
Month Day

Definitive Information Statement
FORM TYPE

2nd Wednesday of
05 - -
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

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Ms. Lou

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   ✓ Definitive Information Statement

2. Name of Registrant as specified in its Charter:

   SAN MIGUEL PROPERTIES, INC.

3. Province, country and other jurisdiction of incorporation or organization:

   Metro Manila, Philippines

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 26 2019
MARKET REGULATION DEPT.
BY: TIME:

4. SEC Identification Number: **37338**

5. BIR Tax Identification Code: **000-133-166**

6. Address of principal office
   40 San Miguel Avenue,
   Mandaluyong City
   Postal Code:
   1550

7. Registrant's telephone number, including area code: **(632) 637-1111**

8. Date, time and place of the meeting of stockholders:

Date	:	**May 22, 2019, Wednesday**
Time	:	**2:30 P.M.**
Place	:	**Executive Dining Room, 2nd Floor** **San Miguel Head Office Complex,** **No. 40 San Miguel Avenue, Mandaluyong City**

9. Approximate date on which the Information Statement is to be first sent or given to security holders:

   April 30, 2019

10. Securities registered pursuant to Section 8 and 12 of the SRC.

Title of Each Class	Authorized	Issued and Outstanding
Common	**1,500,000,000**	**662,180,169**

11. Are any or all registrant's securities listed on a Stock Exchange?

    ___ Yes ✓ No

    If yes, disclose the name of such Stock Exchange and the class of securities listed thereon:

SAN MIGUEL
PROPERTIES

NOTICE OF REGULAR MEETING
OF STOCKHOLDERS
May 22, 2019

The Regular Meeting of the Stockholders of San Miguel Properties, Inc. will be held on Wednesday, **May 22, 2019 at 2:30 P.M. at the Executive Dining Room, 2/F San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City**.

The Agenda of said Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 8, 2018
3. Presentation of Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Other Matters
8. Adjournment

The Minutes of the Annual Stockholders' Meeting last May 8, 2018 and resolutions of the Board of Directors since the date of the May 8, 2018 Regular Stockholders' Meeting will be available for examination during office hours at the Office of the Corporate Secretary.

The deadline for the submission of proxies is on May 7, 2019. For corporations, the proxy shall be accompanied by its corporate secretary's certificate setting out the authority of the corporate officer representing the said corporation in the meeting. Proxies need not be notarized. Validation of proxies is on May 17, 2019 at 10:00 a.m. at the Office of the SMC Stock and Transfer Service Corporation, located at the 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines.

For your convenience in registering your attendance, please present some form of identification (i.e. Company I.D. passport or driver's license). Registration will start at 12:00 N.N. and the registration booths will be closed at 2:30 P.M.

Thank you.

Atty. **KAREN M. CAS-CABALLA**
Corporate Secretary

INFORMATION STATEMENT

I. GENERAL INFORMATION

Date, Time and Place of Annual Meeting

Date	:	May 22, 2019, Wednesday
Time	:	2:30 P.M.
Place	:	Executive Dining Room, 2nd Floor San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City
Mailing address of the principal office of the Registrant	:	40 San Miguel Avenue, Mandaluyong City

Approximate date on which the Information Statement is to be first sent or given to security holders: April 30, 2019

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Dissenter's Right of Appraisal

Under Section 81, Title X of the Revised Corporation Code, stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action under the following instances:

(a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The stockholders' right of appraisal may be exercised within a period of 30 days from the date on which the vote on the corporate action was taken pursuant to Section 81 of the Revised Corporation Code.

There are no corporate matters or actions scheduled to be taken up at the May 22, 2019 Annual Stockholders' Meeting of the Company that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Revised Corporation Code.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

II. CONTROL AND COMPENSATION INFORMATION

Voting Shares

As of March 31, 2019, the Company has the following outstanding shares of common stock:

662,180,169 common shares

All stockholders as of March 31, 2019 are entitled to vote at the Annual Stockholders' Meeting.

Every stockholder entitled to vote shall be entitled to one vote for each share of stock in his name in the books of the Company. However, in electing members to the Board of Directors, every stockholder is entitled to accumulate his votes in accordance with the provisions of law.[1]

Security Ownership of Holders of More than 5%

Owner of record of more than 5% of the Company's voting securities as of March 31, 2019 is as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Corporation[2] No. 40 San Miguel Avenue, Mandaluyong City 1550, parent Company of the issuer	San Miguel Corporation, parent Company of the issuer	Filipino	660,296,487	99.72%

Beneficial Owners

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman, directors and nominees for election as director and key officers of the Company, as of March 31, 2019:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	1(D)	Filipino	0.00%
Common	Aurora T. Calderon	1(D)	Filipino	0.00%
Common	Jeronimo U. Kilayko	1(D)	Filipino	0.00%

[1] *In accordance with Section 23 of the Revised Corporation Code of the Philippines, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cased by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.*

[2] *The Board of Directors of San Miguel Corporation (SMC) authorized any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Joseph N. Pineda, Virgilio S. Jacinto, Aurora T. Calderon, and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Virgilio S. de Guzman, Lorenzo G. Formoso III, Almira C. Dalusung, and Ma. Raquel Paula G. Lichauco, and Casiano B. Cabalan, Jr.*

Common	Hector L. Hofileña	1(D)	Filipino	0.00%
Common	Mario C. Garcia	1(D)	Filipino	0.00%
Common	Minita V. Chico-Nazario	1(D)	Filipino	0.00%
Common	Karen V. Ramos	1(D)	Filipino	0.00%

The aggregate number of shares owned of record by the key officers and directors as a group as of March 31, 2019 are seven (7) shares or approximately 0.00% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements which resulted in a change in control of the Company.

III. DIRECTORS AND EXECUTIVE OFFICERS

The current members of the board of directors and executive officers of San Miguel Properties are listed below:

Ramon S. Ang	Director/ Chairman of the Board/ President	Filipino
Aurora T. Calderon	Director	Filipino
Mario C. Garcia	Director	Filipino
Hector L. Hofileña	Director	Filipino
Jeronimo U. Kilayko	Independent Director	Filipino
Minita V. Chico-Nazario	Independent Director	Filipino
Karen V. Ramos	General Manager/ Director	Filipino

The following directors are the members of the following committees of the Corporation:

Audit Committee

Minita V. Chico-Nazario	Chairperson
Jeronimo U. Kilayko	Member
Aurora T. Calderon	Member
Ferdinand K. Constantino[3]	Member

Executive Compensation Committee

Minita V. Chico-Nazario	Chairperson
Jeronimo U. Kilayko	Member
Ferdinand K. Constantino	Member

Nomination and Hearing Committee Committee

Jeronimo U. Kilayko	Chairperson
Hector L. Hofileña	Member
Aurora T. Calderon	Member

[3] *He is the Senior Vice President, Chief Information Officer, and Chief Finance Officer of San Miguel Corporation (SMC).*

Positions/Offices/Directorships Held for the Past Five Years of Directors, Including Independent Directors and Nominees and Executive Officers

The names of the incumbent directors, nominees for election as directors and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions in the last five (5) years are as follows:

Ramon S. Ang, Filipino, 65, is the Chairman (since May 28, 2002) and President of the Company (since August 11, 2010), respectively. He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer (COO) of San Miguel Corporation; Chairman and Chief Executive Officer of Petron Corporation, Petron Marketing Corporation, and SMC Global Power Holdings Corp.; Chairman and President of San Miguel Energy Corporation, Rapid Thoroughfares, Inc., Trans Aire Development Holdings Corp., Coastal View Exploration Corporation, Bell Telecommunication Philippines, Inc., San Miguel Holdings, Corp., Archen Technologies, Inc., SMITS, Inc.; Chairman of San Miguel Brewery, Inc., Magnolia, Inc., San Miguel Foods, Inc., San Miguel Mills, Inc., San Miguel Super Coffee Mix Co., Inc., and 43 wholly-owned subsidiaries of the Company.

Hector L. Hofileña, Filipino, 89, has been a Director of the Company since May 28, 2002. He is a former Director of San Miguel Corporation and a former Associate Justice of the Court of Appeals. Justice Hofileña is a lecturer at the Ateneo De Manila University and the Philippine Judicial Academy. He is a Member of the Company's Nomination and Hearing Committee.

Jeronimo U. Kilayko, Filipino, 71, has been nominated as an Independent Director of the Company since March 14, 2017. Mr. Kilayko served as the President and Chief Executive Officer of the United Coconut Planters Bank from 2011 to 2016. He is also former Chairman of the Board of Bank of Commerce from 2007 to 2011. He has been the President of San Miguel Properties, Inc. from 2002 to 2011. He is the President of K5 Distribution, Inc., a family owned company.

Mario C. Garcia, Filipino, 67, has been a Director of the Company since November 3, 2009. He is also a Director of San Miguel Pure Foods Company, Inc. and represents the National Government in the Board of Directors of the Subic Bay Metropolitan Authority. He is a TV Host of Kapihan ng Bayan, NBN-4 and Comentaryo, PBS Radio ng Bayan, Interim National President of KBP Society of Broadcast Journalists, and Consultant of Radio Affairs, Pulis Ng Bayan, PNP. He is previously a Board member of Clark Development Corporation (November 2009-March 2010), member of the Board of Advisers of Freeport Service Corporation (2007-2008), Consultant for Special Projects at the Philippine Daily Inquirer (February-November 2008), Director and Vice Chairman of the Quezon City Red Cross (2006-2007), and Vice President for Programming and Operations and Station Manager of Radio Veritas (1991-2005).

Aurora T. Calderon, Filipino, 64, has been a Director of the Company since August 11, 2010. She is also the Senior Vice-President and Senior Executive Assistant to the President and Chief Operating Officer (COO) of San Miguel Corporation (SMC) since 2011. She has been a consultant reporting directly to the President and COO of SMC (1998-2010).). She is presently a member of the Board of Directors of Petron Corporation, SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., TransAire Development Holdings Corp., Bell Telecommunications Philippines, Inc., San Miguel Equity Investments Inc., and various subsidiaries of SMC. She is currently a member of the Audit and Nomination and Hearing Committee of the Company.

Minita V. Chico-Nazario, Filipino, 79, has been an Independent Director of the Company since May 9, 2012. She is currently an Independent Director of Ginebra San Miguel, Inc.. She is also the incumbent Dean of the College of Law of the University of Perpetual Help in Las Pinas City. She has previously held the following positions: Legal Consultant of the Philippine Amusement and Gaming Corporation (January 2010- June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010 – September 2011) of PNOC Exploration

Corporation. She has served the judiciary in various capacities for forty-seven years (47), as Presiding Justice of the Sandiganbayan (February 2003 – February 2004) and Associate Justice of the Supreme Court (February 10, 2004 – December 5, 2009). She is a graduate of the University of the Philippines and a member of the New York State Bar. She is the Chairperson of the Company's Audit and Executive Compensation Committees.

Karen V. Ramos, Filipino, 54, is the General Manager of the Company since her appointment last March 1, 2016 which was later on confirmed and ratified by the members of the Board of Directors during their March 14, 2016 regular meeting. Previously, she was designated as Officer-in-Charge (OIC) from August 1, 2015 of the Company. She is likewise holding the positions of Sales and Marketing Manager in a concurrent capacity (after the approval of the Board to have the Sales Department merged with the Marketing Department last August 10, 2016 regular board meeting). She used to hold the position of Marketing Manager of the Company since April 1, 2007. She is a former Director of Northpine Land, Inc.. Previously, she is connected with the United Coconut Planters Bank as Head of Planning and Design Department, Corporate Services Division (2004 - 2007) and Head of Special Services Department, Asset Management Division (2000 – 2003).

Karen M. Cas-Caballa, Filipino, 45, is currently the Head of the Legal and Asset Acquisition & Disposition Department of the Company. She was appointed as Corporate Secretary and Compliance Officer as of August 10, 2015. She used to be the Assistant Corporate Secretary of the Company since November 10, 2010. She was first hired as a Consultant from April 2006 to April 2009 in the Office of the General Manager likewise tasked to spearhead the Legal and Asset Management Services Department (formerly known as Asset Management Department) of the Company. Also, Atty. Caballa is currently a Director of Northpine Land, Inc. and San Miguel Properties Centre Condominium Corporation, and the Corporate Secretary of all the subsidiaries of the Company except Integrated Geosolutions, Inc., and Zobel Polo Club Inc.

Maria Alma C. Geronimo, Filipino, 48, is the Head of Finance and Treasury Department of the Company since July 2012. She is a former Director for External Affairs and Board of Trustee of Angel John Integrated Academy, and AJIA Vocational and Technical School, Inc., She has previously held the following positions: Audit Supervisor at Sycip, Gorres, and Velayo & CO. (January 1992 – February 1997); Finance Manager at Landco Pacific Company (February 1997 – June 1998); Financial Controller at Degussa Construction Chemicals Group of Companies in the Philippines and in Vietnam (July 1998 – July 2005); Senior Manager in the General Accounting Department of Pilipinas Makro, Inc. (October 2005 – July 2007); and Financial Controller at Headstrong Philippines, Inc. (July 2007 – March 2008). Presently, she is also the Finance and Treasury Head of all the subsidiaries of the Company

Aurelio A. Rabusa, Jr. Filipino, 58, is the Manager of the Security and Asset Management Department since May 2017. He is a Retired Military Officer having served as Rear Admiral of the Philippine Navy (PN) from March 1983 to July 2016 of the Armed Forces of the Philippines (AFP). He has also held the following important positions in the AFP such as Deputy Chief of Staff for Reservist and Retiree Affairs, J9 from 2015-2016; Commander of the Naval Forces Southern Luzon, PN from 2014-2015, Deputy Commander, Western Command of the AFP in 2014, Deputy Commander for Naval Sea Systems Command of the PN from 2012-2014, Chief of Staff of the Naval Education and Training Command of the PN from 2009 to 2012; Executive Officer of the Office of the Staff for Personnel, J1, AFP from 2007 to 2009 and Captain or Commanding Officer of 5 Naval Ships from 2002 to 2005.

Christopper T. Malaca, Filipino, 50, is the Manager of Technical Services and Property Management Department since January 2016. He is former Technical Services Department Manager of El Montañas Realty Corporation, a subsidiary of San Miguel Properties, Inc. from September 2014 to December 2015. He worked also as Project Consultant in San Miguel Corporation from March 2013 to August 2014. He has previously held the following positions: Assistant General Manager of Huayou Construction Development Phil. Corp. (April 2012 – February 2013); Project Manager at Consulting Engineering Corp. (January 2008 – February

2009); Project Manager at TCGI Consulting Engineers (April 2005 – January 2008); Project Manager at Teknika Konstruk Corp. (June 2002 – April 2005); Technical Assistant to the Vice President at Belle Corporation; Project Engineer at Urban Bank, Inc. (April 1995 – February 1996); and Project Engineer / Assistant Site Manager at Kreuz Management, Inc. (May 1990 – April 1995).

A certification that none of the above named directors and officers work with the national government is attached hereto as ***Annex "A"***.

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual meeting of the stockholders by the stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected and qualified.

The nominees for election to the Board of Directors on May 22, 2019 are as follows:

1. Ramon S. Ang
2. Aurora T. Calderon
3. Jeronimo U. Kilayko – Independent Director
4. Mario C. Garcia
5. Hector L. Hofileña
6. Minita V. Chico-Nazario – Independent Director
7. Karen V. Ramos

Independent Directors

The independent directors of the Group are Jeronimo U. Kilayko and Minita V. Chico-Nazario.

The nominees for election of independent directors of the Board of Directors at the Stockholders' Meeting which will be held on May 22, 2019, are as follows:

Nominee for Independent Director (a)	Citizenship	Person/Group recommending nomination (b)	Relation of (a) and (b)
Jeronimo U. Kilayko	Filipino	Ramon S. Ang	None
Minita V. Chico-Nazario	Filipino	Ramon S. Ang	None

In approving the nominations for the independent directors, the Nomination and Hearing Committee took into consideration the guidelines on the nomination of independent directors prescribed in SRC Rule 38 of the Revised Implementing Rules and Regulations of the Securities Regulation Code and other SEC issuances such as SEC Memorandum Circular No. 16, Series of 2002 and SEC Memorandum Circular No. 4, Series of 2017.

The aforementioned directors were already pre-screened by the Nomination and Hearing Committee having been included in the final list of nominees for the past years and having served in previous terms as members of the Board of the Company. The Nomination and Hearing Committee shall convene for the approval of their nomination and endorsement for election in the forthcoming Annual Stockholders' Meeting. Under the Company's By-laws, the conduct of election of independent directors shall be in accordance with the standard election procedures for regular directors as provided therein; save that specific slots for independent directors shall not be filled up by unqualified nominees and in case of failure of election for independent directors, a separate election shall be called to fill up the vacancy.

The incumbent independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certification of the incumbent directors submitted to the SEC is attached hereto as ***Annex "B-1"*** and ***Annex "B-2"***.

Significant Employees

The Company has no employee who is not expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors of the Company.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10%) of the total outstanding shares of the Company) which are not in the ordinary course of business of the Company.

Parent Company

As of March 31, 2019, the Company is 99.72% owned by San Miguel Corporation.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers, underwriters or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

The Company and its significant subsidiaries are not currently involved in any litigation or legal proceedings that could be expected to have a material adverse effect on the Company and its significant subsidiaries of their respective results of operations.

V. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table summarizes the aggregate compensation paid or accrued during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's President and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Ramon S. Ang[4] – Chairman and President **Karen V. Ramos** – General Manager/ Sales and Marketing Department Manager **Maria Alma C. Geronimo**– Finance and Treasury Department Manager **Karen M. Cas-Caballa** – Legal and Asset Acquisition & Disposition Department Manager **Aurelio A. Rabusa, Jr.** - Security and Asset Management	2019 (estimated)	P23.6 Million	P6.6 Million	P5.8 Million	P36.0 Million
	2018	P18.9 Million	P10.0 Million	P4.8 Million	P33.7 Million
	2017	P17.2 Million	P8.9 Million	P4.5 Million	P30.6 Million

[4] *While Mr. Ramon S. Ang is the Chairman and President of the Company, he is not receiving any compensation from the Company. His compensation is being paid by the mother company, San Miguel Corporation.*

All other officers and directors as a group unnamed	2019 (estimated)	P0.0 Million	P0.0 Million	P0.0 Million	P0.0 Million
	2018	P0.0 Million	P0.0 Million	P0.0 Million	P0.0 Million
	2017	P0.0 Million	P0.0 Million	P0.0 Million	P0.0 Million
TOTAL	2019 (estimated)	P23.6 Million	P6.6 Million	P5.8 Million	P36.0 Million
	2018	P18.9 Million	P10.0 Million	P4.8 Million	P33.7 Million
	2017	P17.2 Million	P8.9 Million	P4.5 Million	P30.6 Million

Article III, Section 10 of the Amended By-Laws of the Company provides that by resolution of the Board of Directors, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting.

In 2018, each director received a per diem of 10,000.00 per attendance at Board and Committee meetings of the Company.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year and the ensuing fiscal year.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

V. ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting pursuant to Section 49 of the Revised Corporation Code:

1. Annual Report of the Company for the year ended December 31, 2018;
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 8, 2018
3. Minutes of the most recent regular meeting which shall include the following:

   3.1. A description of the voting and vote tabulation procedures used in the previous meeting;

   3.2. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;

   3.3. The matters discussed and resolutions reached;

   3.4. A record of the voting results for each agenda item;

   3.5. A list of the directors or trustees, officers and stockholders or members who attended the meeting; and

3.6. Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders.

4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the members of the Board of Directors

The Minutes of the May 8, 2018 Annual Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2018 Annual Stockholders' Meeting will be available for examination during office hours at the office of the Corporate Secretary.

VI. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

That the term for which the Company is to exist is fifty (50) years from and after the date of incorporation with an extension of additional fifty (50) years from the date and after the expiration of the original period of fifty years, or from January 23, 2019 to January 23, 2069.

As a brief background, the Company was used to be known as San Miguel Properties Phils., Inc. (SMPPI). It was incorporated on December 18, 1990. Monterey Farms Corporation (MFC), on the other hand, was incorporated on January 17, 1969.

The Securities and Exchange Commission approved on January 30, 1998 the merger between SMPPI and MFC, with the latter as the surviving entity. In view of the merger, SMPPI ceased to exist while MFC changed its corporate name to Monterey-San Miguel Properties, Inc. (M-SMPI) and its business nature to real estate. The surviving company is net of its original meat operations which was spun-off to Monterey Foods Corporation.

The Board of Directors, in its meeting on 06 April 1998, has approved the change of company name from Monterey-San Miguel Properties, Inc. (M-SMPI) to San Miguel Properties, Inc. (SMPI). The stockholders ratified the same resolution in its meeting on June 9, 1998. On 14 July 1998, the Securities and Exchange Commission approved the said change of name. The company was registered with and listed at the Philippine Stock Exchange (PSE) on 30 January 1986. The Securities and Exchange Commission approved on December 9, 2002 the merger between SMPI and HOC Realty, Inc. (HRI), a 90%-owned subsidiary, with the former as the surviving entity. Consequently, all assets and liabilities of HRI were merged with absorbed at book values by SMPI.

VII. VOTING PROCEDURES

In the election of directors, the seven (7) nominees with the greatest number of votes will be elected directors. The approval of the other proposals or matters submitted to a vote will require an affirmative vote of the majority of the shares of the stock present or represented by proxy at the meeting.

Counting of the Ayes and Nays or a show of hands will be the methods by which votes will be counted. Counting will be undertaken by the Company's Corporate Secretary with the assistance of the stock transfer agent, SMC Stock Transfer Service Corporation.

VIII. FINANCIAL AND OTHER INFORMATION

- **Brief Description of the General Nature and Business of the Company**

San Miguel Properties, Inc. ("SMPI" or the "Group"), a 100% subsidiary of San Miguel Corporation (SMC), is primarily engaged in the acquisition, development, sale or lease of properties. On December 9, 2002, the Group merged with another subsidiary, HOC Realty, Inc. ("HRI"), with the Group as the surviving entity.

Among the Group's significant subsidiaries and associates are: (a) SMPI Makati Flagship Realty Corp. (previously known as SMPI-GSIS Joint Venture Corporation) which owns and operates Makati Diamond Residences, a 400-room service apartment located in Legazpi Village, Makati City; (b) Bright Ventures Realty, Inc. (BVRI) which owns Dover Hill, a 93 unit residential townhouse with a condominium concept of ownership, located in Addition Hills, San Juan City; (c) Carnell Realty, Inc. which owns One Dover View, a 23 unit residential townhouse project, located along Lee St., Mandaluyong City; (d) Excel Unified Land Resources Corporation ("Exceland"), incorporated in 1995 purposely to acquire, develop and sell high end real estate properties, and a joint venture project of the Company with Pet Plans, Inc, with the Comapny owning 51.5% as of year-end 2012; (e) E-Fare Investments Holdings, Inc. which is the owner and developer of an industrial park and economic zone in Mariveles, Bataan; (f) La Belle Plume Realty, Inc. which is the owner and developer of a township project envisioned to be a tourism enterprise zone in the Visayas Area; (g) Moonspring Development, Inc. ("Moonspring") which shall own and develop a 373-room hotel in the Western Visayas to be operated by an international hotel brand, and shall be one of the many locators that will operate within the tourism enterprise zone, mentioned in the preceeding item; (h) Newscapes Haven Development, Inc. which shall own, develop and operate a mega-water park and adventure park that would serve as the next tourist destination in the Visayas area; (i) Malay Nabas Realty Development, Inc. which shall be the owner and developer of a 250-room hotel to be operated likewise by an international hotel brand,and shall be one of the locators in the tourism enterprise zone under item (f) above; (j) Caticlanscapes Realty Development, Inc. which shall be the owner of a dormitory servicing the airport and crew of the Boracay International Airport as well as the employees of the various hotel developments within the ecozone/township. It shall be one of the locators in the tourism enterprise zone under item (f) above; and (k) Bank of Commerce ("BOC"), which has been serving the Philippine banking community for over 40 years, and in which the Group owns 39.93% of its total and outstanding shares of stock as of December 31, 2018.

SMPI is also focusing on selling the remaining inventory of its residential house and lot developments in General Trias, Cavite Projects, namely: Bel Aldea, Maravilla and Asian Leaf.

SMPI also owns 8 and 14-residential townhouse projects namely Two Dover View, located in Lee St., Mandaluyong City; and Emerald 88, located in Sixto Avenue, Pasig City, respectively.

SMPI's major competitors in the CALABARZON area are the Ayala West Grove Heights by Ayala Land Premier; Nuvali by Ayala Land; South Forbes by Cathay Land; Solenn Residences by Greenfield Properties; Eton City by Eton Properties;, Ayala Land's Amaia Scapes; Solviento by GeoEstate; Natania Homes and Sabella by My Citi Homes; Meridian Place by Filinvest; and Cedarwood Residences by Asia Landbest.. The quality of development and pricing of the Group's projects remain to be very competitive.

The Group's competitors in Metro Manila are Rockwell Land's 205 Santolan and Alvendia, Filinvest's Fortune Hill, KMC Mag Group's 81 Xavier and Baron Residences, Federal Land's One Wilson Square, Ortigas & Company's Viridian, Clairemont Hills by Anchorland, and Horizon Estates by Transphil Land.

All SMPI-managed buildings are at 100% occupancy level. The Group's lease operation remains stable due to the primacy of the Group's commercial office spaces.

The Group leases most of its commercial office spaces and warehouses to third parties. Some are rented out to San Miguel Corporation and its affiliates. The Group has leaseable commercial office spaces in Mandaluyong City, Pasig City, and industrial spaces in Isabela, and warehouse in Paranaque.

For the properties of SMPI generating lease income located in the Ortigas area, its competitors include the One Corporate Center, Philippine Stock Exchange Tower, Taipan Place, Wynsum Corporate Plaza, Orient Square, Robinsons Equitable Tower and Cyberspace Gamma, and Rockwell Business Center.

Management's Discussion and Analysis or Plan of Operation

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2018 is attached hereto as ***Annex "C"***.

Financial Statements

The Consolidated Financial Statements of the Company as of December 31, 2018 with the Statement of Management's Responsibility and Report of Auditors are attached hereto as ***Annex "D"***.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with accountants on accounting and financial disclosure.

Market Price and Dividends on the Company's Common Equity and Related Stockholder Matters

As early as 6 May 2013, the PSE has approved SMPIs Petition for Voluntary Delisting and accordingly ordered the delisting of SMPI"s shares from its Official Registry.

There are no extraordinary restrictions that limit the ability of the Company to pay dividends in common stock.

The approximate number of shareholders of common shares as of March 31, 2019 is 909.

The top 20 stockholders of the Company as of March 31, 2019 are as follows:

Rank	Name of Stockholders	Nationality	No. of Shares	% of Total O/S
1	San Miguel Corporation	Filipino	660,296,487	99.72
2	Philippine Breweries Corporation	Filipino	1,525,672	0.230401
3	San Miguel Foundation, Inc.	Filipino	280,332	0.042335
4	Heirs of Fidel & Teresita Reyes, Inc.	Filipino	15,667	0.002366
5	Ronald Manese	Filipino	3,744	0.000565
6	Society of the Divine Word	Filipino	3,456	0.000522
7	B.R. Medrano	Filipino	2,196	0.000332
8	Ronald S. Po	Filipino	1,840	0.000278
9	Anglo Agricultural Development Corporation	Filipino	1,776	0.000268
10	Benjamin C. Reyes	Filipino	1,744	0.000263
11	Ma. Luisa Llamado	Filipino	1,734	0.000262
12	Arturo C. Reyes	Filipino	1,730	0.000261
13	Amado O. Milan and/or Dolores Milan	Filipino	1,728	0.000261
14	Varifold Marketing Corpoeation	Filipino	1,728	0.000261
15	PCD Nominee Corporation (Filipino)	Filipino	1,669	0.000252
16	Teresita R. Reyes	Filipino	1,458	0.000220
17	Eva S. Recio	Filipino	1,399	0.000211
18	G. D. Tan & Co., Inc.	Filipino	1,090	0.000165
19	Antonio Q. Sevilla	Filipino	1,000	0.000151
20	Aurelia V. Agonias	Filipino	864	0.000263

There were no dividends declared or cash dividends payout on the Company's common shares for the last two (2) fiscal years. On March 14, 2017, the BOD approved that the Five Billion (P5,000,000,000.00) funds appropriated for the projects of the Company such as but not limited to the residential townhouse projects and the service hotel apartment be reversed as they have already been completed or substantially completed. The BOD likewise approved the appropriation of Four Billion Five Hundred Million Pesos

(P4,500,000,000.00) of the Company's retained earnings for its capital projects and long-term project development.

The Company has not sold any unregistered or exempt securities (including issuance of securities constituting an exempt transaction) within the past three (3) fiscal years.

Independent Public Accountants

The accounting firm of Punongbayan and Araullo ("P&A"), an independent auditor in good standing and recognized to practice as such under the laws governing the practice of public accounting in the Philippines, has served as the Company's external auditors for the fiscal year. The Board of Directors will again nominate P&A for re-appointment this fiscal year.

Representatives of P&A are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

P&A has been the Company's external auditors since 2003. In compliance with paragraph (3) (b) (iv) of SRC Rule 68, as amended, changes were made in the assignment of P&A's engagement partners for the Company for fiscal year 2017 to maintain P&A's independence. Relevant provisions of the Code of Professional Ethics for Certified Public Accountants is observed by rotating the lead engagement partner for every five (5) years or as the need arises.

Audit and Audited Related Fees

The Group's total audit fees for 2018 amounted to P4.6 million per year, inclusive of out-of-pocket expenses.

The stockholders approved the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

Compliance with leading practice on Corporate Governance

The evaluation by the Company to measure and determine level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual of Corporate Governance. The Compliance Officer has certified that for 2014, the Company has substantially adopted all the provisions of the Manual.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

In 2014, the Company substantially adopted all the provision of the Manual on Corporate Governance as prescribed by SEC Memorandum Circular No.2, Series of 2002 (the "Manual")

On March 25, 2010, the Board Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission under its Memorandum Circular No.6 of 2009.

UNDERTAKING

Upon the written request of the stockholder, the Company will furnish such stockholder a copy of SEC Form 17-A free of charge. Such written request for a copy of SEC Form 17-A shall be addressed to:

SMC Stock Transfer Service Corporation
2nd Floor, San Miguel Corporation
No. 40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on ________________.

SAN MIGUEL PROPERTIES, INC.

By:

Atty. **KAREN M. CAS-CABALLA**
Corporate Secretary

Annex "A"

SAN MIGUEL
PROPERTIES

CERTIFICATION

I, **Atty. JESSEHAN P. PIA-PERILLO**, of legal age, Filipino, with office address at No. 40 San Miguel Avenue, Mandaluyong City, after having been duly sworn to in accordance with law do hereby depose and state that:

1. I am the Assistant Corporate Secretary of **SAN MIGUEL PROPERTIES, INC.** (the "Company"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines;

2. Based on the records of the Company, none of its incumbent Directors and Executive Officers are connected and/or working in the government, to wit:

- Directors
  1. **Ramon S. Ang**
  2. **Aurora T. Calderon**
  3. **Karen V. Ramos**
  4. **Hector L. Hofileña**
  5. **Mario C. Garcia**
  6. **Minita V. Chico-Nazario**
  7. **Jeronimo U. Kilayko**

- Executives Officers
  1. **Ramon S. Ang** – Chairman and President
  2. **Karen V. Ramos** – General Manager / Sales and Marketing Manager
  3. **Maria Alma C. Geronimo** – Finance and Treasury Department Manager
  4. **Karen M. Cas-Caballa** – Legal and Asset Acquisition & Disposition Department Manager
  5. **Aurelio A. Rabusa, Jr.** - Security and Asset Management Department

3. I am issuing this Certification in compliance with the requirement of the Securities and Exchange Commission on the annual reporting of the Company's Definitive Information Statement.

IN WITNESS WHEREOF, I have signed this certification this APR 0 5 2019 at Mandaluyong City.

Atty. JESSEHAN P. PIA-PERILLO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 0 5 2019 at MANDALUYONG CITY affiant personally appeared before me and exhibited to me her Passport with number P6634137A issued on 4 April 2018 at DFA Manila.

Doc. No. 366;
Page No. 75;
Book No. I;
Series of 2019.

BIENVENIDO C. ALDE JR.
Appointment No. 0456-19
Notary Public for Mandaluyong City
Until 31 December 2020
Roll No. 41478
PTR No. 3808638/1-4-19/Mandaluyong City
IBP Lifetime No. 005478

Annex "B-1"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MINITA V. CHICO-NAZARIO**, Filipino of legal age, and a resident of 289 Governor A. Santos, BF Homes, Parañaque, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of San Miguel Properties, Inc. ("SMPI") and have been its independent director since 9 May 2012.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
College of Law, University of Perpetual Help system Dalta, Las Piñas City	Dean	June 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SMPI, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. I am related to the following director/officer/substantial shareholder of SMPI and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
Ginebra San Miguel	Ginebra San Miguel	Independent Director

5. I disclose that I have never been the subject of any criminal/administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of San Miguel Properties, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this _______ of day of JAN 1 6 2019 2019 at Mandaluyong City.

Minita V. Chico-Nazario

MINITA V. CHICO-NAZARIO
Independent Director

SUBSCRIBED AND SWORN to before me this ___ of day of JAN 1 6 2019 at Mandaluyong City, affiant exhibiting to me her Passport with No. EC3431310 issued on February 11, 2015 at DFA NCR South.

Doc. No. 033;
Page No. 8;
Book No. I;
Series of 2019.

BIENVENIDO C. ALDE JR.
Appointment No.: 0456-19
Notary Public for Mandaluyong City
Until 31 December 2020
Roll No. 41478
PTR No. 3808838/1-4-19/Mandaluyong City
IBP Lifetime No. 605438

Annex "B-2"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JERONIMO U. KILAYKO**, Filipino of legal age, and a resident of 2024 Kalamansi St. Dasmariñas Village, Makati, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of San Miguel Properties, Inc. ("SMPI") and have been its independent director since 8 May 2017.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
K5 Distribution, Inc.	President	2003 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SMPI, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to the following director/officer/substantial shareholder of SMPI and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
A legal suit between private parties (EGI) and the United Coconut Planters Bank (UCPB). I was included only because I was the *former President of UCPB.* (G.R. No. 168859 and G.R. No. 168897)	Supreme Court	The SC affirmed the ruling of the Court of Appeals where appellate court did not find enough evidence on record to already resolve the administrative complaint in favor of EGI and against UCPB, et. al., precisely the reason why it still remanded the case to the BSP Monetary Board for further proceedings. To date no pending proceedings before the BSP.

6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of San Miguel Properties, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this _______ of day of JAN 1 6 2019 2019 at Mandaluyong City.

JERONIMO U. KILAYKO
Independent Director

SUBSCRIBED AND SWORN to before me this ___ day of JAN 1 6 2019 at Mandaluyong City, affiant exhibiting to me his Driver's License with No. N-11-71-016775 issued on ____________ at ____________.

Doc. No. 024;
Page No. 6;
Book No. 1;
Series of 2019.

BIENVENIDO C. ALDE JR.
Appointment No. 0456-19
Notary Public for Mandaluyong City
Until 31 December 2020
Roll No. 41478
PTR No. 3808638/1-4-19/Mandaluyong City
IBP Lifetime No. 605438

SAN MIGUEL PROPERTIES

Annex "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Properties, Inc. ("SMPI" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2018. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2018 and the financial performance and cash flows for the year ended December 31, 2018 and for all the other periods presented, have been made.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of Preparation of Consolidated Financial Statements

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

In applying the equity method on the Company's investment in BOC, adjustments to BOC's audited financial statements were made to conform its accounting policies to that of the Group's accounting policies in accordance with PFRS.

(b) *Presentation of Consolidated Financial Statements*

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

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

In 2018, the Group adopted PFRS 9, *Financial Instruments*, which were applied using the transitional relief allowed by the standard. This allows the Group not to restate its prior periods' financial statements.

The adoption of PFRS 9 has no significant impact in relation to the classification and measurement of the Group's financial assets which only pertain to Cash and Cash Equivalents and Receivables (except Advances to contractors) which are accounted for at amortized cost. Also, no impairment loss on contract receivables was recognized as a result of the adoption of PFRS 9 since contract receivables generally do not have any loss given default considering that the Group can repossess the sold property in the event of default and resell it at a higher amount than the outstanding balance of the defaulting buyer. On the other hand, BOC's adoption of PFRS 9 has resulted to a decrease of the Group's beginning Retained Earnings as of January 1, 2018 amounting to P146,731 with respect to the Group's net share in profit of its associate.

Also, the adoption of PFRS 15 has resulted in changes in the Group's accounting policies on recognition of revenue on sale of residential properties under
pre-completion stage and accounting for cancellation of real estate sales.

Further, relative to the Group's adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of the following Philippine Interpretations Committee (PIC) Question & Answer (Q&A) affecting the real estate industry. These resulted to adjustments recognized in the Retained Earnings as of January 1, 2018:

- PIC Q&A No. 2018-11, *Classification of Land by Real Estate Developer*, requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards;

- PIC Q&A 2018-14, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*, provides guidance on the appropriate accounting treatment for cancellation of real estate sales; and,

- PIC Q&A No. 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*, clarifies how the advances to contractors should be classified in the consolidated statement of financial position.

The Group has adopted PFRS 15 using the modified retrospective method. Under this method, the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application without restating its comparative period. The Group's transition to PFRS 15 has resulted to an increase amounting to P69,602 in the Retained Earnings as of January 1, 2018.

It has made the following adjustments to its beginning retained earnings and related accounts:

- reclassified portion of Contract receivables relating to rights to payment which are conditioned upon the completion of units sold to Contract Assets, presented as part of Other Current Assets account;

- restated the balances of Real Estate Projects and beginning Retained Earnings to reflect the appropriate revenue recognition policy and accounting treatment for cancellation of real estate sales;

- capitalized commissions directly related to contract acquisitions, previously charged under Other Operating Expenses in the consolidated statement of comprehensive income, as part of Other Current Assets account in the consolidated statement of financial position;

- presented the amortization of capitalized commission as part of Miscellaneous under Other Operating Expenses in the consolidated statement of comprehensive income;

- restated Deferred Tax Assets and Deferred Tax Liabilities to account for the temporary differences on the related adjustments made.

The following tables summarize the impact of adopting PFRS 15 in the Group's consolidated financial statements as of and for the year ended December 31, 2018.

	Consolidated Statement of Financial Position		
	As Reported	Adjustments	Amounts Without Adoption of PFRS 15
ASSETS			
Current Assets			
Receivables – net	P 548,925	(P 4,949)	P 543,976
Real estate projects	1,851,875	(28,462)	1,823,413
Other current assets – net	1,218,518	(63,083)	1,155,435
Total Current Assets	7,040,331	(96,494)	6,943,837
Noncurrent Assets			
Deferred tax assets – net	28,371	257	28,628
Total Noncurrent Assets	26,011,170	257	26,011,427
Total Assets	P 33,051,501	(P 96,237)	P 32,955,264
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	P 1,036,914	(P 4,980)	P 1,031,934
Customers' deposits	151,744	64,666	216,410
Total Current Liabilities	11,808,814	59,686	11,868,500
Noncurrent Liabilities			
Deferred tax liabilities – net	85,512	(29,237)	56,275
Total Noncurrent Liabilities	118,057	(29,237)	88,820
Total Liabilities	11,926,871	30,449	11,957,320
Equity			
Retained earnings	8,476,329	(118,869)	8,357,460
Noncontrolling interest	362,617	(7,817)	354,800
Total Equity	21,124,630	(126,686)	20,997,944
Total Liabilities and Equity	P 33,051,501	(P 96,237)	P 32,955,264

	Consolidated Statement Comprehensive of Income		
	As Reported	Adjustments	Amounts Without Adoption of PFRS 15
Revenues	P 1,897,612	(P 197,699)	P 1,699,913
Cost of sales and services	(1,040,209)	(149,494)	(890,715)
Gross profit	857,403	(48,205)	809,198
Other operating expenses	(699,444)	3,090	(696,354)
Gross profit	157,959	(45,115)	112,844
Other income (charges) – net	124,487	(4,152)	120,335
Profit before tax	282,446	(49,267)	233,179
Tax benefit	5,315	451	5,766
Net profit	P 287,761	(P 49,718)	P 238,945

In addition, total construction cost in 2018 amounting to P128,283 previously presented as part of Land was reclassified to Building and improvements to correct the disclosure pertaining to the reconciliation of the carrying amounts of Investment property. The reclassification only pertains to the disclosure within the Investment Property account and did not result into a restatement of any of the financial statement line item.

(c) *Functional and Presentation Currency*

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

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

1.2 Adoption of New and Amended PFRS

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

The Company adopted for the first time the following PFRS, amendment and annual improvement to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendment)	:	Investment Property – Reclassification to and from Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

PFRS 1 (Amendments) : First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

Discussed below are the relevant information about these standards, amendment and interpretation.

(i) PAS 40 (Amendment), *Investment Property – Reclassification To and From Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no significant impact on the Group's consolidated financial statements.

(ii) PFRS 9, *Financial Instruments*. This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities
when hedging their financial and non-financial risk exposures.

The Group has adopted PFRS 9 and has not restated the comparative information. The adoption of PFRS 9 has no significant effect on the classification and measurement of financial assets and financial liabilities of the Group.

Based on an assessment of the Group's financial assets and financial liabilities as at December 31, 2018, results of the application of PFRS 9 are as follows:

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows. Receivables are composed of Contract receivables, Rental receivables, Accounts receivables, Due from related parties, Due from former subsidiaries and certain other receivables which is held to collect contractual cash flows representing SPPI. These financial assets continue to be measured at amortized cost upon application of PFRS 9.

- Equity securities previously classified as Available-for-sale (AFS) financial assets of the Group are now designated as financial assets at FVOCI. The Company elect to classify irrevocably its equity securities under this category as it intends to hold these investments for the foreseeable future. Changes in fair value are recognized in other comprehensive income, net of any income tax effects.

- Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9, management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

- In applying the ECL methodology of PFRS 9 (2014), the Group used the simplified model of recognizing lifetime expected credit losses.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in the consolidated financial statements.

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

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

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

- PIC Q&A 2018-12, *PFRS 15 - Implementation Issues Affecting the Real Estate Industry.* This Q&A provides guidance on the application of PFRS 15 to real estate industry.

Relative to the adoption of PFRS 15 and relevant PIC Q&As, the SEC issued the following Memorandum Circulars (MC):

- MC No. 14 series of 2018. This circular allows the deferral of the following concepts from PIC Q&A 2018-12:

  (a) accounting for the significant financing component in a contract to sell

  (b) treatment of land in the determination of percentage of completion

  (c) treatment of uninstalled materials in the determination of percentage of completion

The Group elected to defer the adoption of accounting for the significant financing component in a contract to sell in PIC Q&A 2018-12 in accordance with MC No. 14 series of 2018.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The Group has applied PFRS 15 retrospectively to all uncompleted contracts as of January 1, 2018 in accordance to the transitional relief allowed by the Standard.

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

- PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification.* The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

- PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions.* The amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.

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

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

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

(c) Effective Subsequent to 2018 but not Adopted Early

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset

and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

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

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

(v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority.

When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vi) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the

Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

- PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendements), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. These amendments are still subject to BOA's approval.

I. 2018 KEY TRANSACTIONS

(a) Investment in Zee2 Resources, Inc. (Zee2) shares

In 2018, the Company acquired Zee2 for a total consideration of P229.5 million. The excess of the total consideration and the acquired interest amounting to P10 million is presented as part of Other Reserves in the consolidated statements of changes in equity.

(b) Subscription by San Miguel Corporation (SMC)

During the year, SMC subscribed to 62,500,000 common shares of the Company equivalent to P1.25 billion with a par value of P10.00 per share at a subscription price of P20.00 per share. The subscription was fully paid during the same period.

(c) Deconsolidation of Legacy Homes, Inc. (LHI)

In 2018, the Company entered into a Deed of Absolute Sale of shares with a third party to transfer 100% of ownership interest on LHI. The resulting gain on deconsolidation of investment amounting to P443 million is presented under Other income (charges) in the 2018 consolidated statement of comprehensive income.

(d) Incorporation of new subsidiary

In 2018, the following companies were incorporated in accordance with Philippine laws: (1) Dor Adab Realty Development Inc. (2) High Garden Land Resources, Inc.; and (3) Cliffside Rock Realty, Inc. All of which are wholly-owned subsidiaries of the Company and have not started commercial operations as of December 31, 2018.

(e) *Acquisition of properties*

In 2018, the Company acquired properties located in Central Luzon, Western Visayas and Metro Manila accounted under Investment property and Deposit on Land for Future Development.

II. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables:

(in thousands)	Years Ended December 31		
	2018	2017	2016
Revenues	**P 1,897,612**	P 2,393,675	P 1,716,223
Gross profit	**857,403**	1,133,286	698,233
Other operating expenses	**699,444**	587,224	487,924
Finance costs	**(479,628)**	(317,201)	(308,477)
Gain on deconsolidation of investments	**443,140**	46,790	-
Finance income	**61,240**	45,768	60,481
Share in profit of associates - net	**58,469**	326,918	309,270
Miscellaneous income (charges)– net	**41,266**	(23,977)	18,084
Profit before tax	**282,446**	624,360	289,667
Net profit attributable to Equity holders of the parent company	**293,535**	392,833	217,695

INCOME STATEMENT

2018 vs. 2017

The Group ended the period with P294 million net income attributable to the net owners of the parent company from P393 million net income last year. The decrease was mainly due to the decrease in real estate sales and share in profit of associates, reduced by the gain from the deconsolidation of LHI during the year.

Real estate sales decreased from P1.3 billion to P629 million mainly due to the depleting inventory and institutional sale to a related party in 2017. The Group's real estate revenue was also affected by the adoption of PFRS 15, Revenue from Contracts with Customers, with a net impact of 197 million coming from the partially booked accounts based on percentage of completion method, reversal of backout sales and prior year revenue that should have been booked in the current year. Hotel revenue increased from P748 million to P886 million this year mainly due to the increase in occupancy rate from 64.3% to 78.2%. Service income increased by P8 million mainly due to the services rendered to a related party during the year.

Cost of sales and services decreased by P220 million mainly due to the decrease in real estate sales.

The Group's operating expenses increased by 19% as compared to last year mainly due to the additional manpower, higher security charges, and higher business and real property taxes.

Finance cost increased from P317 million to P480 million mainly due to the additional loan availments during the year.

Share in profit of associates decreased from P327 million to P58 million mainly due to the share in lower net income earned by BOC. The decrease was mainly due to the share in lower net income of BOC resulting from increase in personnel expenses, taxes, trading and security losses and impact of PFRS 9, Financial Instruments.

Finance income increased by 34% mainly due to the interest earned from placements.

The Group earned P443 million from the deconsolidation of LHI, a wholly owned subsidiary of SMPI. The Group recognized a gain of P47 million from a similar transaction in 2017.

Miscellaneous income (charges) increased to P41 million income from P24 million charges mainly due to impairment loss of investment and provision for doubtful accounts recognized in 2017 amounting to P58 million.

Tax expense of P237 million turned into a tax benefit of P5 million mainly due to the net operating loss carry over utilization (NOLCO) and income tax on the institutional sale to a related party in 2017.

2017 vs. 2016

The Group ended 2017 with P393 million net profit attributable to the owners of the parent company which is higher by P175 million as compared with 2016. This was mainly attributable to higher gross profit by P435 million driven by the institutional sale with P310 million gross profit, reduced by the increase in tax expense from P72 million to P237 million mainly due to the increase in booked sales for Dover Hill project amounting to P667 million, derecognition of deferred tax asset on Makati Diamond Residences' (MDR) NOLCO and customer deposits due to the increase in collection and sales booking.

Real estate sales increased from P680 million to P1.3 billion in 2017, mainly due to higher revenue recognition of Dover Hill project amounting to P667 million. Hotel revenue increased from P688 million to P748 million mainly due to the increase in average room rate and occupancy rate from 61.2% to 64.3% in 2017. Service income increased by P8 million in 2017 mainly due to the services rendered to a related party during the year.

Cost of sales and services increased from P1.02 billion to P1.26 billion mainly due to the increase in revenue of the Group's various projects.

The Group's operating expenses increased by 17% mainly due to the recognition of provision for advances to suppliers, additional manpower, increase in real property taxes and business taxes and depreciation charges due to fully depreciated assets.

Share in net earnings of associates increased by P18 million as against 2016 mainly due to the higher net income earned by BOC.

The Group recognized a gain of P47 million for the sale of the Group's certain investments in wholly owned subsidiaries namely Estima and El Vertice.

Finance income declined from P60 million to P46 million mainly due to the decrease in finance income on long term receivable due to collection.

Miscellaneous income (charges) decreased from P18 million income to P24 million charges mainly due to recognition of impairment loss on investment and provision for doubtful account amounting to P58 million for 2017.

The Group recognized tax expense of P237 million, higher by P165 million mainly due to the derecognition of deferred tax asset on MDR's NOLCO and customer deposits due to the increase in collection and sales booking.

Net loss attributable to non-controlling interest (NCI) increased to P5 million mainly due to the increase in the net loss of certain subsidiaries.

__2016 vs. 2015__

The Group ended 2016 with P218 million net profit attributable to the owners of the parent company, lower by P55 million as compared with 2015, mainly attributable to the gain on rescission of donation amounting to P495 million recognized in 2015, reduced by the increase in profit of associates amounting to P238 million and increase in gross profit amounting to P114 million during 2016.

Real estate sales increased from P484 million to P680 million in 2016, mainly due to the recognition of sales for Dover Hill amounting to P365 million. Revenue from the Group's hotel business (i.e. room revenues, sale of food and beverages, and others) reached P688 million which accounts for 40% of the total revenue. The increase was due to the full-year operations as compared with 2015's nine-month operations of MDR.

Cost of rentals, hotel operations and real estate sold rose from P535 million to P1 billion mainly due to the increase in the cost incurred in relation to MDR's full operations and recognition of cost related to sale of Dover Hill units in 2016 amounting to P185 million and P241 million, respectively.

The Group's operating expenses slightly increased by 4% due to increase in real property taxes paid for the 2016, payment of filing fees and documentary stamp taxes relating to the increase in authorized capital stock of E-fare amounting to around P14 million.

Finance cost decreased from P341 million to P308 million mainly due to the settlement of the outstanding loans of the Group amounting to P4 billion.

Share in net earnings of associates increased by P238 million in 2016 as against 2015 mainly due to the higher net income earned by BOC.

Finance income increased by P43 million due to the higher short-term placements resulting from the increase in collection of interest on in-house receivables and funds received from SMC in its subscription of capital stock.

Miscellaneous income increased from P5 million to P27 million mainly due to income from forfeitures of initial payments related to backout sales in 2016.

The Group recognized tax expense of P72 million, lower by P29 million compared to 2015 mainly because of the NOLCO utilized in 2016.

Net loss attributable to NCI decreased to P0.4 million mainly due to higher income earned by certain subsidiaries.

IV. FINANCIAL POSITION

2018 vs. 2017

Cash and cash equivalents decreased from P1.2 billion to P797 million or 36% this year mainly due to payment to contractors for the project in Western Visayas, and payment for the acquisition of new subsidiaries and various properties during the year.

Receivables decreased by 27% mainly due to the collection of advances to former subsidiaries and collection of receivables, reduced by the advances to contractors for the project in Western Visayas.

Real estate projects decreased from P2.0 billion to P1.9 billion this year mainly due to the units sold for Dover Hill and General Trias (GenTri) projects.

Other assets increased from P1.2 billion to P800 million mainly due to the unamortized real property and business taxes, unapplied tax certificates, increase in input value-added taxes due to the structural works in Western Visayas and acquisition of various properties, and recognition of contract asset in compliance with PFRS 15.

Deposits on land for future development decreased from P1.9 billion to P1.8 billion mainly due to the reclassification of deposits for properties acquisitions in Central Luzon, Western Visayas and Metro Manila to investment property.

Investment property increased from P5.4 billion to P8.0 billion mainly due to the acquisition of properties in Central Luzon, Western Visayas and Metro Manila and additional construction works for a property in Metro Manila.

Property and equipment increased from P4.2 billion to 4.7 billion this year mainly due to the structural works in Western Visayas.

Deferred tax asset increased from P12 million to P28 million mainly due to the increase in NOLCO of certain subsidiaries.

Loans and borrowings increased by 18% mainly due to the availment of loans for the acquisition of various properties.

Trade and other payables decreased by 40% mainly due to the settlement of payable relating to acquisition of a new subsidiary and payment for the structural works in Western Visayas.

Income tax payable decreased to P1 million due to settlement of income tax for a certain subsidiary.

Accounts payable increased by 50% mainly due to the amortization of PAS17 for the lease of property in Metro Manila.

Deferred tax liabilities decreased by 17% mainly due to the NOLCO utilization and minimum corporate income tax recognition in 2017 and decrease in deferred gross profit due to collection during the year.

Retirement benefit liability decreased by 34% mainly due to the payment of contribution amounting to P30 million, reduced by recognition of retirement cost P18 million.

Capital stock and additional paid-in capital increased by P1.24 billion due to the additional subscription of SMC.

Accumulated fair value losses decreased by 69% mainly due to the share in the unrealized loss recognized on BOC's available-for-sale financial assets.

Cumulative translation adjustment increased by 121% due to the share in translation adjustments recognized by BOC resulting from fluctuations in foreign exchange rates.

Reserve for retirement plan decreased by 23% mainly due to the lower share in other comprehensive income of BOC.

2017 vs. 2016

Cash and cash equivalents increased to P1.2 billion from P575 million in 2016 mainly due to the proceeds from sale of the Group's certain investments in wholly owned subsidiaries namely Estima and El Vertice, capital infusion via subscription of SMC and collection of receivable from sale of various projects.

Receivables increased from P1.1 billion to P1.6 billion mainly due to the reclassification to receivable of the advances of SMPI to recently sold subsidiaries and the reversal of receivables related to back out sales for 2017.

Real estate projects decreased from P2.4 billion to P2.0 billion mainly because of the booking of revenue for Dover Hill and GenTri Projects.

Deposit on land for future development increased from P1.8 billion to P1.9 billion mainly due to the advances for the acquisition of properties for future land development.

Investment property increased by 7% mainly due to the acquisition of properties in Makati, Bataan, Quezon City and Negros, reduced by the deconsolidation of properties in Makati resulting from the sale of subsidiaries.

Decrease in deferred tax asset by 83% was mainly due to NOLCO utilization and derecognition of deferred tax asset of MDR.

Trade and other payables increased by 32% mainly because of the recognition of payable for the acquisition of a new wholly owned subsidiary, reduced by the settlement of liabilities for the purchase of the additional shares of a certain subsidiary amounting to P15 million.

Due to related parties decreased by 45% due to the payment of payable to a related party.

Advance rental and deposit increased by 6% due to the advance rental and deposit of new lessees.

Customers' deposit decreased by 59% mainly due to the recognition of Dover Hill sales resulting to the transfer of reservation fees collected from buyers to receivable.

Income tax payable increased to P2 million due to higher taxable income of the Group's operating subsidiaries.

Retirement benefit liability increased by P7 million mainly due to recognition of retirement expense of P16 million reduced by the Group's contribution amounting to P9 million.

Deferred tax liability increased to P103 million from P52 million in 2016 mainly due to the recognition of future taxable income arising from deferred gross profit on real estate sold.

Capital stock and additional paid-in capital increased by P0.5 million due to the additional subscription of SMC.

Accumulated fair value losses increased by 10% due to the share in the unrealized loss recognized on BOC's available-for-sale financial assets.

Cumulative translation adjustment decreased by 34% due to the share in translation adjustments recognized by BOC resulting from fluctuations in foreign exchange rates.

Movement in NCI was mainly due to net loss of Excel Unified Land Resources Corp. during 2017 (net income position in 2016).

2016 vs. 2015

Cash and cash equivalents increased to P575 million from P345 million in 2015 due to the higher short-term placements resulting from the funds received from SMC on the subscription of capital stock reduced by the settlement of advances and loans and payment for acquisitions in 2016.

Receivable decreased to P1.06 billion from P1.28 billion due to the improvement in collection and the reversal of receivables related to back out sales for 2016.

Real estate projects increased to P2.4 billion from P2.2 billion mainly because of the increase in development cost of the Group's Dover Hill, Emerald 88 and GenTri Projects.

Deposits on land for future development increased by 20% mainly due to the advances made for the acquisition of prime properties for future land development.

Investment property increased to P5.1 billion from P2.8 billion mainly due to the acquisition of properties in Mandaluyong and Central Luzon for future land development.

Other assets decreased by 5%, mainly due to the reclassification of initial payments made for the purchase of interest in a joint arrangement and the acquisition of a certain property for the development of a certain project in Western Visayas to Investment Property and Intangible Assets. Such reclassification resulted to the increase in intangible asset from P17 million to P179 million.

Deferred tax asset decreased by 32% compared to 2015 mainly due to the usage of NOLCO.

Interest-bearing loans and borrowings decreased from P12.2 billion to P8.6 billion was mainly due to settlement of loans amounting to P4.3 billion in 2016.

Trade and other payables increased by 40% because of the recognition of liabilities for the outstanding balance related to the acquisition of land in Central Luzon and Mandaluyong, outstanding payable for the purchase of the additional shares of a certain subsidiary amounting to P116 million and accrual of construction cost amounting to P54 million.

The increase brought about by the collection of the down payments for our GenTri and Dover Hill projects resulted to the 6% increase in customers' deposit.

Due to related parties decreased by 97% mainly due to settlement of advances from SMC.

Income tax payable decreased to P0.5 million mainly due to the lower taxable income for the period.

Upon subscription of SMC of additional shares of the Company, deposit for future stock subscription amounting to P692 million was reclassified to equity in the first quarter of 2017.

Retirement benefit liability increased by P3 million or 14% due to the recognition of retirement expense of P7 million reduced by the Group's contribution of P4 million.

Deferred tax liabilities increased to P52 million from P44 million in 2015 mainly due to the recognition of future taxable amount arising from deferred gross profit on real estate sold.

Capital stock and additional paid-in capital increased by P9 billion due to the additional subscription of SMC.

Other reserves increased due to the excess of the total consideration and the acquired NCI of a certain subsidiary amounting to P182 million which was paid in 2017.

Movement in NCI was mainly due to the impact of the increase in SMPI's ownership of Integrated Geosolutions, Inc. from 51% to 68.3%.

V. EQUITY

The increase in equity attributable to owners of the parent company for the years 2018 and 2017 are due to:

(In thousands)	December 31	
	2018	2017
Capital stock	P 625,000	P 279,850
Additional paid-in capital	618,750	278,451
Adjustments due to the adoption of PFRS 15	69,602	-
Adjustments to share in profit of an associate	(146,732)	-
Net profit for the year	293,535	392,833
Accumulated fair value gains (losses)	(51,133)	(26,260)
Reserve for retirement	24,047	(8,901)
Other reserves	(10,216)	-
Cumulative translation adjustment	8,594	3,646
	P 1,431,447	P 919,619

VI. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below:

(In thousands)	December 31		
	2018	2017	2016
Net cash from (used in) operating activities	(P 252,371)	P 478,366	P 594,638
Net cash used in investing activities	(2,597,629)	(280,277)	(2,677,881)
Net cash from financing activities	2,401,637	472,439	2,313,168

Net cash from operations basically consists of income for the period less changes in noncash current assets, certain current liabilities and others.

Net cash used in investing activities includes the following:

(In thousands)	December 31		
	2018	2017	2016
Additions to investment property	(P 1,931,725)	(P 333,923)	(P 919,139)
Acquisitions of property and equipment	(717,399)	(100,157)	(179,783)
Interest received	35,039	35,505	11,268
Dividends received	10,083	6,256	7,134
Repayments of equity advances	5,805	129,748	-
Proceeds from disposal of property and equipment	5,026	-	-
Additions to equity advances	(3,861)	(16,052)	(2,920)
Acquisition of intangible assets	(597)	(1,604)	(89,783)
Acquisition of a subsidiary	-	-	(1,213,958)
Acquisition of NCI	-	-	(290,700)
Net cash used in investing activities	(P 2,597,629)	(P 280,227)	(P 2,677,881)

Net cash used in financing activities includes the following:

(In thousands)	December 31		
	2018	2017	2016
Net proceeds from (repayments of) borrowings	P 1,553,634	P 207,481	(P 3,610,218)
Proceeds from issuance of stock	1,250,000	559,700	8,308,043
Receipts (payments) of due to related parties	3,433	(24,228)	(2,035,495)
Interest paid	(399,180)	(269,115)	(334,418)
Share issuance costs paid	(6,250)	(1,399)	(50,215)
Increase in NCI	-	-	35,471
Net cash from financing activities	P 2,401,627	P 472,439	P 2,313,168

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

(In thousands)	December 31	
	2018	2017
Accumulated equity in net earnings of subsidiaries and associates	**P 4,500,000**	P 4,500,000
Treasury shares (included in the unappropriated retained earnings balance)	**(9,515)**	(9,515)
Accumulated share in profit of associates	**1,680,570**	1,790,986

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurement based on the financial data of the current periods against the same period of previous year. Please refer to Item III - Financial Performance of the MD&A for the discussion of the computed Key Performance Indicators.

	For the Years Ended December 31	
Key Performance Indicators	2018	2017
Current Ratio	**0.60 : 1.00**	0.74 : 1.00
Total Assets to Equity Ratio	**1.56 : 1.00**	1.56 : 1.00
Debt to Equity Ratio	**0.57 : 1.00**	0.56 : 1.00
Return on Average Equity Attributable to Owners of the Parent Company	**1.46%**	2.00%
	For the Years Ended December 31	
	2018	2017
Volume Growth		
Lease	**11.12%**	29.17%
Real Estate Sales	**(28.73%)**	19.39%
Hotel	**24.15%**	2.89%
Revenue Growth	**(20.72%)**	39.47%
Operating Margin	**8.32%**	22.81%
Interest Coverage Ratio	**2.19 : 1.00**	3.99 : 1.00

The manner by which the Group calculates the above indicators is as follows:

Key Performance Indicators	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Total Assets to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity + Non-Controlling Interest}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Excluding deferred tax liabilities)}}{\text{Total Equity (Excluding Accumulated Fair Value Loss, CTA, Dilution Loss and Treasury Shares)}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Owners of the Parent Company *}}{\text{Average Equity Attributable to Owners of the Parent Company}}$
Volume Growth	$\left[\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right] - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} - 1\right)$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$
Interest Rate Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense and Other Financing Charges}}$

VII. OTHER MATTERS

a. Events after Reporting Period

No events or transactions have occurred since March 12, 2019 or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Group's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Group.

b. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

i. ***Operating Leases – Group as Lessor***

The Group is a lessor under operating leases covering certain real estate properties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates of 5% to 10%.

The future minimum lease collections receivable under these operating leases as of December 31 are presented below.

		2018		2017
Within one year	P	301,475	P	265,809
After one year but not more than five years		116,438		803,177
After five years but not more than ten years		40,691		69,051
	P	458,604	P	1,138,037

The total rentals from these operating leases amounted to P362,172, P348,013 and P343,346 in 2018, 2017 and 2016, respectively, and presented as Rental Income account in the consolidated statements of comprehensive income.

ii. ***Operating Lease – Group as Lessee***

The Group is a lessee under an operating lease agreement covering a certain parcel of land. The lease has a lease term of 10 years, with renewal options and is not subject to escalation clauses. Rental expense recorded in the Group's books amounted to P24,771, P24,768 and P5,820 in 2018, 2017 and 2016, respectively, and is presented as part of Cost of Rentals account in the consolidated statements of comprehensive income

iii. ***Legal Claims***

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business.

In 2007, a provision amounting to P4.6 million in connection with Excel Unified's pending settlement of a dispute regarding a right of way in Wedge Woods project was recognized. The provision remains outstanding as of the reporting periods and is presented under Trade and Other Payables account in the consolidated statements of financial position. The Group's management, based on the advice of its legal counsels, believes that the recognized provision with regard to its legal case is reasonable and additional liabilities or losses, if any, that may arise from other claims will not have material effect on its consolidated financial statements.

iv. ***Others***

There are other contingencies that arise in the normal course of business that are not recognized in the Group's consolidated financial statements. As of December 31, 2018 and 2017, the Group's management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

c. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Performance.

d. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

e. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

g. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

h. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

i. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

Annex "D"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 3 7 3 3 8

COMPANY NAME

S A N M I G U E L P R O P E R T I E S , I N C .
A N D S U B S I D I A R I E S

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

3F S A N M I G U E L H E A D O F F I C E
C O M P L E X 4 0 S A N M I G U E L A V E N U E
W A C K W A C K M A N D A L U Y O N G C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	632-3000	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
909	2ND WEDNESDAY OF MAY	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MARIA ALMA C. GERONIMO	mgeronimo@sanmiguel.com.ph	632-3000	

CONTACT PERSON's ADDRESS

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.*

SAN MIGUEL
PROPERTIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Ramon S. Ang
Chairman of the Board and President

Karen V. Ramos
General Manager

Maria Alma C. Geronimo
Treasurer

Signed this March 11, 2019

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 03 2019, the following having presented to me their Passport:

	Passport No.	Expiry Date	Place of Issuance
Ramon S. Ang	EC3542718	02/26/20	Manila
Karen V. Ramos	EC8286356	07/14/21	Manila
Maria Alma C. Geronimo	P8644617A	09/05/28	NCR East

Doc. No. 324;
Page No. 64;
Book No. I;
Series of 2019

BIENVENIDO C. ALDE JR.
Appointment No. 0456-19
Notary Public for Mandaluyong City
Until 31 December 2020
Roll No. 41478
PTR No. 3809538/1-4-19/Mandaluyong City
IBP Lifetime No. 605438

P&A
Grant Thornton

An instinct for growth™

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

San Miguel Properties, Inc. and Subsidiaries

December 31, 2018, 2017 and 2016

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

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
San Miguel Properties, Inc. and Subsidiaries
(A Subsidiary of San Miguel Corporation)
3rd Floor, San Miguel Head Office Complex
No. 40 San Miguel Ave., Mandaluyong City

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 12, 2019

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Thousand Philippine Pesos)

APR 1 1 2019

	Notes	2018		2017	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	P	796,982	P	1,245,345
Receivables - net	7		548,925		1,268,981
Real estate projects	8		1,851,875		2,004,653
Raw land inventory	9		2,624,031		2,606,686
Other current assets - net	15		1,218,516		820,038
Total Current Assets			7,040,329		7,945,703
NONCURRENT ASSETS					
Receivables	7		635,449		362,705
Deposits on land for future development	10		1,774,689		1,932,318
Equity advances and investments in associates	11		10,584,355		10,699,851
Investment property - net	12		8,043,492		5,424,142
Property and equipment - net	13		4,736,870		4,210,169
Intangible assets - net	14		166,871		173,087
Deferred tax assets - net	22		28,371		11,674
Other noncurrent assets - net	15		41,073		38,148
Total Noncurrent Assets			26,011,170		22,852,092
TOTAL ASSETS		P	33,051,499	P	30,797,795

	Notes		2018		2017
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Loans and borrowings	16	P	10,357,580	P	8,803,746
Trade and other payables	17		1,036,934		1,740,316
Due to related parties	23		33,357		29,924
Advance rentals and deposits	23		228,622		231,882
Customers' deposits	2		151,744		155,991
Income tax payable			797		1,570
Total Current Liabilities			11,808,814		10,963,429
NONCURRENT LIABILITIES					
Accounts payable	17		11,152		7,425
Retirement benefit liability	21		21,393		32,394
Deferred tax liabilities - net	22		85,512		103,409
Total Noncurrent Liabilities			118,057		143,228
Total Liabilities			11,926,871		11,106,657
EQUITY					
Equity attributable to owners of the Company					
Capital stock	24		6,624,959		5,999,959
Additional paid-in capital	24		6,123,447		5,504,697
Treasury shares - at cost	24	(	9,515)	(	9,515)
Accumulated fair value losses	11, 15	(	93,022)	(	298,252)
Cumulative translation adjustment	11		1,492	(	7,102)
Reserve for retirement plan	11, 21	(	81,864)	(	105,211)
Other reserves	5, 24	(	280,515)	(	270,299)
Retained earnings	24		8,476,329		8,516,287
Total equity attributable to owners of the Company			20,762,011		19,330,564
Noncontrolling interest			362,617		360,574
Total Equity			21,124,628		19,691,138
TOTAL LIABILITIES AND EQUITY		P	33,051,499	P	30,797,795

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Thousand Philippine Pesos, Except Per Share Data)

	Note	2018	2017	2016
REVENUES	4			
Real estate sales	19	P 629,289	P 1,285,675	P 680,439
Rental income	20, 26	362,172	348,015	343,346
Room revenues	23	667,437	562,166	501,470
Sale of food and beverages	23	193,384	166,131	163,278
Service income	23	20,390	12,161	4,074
Others		24,950	19,520	23,616
		1,897,622	2,393,675	1,716,223
COSTS OF SALES AND SERVICES	18, 19			
Real estate sold		432,430	674,183	435,096
Room services		360,442	320,611	328,659
Food and beverages sold		167,496	188,302	167,283
Rentals		79,858	77,603	86,955
		1,040,219	1,260,389	1,017,990
GROSS PROFIT		857,403	1,133,286	698,233
OTHER OPERATING EXPENSES	19	699,444	587,224	487,924
OPERATING PROFIT		157,959	546,062	210,309
OTHER INCOME (CHARGES)				
Finance costs	20	(479,628)	(317,201)	(308,477)
Gain on deconsolidation of investments	5	443,148	46,730	-
Finance income	20	61,240	45,368	60,481
Share in profit of associates	11	58,465	326,318	309,278
Miscellaneous income (charges) - net	2, 7, 8, 11, 20	41,264	(23,977)	18,084
		124,487	78,298	79,368
PROFIT BEFORE TAX		282,446	624,360	289,667
TAX EXPENSE (BENEFIT)	22	(5,315)	237,232	72,359
NET PROFIT		287,761	387,128	217,308
Balance carried forward		P 287,761	P 387,128	P 217,308

	Notes	2018	2017	2016
Balance brought forward		P 287,361	P 387,128	P 217,308
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Share in other comprehensive income (loss) of associates	11	32,916	(4,997)	26,938
Remeasurements of retirement benefit liability	21	(12,098)	(5,578)	(5,058)
Tax benefit	22	3,629	1,674	1,517
		(8,469)	(3,904)	(3,541)
Fair value gains on financial assets at fair value through other comprehensive income (FVOCI)	10			
Fair value gains on financial assets at FVOCI		2,925	-	-
Tax expense	22	(878)	-	-
		2,047	-	-
		26,494	(8,901)	23,397
Items that will be reclassified subsequently to profit or loss				
Share in other comprehensive loss of an associate	11	(44,586)	(23,244)	(71,381)
Fair value gains (losses) on available-for-sale (AFS) financial assets	10			
Losses during the year		-	-	(50)
Fair value gains on AFS securities		-	900	11,058
Tax expense	22	-	(270)	-
		-	630	11,008
		(44,586)	(22,614)	(60,373)
		(18,092)	(31,515)	(36,976)
TOTAL COMPREHENSIVE INCOME		P 269,269	P 355,613	P 180,332
Net profit attributable to:				
Equity holders of the Company		P 293,135	P 392,833	P 217,695
Noncontrolling interest		(5,774)	(5,705)	(387)
		P 287,361	P 387,128	P 217,308
Total comprehensive income (loss) attributable to:				
Equity holders of the Company		P 275,043	P 361,318	P 180,719
Noncontrolling interest		(5,774)	(5,705)	(387)
		P 269,269	P 355,613	P 180,332
Earnings Per Share - Basic and Diluted	25	P 0.48	P 0.67	P 0.44

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, [illegible]
(Amounts in Thousand Philippine Peso)

	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Accumulated Fair Value Gains (Losses)	Cumulative Translation Adjustments	Reserve for Retirement Plan	Other Reserves	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Adjustments due to the adoption of [illegible]				[illegible]					[illegible]	[illegible]	[illegible]	[illegible]
Adjustments … as restated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transactions with owners												
Issuance of shares of stock	[illegible]	[illegible]					[illegible]			[illegible]		[illegible]
Acquisition of non-controlling interest	[illegible]	[illegible]					[illegible]			[illegible]		[illegible]
Total comprehensive income (loss) for the year				[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balance at January 1, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transactions with owners												
Issuance of shares of stock	[illegible]	[illegible]								[illegible]		[illegible]
Reversal of appropriation during the year								[illegible]	[illegible]			
Appropriation during the year								[illegible]	[illegible]			
Total comprehensive income (loss) for the year				[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balance at January 1, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transactions with owners												
Issuance of shares of stock	[illegible]	[illegible]					[illegible]			[illegible]	[illegible]	[illegible]
Acquisition of non-controlling interest												
Additional investments											[illegible]	[illegible]
of non-controlling interest	[illegible]	[illegible]					[illegible]			[illegible]	[illegible]	[illegible]
Total comprehensive income (loss) for the year				[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Thousand Philippine Pesos)

	Note	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 282,446	P 634,360	P 289,667
Adjustments for:				
Gain on deconsolidation	5	(443,140)	(46,790)	-
Interest expense	20	406,221	273,231	290,981
Depreciation and amortization	15	190,831	193,092	208,774
Interest income	20	(63,200)	(45,768)	(60,481)
Share in profit of associates	11	(58,469)	(326,918)	(308,230)
Impairment loss on receivables	7	51,361	43,957	-
Fair value losses - net	7, 26	16,933	18,936	4,235
Impairment loss on equity advances	11	3,436	76,316	-
Reversal of impairment loss on receivables	7	-	(27,289)	-
Operating profit before working capital changes		397,067	783,151	425,810
Decrease (increase) in receivables		340,916	(606,201)	277,179
Decrease (increase) in real estate projects		57,344	403,077	(25,915)
Increase in raw land inventory		(17,345)	(75,120)	(119,697)
Increase in other assets		(408,108)	(4,780)	(52,498)
Decrease (increase) in deposits on land for future development		157,629	(115,505)	(301,514)
Increase (decrease) in trade and other payables		(705,660)	415,968	381,066
Increase (decrease) in advance rentals and deposits		(3,260)	13,733	2,285
Increase (decrease) in customers' deposits		(4,247)	(232,601)	25,415
Decrease in retirement benefit liability		(24,147)	(373)	(2,888)
Cash generated from (used in) operations		(210,715)	595,368	616,147
Interest received		26,203	10,262	8,475
Cash paid for income taxes		(67,859)	(127,264)	(25,984)
Net Cash From (Used in) Operating Activities		(252,371)	478,366	594,638
Balance brought forward		(P 252,371)	P 478,366	P 594,638

	Notes	2018	2017	2016
Balance carried forward		(P 282,371)	P 478,366	P 594,638
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to investment property	12	(1,931,728)	(323,923)	(919,139)
Acquisitions of property and equipment	13	(727,388)	(100,157)	(179,283)
Interest received		36,039	35,505	11,288
Dividends received	11	30,883	6,256	7,134
Repayments of equity advances	11	5,805	120,748	-
Proceeds from disposal of property and equipment	13	5,026	-	-
Additional equity advances	11	(3,863)	(16,852)	(2,920)
Acquisition of intangible assets	14	(997)	(1,804)	(83,783)
Acquisition of a subsidiary, net of cash received from newly-acquired subsidiary amounting to P261,232		-	-	(1,213,958)
Acquisition of noncontrolling interest in a subsidiary	24	-	-	(290,702)
Net Cash Used in Investing Activities		(2,597,629)	(280,227)	(2,677,881)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (repayments of) borrowings	20	1,553,634	207,481	(3,610,218)
Proceeds from issuance of shares of stock	24	1,258,080	559,700	8,308,043
Interest paid	20	(399,380)	(369,115)	(334,418)
Share issuance costs paid	24	(6,258)	(1,399)	(50,215)
Receipts (payments) of advances from related parties		3,435	(24,228)	(2,035,485)
Increase in noncontrolling interest	5	-	-	35,471
Net Cash From Financing Activities		2,431,637	472,439	2,313,168
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(448,363)	670,578	229,925
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,245,345	574,767	344,842
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 796,982	P 1,245,345	P 574,767

Supplemental Information on Noncash Activities is disclosed in Note 35.

See Notes to Consolidated Financial Statements.

(Amounts in Thousand Philippine Pesos, Except Per Share Data and Number of Shares)

1. CORPORATE INFORMATION

San Miguel Properties, Inc. (SMPI or the Company) was incorporated in the Philippines on December 18, 1990 and is 99.84% owned by San Miguel Corporation (SMC or the Intermediate Parent Company). The Company is a public domestic company whose shares of stock were listed in the Philippine Stock Exchange (PSE) until May 6, 2013, when it voluntarily delisted from the PSE. SMC, on the other hand, is a publicly listed domestic company and, through its subsidiaries and associates, is presently engaged in different lines of business including, but not limited to, production, processing and marketing of beverage, food and packaging products, energy, mining, fuel and oil, infrastructure, and management and development of real estate properties. Top Frontier Investment Holdings, Inc. (TFHI), a publicly listed domestic company, is the ultimate parent company.

The Company was incorporated to acquire by purchase, lease, donation and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold investments in real estate of all kinds, and to improve, manage or otherwise deal with or dispose of buildings, houses, apartments and other structure of whatever kind.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to hereafter as the Group). As of December 31, 2018 and 2017, the Company holds interests in the following subsidiaries and associates, which were all incorporated in the Philippines:

Company Name	Explanatory Notes	Percentage of Ownership	
		2018	2017
Subsidiaries*:			
512 Acacia Holdings Corp. (Acacia)		100%	100%
Bright Ventures Realty, Inc. (Bright Ventures)		100%	100%
Carnell Realty, Inc. (Carnell)		100%	100%
E-Fare Investment Holdings, Inc. (E-Fare)		100%	100%
Excel Unified Land Resources Corporation (Excel Unified)		51.50%	51.50%
Integrated Geosolutions, Inc. (Geosolutions)	(a)	68.30%	68.30%
La Belle Plume Realty, Inc. (La Belle)		100%	100%
La Verduras Realty Corporation (La Verduras)		100%	100%
Lanes & Bi-ways Realty Corporation (Lanes)		100%	100%
Legacy Homes, Inc. (Legacy)	(d)	-	100%
Maison 17 Properties, Inc. (Maison)	(c)	100%	100%
Malay-Nabas Realty Development, Inc. (Malay-Nabas)	(a)	100%	100%
Moonspring Development, Inc. (Moonspring)	(a)	100%	100%
Newscapes Haven Development, Inc. (Newscapes)	(a)	100%	100%
Picasso Du Alta Realty Corp. (Picasso)	(a)	100%	100%
Premista Realty Inc. (Premista)	(a)	100%	100%
Quick Silver Development Corp. (Quick Silver)	(a)	100%	100%
Rapidshare Realty Development Corporation (Rapidshare)	(a)	100%	100%

Company Name	Explanatory Notes	Percentage of Ownership 2018	2017
Subsidiaries*:			
Silang Resources, Inc. (Silang)	(a)	100%	100%
Sta. Cruz Resource Management, Inc. (Sta. Cruz)		100%	100%
SMPI Makati Flagship Realty Corp. (SMPI Flagship)	(c)	100%	100%
Tanauan Resources, Inc. (Tanauan)		100%	100%
Uno Charity Investment Holdings, Inc. (Uno)		100%	100%
Zee2 Resources, Inc. (Zee2 Resources)	(b)	100%	-
Associates:			
Bank of Commerce (BOC)		39.93%	39.93%
Northpine Land, Inc. (NLI)		20%	20%

* Other subsidiaries not included in the list pertain to non-operating subsidiaries and subsidiaries with no significant assets as of December 31, 2018 and 2017. All of those subsidiaries are wholly owned by SMPI.

Notes:

(a) These subsidiaries were acquired or incorporated in prior years and have not yet started commercial operations as of December 31, 2018.
(b) Zee2 Resources was acquired in 2018 and has not yet started commercial operations as of December 31, 2018.
(c) Maison is an indirect subsidiary of the Company through SMPI Flagship.
(d) In 2018, the Company sold its 100% ownership interest on Legacy to a third party (see Note 5.2).

As at December 31, 2018 and 2017, the Group's primary real estate projects are the following:

Project	Location
Makati Diamond Residences (MDR)	Makati City
Asian Leaf	General Trias, Cavite
Bel Aldea	General Trias, Cavite
Maravilla	General Trias, Cavite
Wedgewoods	Silang, Cavite
Villa de Calamba	Calamba, Laguna
Buenavista Homes	Consolacion, Cebu
Primavera Hills	Liloan, Cebu
Dover Hill	San Juan City
One Dover View	Mandaluyong City
Two Dover View	Mandaluyong City
Emerald 88	Pasig City

The subsidiaries and associates of the Company as of December 31 2018 and 2017 were also incorporated to engage in the development, sale and lease of real estate properties, except for the following:

Name of Subsidiary or Associate	Primary Purpose
BOC	Commercial banking services
Sta. Cruz	Business support services
Silang	Trading of goods, such as food and beverage, on wholesale and retail basis
SMPI Flagship	Development, management and administration of condominiums, hotels, condominium hotels, serviced apartments, residential or buildings, and other horizontal and vertical developments

The registered office of the Company and SMC, which is also their principal place of business, is located at the 3rd Floor, San Miguel Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City. The registered office of TPHI, which is also its principal place of business, is located at 5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City.

The place of incorporation and the place of operations of the subsidiaries are similar with that of the Company, except for the following associates and subsidiaries that have different registered offices:

Name of Subsidiary or Associate	Registered Address
BOC	San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City
E-Fare	Suite 2404 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
La Belle	Sitio Mampusa, Brgy. Union, Nabas, Aklan
Caticlanscapes Realty Development, Inc., Malay-Nabas, Moonspring, Newscapes	Brgy. Union, Nabas, Aklan
Maison	Ground Floor P&L Building 116 Legaspi Street, Legaspi Village, Makati City
SMPI Flagship	118 Legaspi St., Legaspi Village, Makati City
NLI	15th Floor, The Taipan Place, F. Ortigas, Jr. Rd, Ortigas Center, Pasig City

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016) were authorized for issue by the Company's Board of Directors (BOD) on March 12, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

In applying the equity method on the Company's investment in BOC, adjustments to BOC's audited financial statements were made to conform its accounting policies to that of the Group's accounting policies in accordance with PFRS (see Note 2.3).

(b) Presentation of Consolidated Financial Statements

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

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

In 2018, the Group adopted PFRS 9, *Financial Instruments*, which were applied using the transitional relief allowed by the standard. This allows the Group not to restate its prior periods' financial statements.

The adoption of PFRS 9 has no significant impact in relation to the classification and measurement of the Group's financial assets which only pertain to Cash and Cash Equivalents and Receivables (except Advances to contractors) which are accounted for at amortized cost. Also, no impairment loss on contract receivables was recognized as a result of the adoption of PFRS 9 since contract receivables generally do not have any loss given default considering that the Group can repossess the sold property in the event of default and resell it at a higher amount than the outstanding balance of the defaulting buyer. On the other hand, BOC's adoption of PFRS 9 has resulted to a decrease of the Group's beginning Retained Earnings as of January 1, 2018 amounting to P146,732 with respect to the Group's net share in profit of its associate.

Also, the adoption of PFRS 15 has resulted in changes in the Group's accounting policies on recognition of revenue on sale of residential properties under pre-completion stage and accounting for cancellation of real estate sales.

Further, relative to the Group's adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of the following Philippine Interpretations Committee (PIC) Question & Answer (Q&A) affecting the real estate industry. These resulted to adjustments recognized in the Retained Earnings as of January 1, 2018:

- PIC Q&A No. 2018-11, *Classification of Land by Real Estate Developer*, requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards;

- PIC Q&A 2018-14, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*, provides guidance on the appropriate accounting treatment for cancellation of real estate sales; and,

- PIC Q&A No. 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*, clarifies how the advances to contractors should be classified in the consolidated statement of financial position.

The Group has adopted PFRS 15 using the modified retrospective method. Under this method, the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application without restating its comparative period. The Group's transition to PFRS 15 has resulted to an increase amounting to P69,602 in the Retained Earnings as of January 1, 2018.

It has made the following adjustments to its beginning retained earnings and related accounts:

- reclassified portion of Contract receivables relating to rights to payment which are conditioned upon the completion of units sold to Contract Assets, presented as part of Other Current Assets account;

- restated the balances of Real Estate Projects and beginning Retained Earnings to reflect the appropriate revenue recognition policy and accounting treatment for cancellation of real estate sales;

- capitalized commissions directly related to contract acquisitions, previously charged under Other Operating Expenses in the consolidated statement of comprehensive income, as part of Other Current Assets account in the consolidated statement of financial position;

- presented the amortization of capitalized commission as part of Miscellaneous under Other Operating Expenses in the consolidated statement of comprehensive income;

- restated Deferred Tax Assets and Deferred Tax Liabilities to account for the temporary differences on the related adjustments made.

The following tables summarize the impact of adopting PFRS 15 in the Group's consolidated financial statements as of and for the year ended December 31, 2018.

	Consolidated Statement of Financial Position		
	As Reported	Adjustments	Amounts Without Adoption of PFRS 15
ASSETS			
Current Assets			
Receivables – net	P 548,925	(P 4,949)	P 543,976
Real estate projects	1,851,875	(28,462)	1,823,413
Other current assets – net	1,238,518	(83,083)	1,155,435
Total Current Assets	7,040,331	(96,494)	6,943,837
Noncurrent Assets			
Deferred tax assets – net	28,371	257	28,628
Total Noncurrent Assets	26,011,170	257	26,011,427
Total Assets	P 33,051,501	(P 96,237)	P 32,955,264
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	P 1,056,914	(P 4,980)	P 1,051,934
Customers' deposits	151,744	64,666	216,410
Total Current Liabilities	11,808,814	59,686	11,868,500
Noncurrent Liabilities			
Deferred tax liabilities – net	85,512	(29,237)	56,275
Total Noncurrent Liabilities	118,057	(29,237)	88,820
Total Liabilities	11,926,871	30,449	11,957,320
Equity			
Retained earnings	8,476,329	(118,869)	8,357,460
Noncontrolling interest	362,617	(7,817)	354,800
Total Equity	21,124,630	(126,686)	20,997,944
Total Liabilities and Equity	P 33,051,501	(P 96,237)	P 32,955,264

	Consolidated Statement Comprehensive of Income		
	As Reported	Adjustments	Amounts Without Adoption of PFRS 15
Revenues	P 1,897,612	(P 197,699)	P 1,699,913
Cost of sales and services	(1,040,209)	(149,494)	(890,715)
Gross profit	857,403	(48,205)	809,198
Other operating expenses	(699,444)	3,090	(696,354)
Gross profit	157,959	(45,115)	112,844
Other income (charges) – net	124,487	(4,152)	120,335
Profit before tax	282,446	(49,267)	233,179
Tax benefit	5,315	451	5,766
Net profit	P 287,761	(P 48,816)	P 238,945

In addition, total construction cost in 2018 amounting to P128,283 previously presented as part of Land was reclassified to Building and improvements to correct the disclosure pertaining to the reconciliation of the carrying amounts of Investment property. The reclassification only pertains to the disclosure within the Investment Property account and did not result into a restatement of any of the financial statement line item (see Note 12).

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

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

The Company adopted for the first time the following PFRS, amendment and annual improvement to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

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

Discussed below are the relevant information about these standards, amendment and interpretation.

(i) PAS 40 (Amendment), *Investment Property – Reclassification To and From Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no significant impact on the Group's consolidated financial statements.

(ii) PFRS 9, *Financial Instruments*. This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group has adopted PFRS 9 and has not restated the comparative information. The adoption of PFRS 9 has no significant effect on the classification and measurement of financial assets and financial liabilities of the Group.

Based on an assessment of the Group's financial assets and financial liabilities as at December 31, 2018, results of the application of PFRS 9 are as follows:

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows. Receivables are composed of Contract receivables, Rental receivables, Accounts receivables, Due from related parties, Due from current and former related parties and certain other receivables which is held to collect contractual cash flows representing SPPI (see Note 7). These financial assets continue to be measured at amortized cost upon application of PFRS 9.

- Equity securities previously classified as Available-for-sale (AFS) financial assets of the Group are now designated as financial assets at FVOCI. The Company elect to classify irrevocably its equity securities under this category as it intends to hold these investments for the foreseeable future. Changes in fair value are recognized in other comprehensive income, net of any income tax effects.

- Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9, management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

- In applying the ECL methodology of PFRS 9 (2014), the Group used the simplified model of recognizing lifetime expected credit losses.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.5 and 2.14.

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

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

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

- PIC Q&A 2018-12, *PFRS 15 - Implementation Issues Affecting the Real Estate Industry*. This Q&A provides guidance on the application of PFRS 15 to real estate industry.

Relative to the adoption of PFRS 15 and relevant PIC Q&As, the SEC issued the following Memorandum Circulars (MC):

- MC No. 14 series of 2018. This circular allows the deferral of the following concepts from PIC Q&A 2018-12:

  (a) accounting for the significant financing component in a contract to sell

  (b) treatment of land in the determination of percentage of completion

  (c) treatment of uninstalled materials in the determination of percentage of completion

The Group elected to defer the adoption of accounting for the significant financing component in a contract to sell in PIC Q&A 2018-12 in accordance with MC No. 14 series of 2018.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies (see Notes 2.6, 2.17 and 2.18) and adjustments to the amounts recognized in the consolidated financial statements [see Note 2.1(b)]. The Group has applied PFRS 15 retrospectively to all uncompleted contracts as of January 1, 2018 in accordance to the transitional relief allowed by the Standard.

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

- PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification*. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

- PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions*. The amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.

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

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

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

(c) Effective Subsequent to 2018 but not Adopted Early

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

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

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

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

(v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority.

When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vi) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

- PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendements), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. These amendments are still subject to BOA's approval.

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates and Jointly Controlled Operations

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

Acquisition of interest in a business entity which does not constitute a business is accounted for as an acquisition of an asset or asset group. Under the asset purchase accounting, the costs of identifiable assets and liabilities are allocated to individual items based on relative fair values, goodwill or gain on bargain purchase is not recognized and transaction costs are capitalized.

The financial statements of subsidiaries and associates are prepared for the same reporting period as the Group and, except for BOC, using consistent accounting policies.

Certain accounting policies applied by BOC in the preparation of its financial statements are not consistent with the accounting policies applied by the Group. In computing for the Group's share in net profit or loss and in other comprehensive income or loss of BOC, the Company made certain adjustments to the audited financial statements of BOC to be consistent with the Group's accounting policies (see Note 11.1).

The Group accounts for its investments in subsidiaries, associates, and joint venture, and noncontrolling interests as follows:

(a) *Investments in Subsidiaries*

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) *Investment in Associates*

Associates are entities over which the Group is able to exercise significant influence but which are neither subsidiaries nor interests in a jointly controlled operation. Investment in associates are initially recognized at cost and subsequently accounted for using the equity method in the consolidated financial statements.

Acquired investment in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates. Impairment loss is provided when there is an objective evidence that the investment in associates will not be recovered (see Note 2.21).

All subsequent changes to the share in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are reported as Share in Profit of Associates in the profit or loss section of the Group's consolidated statement of comprehensive income.

Changes resulting from other comprehensive income of the associate or items that have been directly recognized in the associate's equity are recognized in the consolidated other comprehensive income of the Group. Any distributions received from the associate (e.g., dividends) are recognized as reduction in the carrying amount of investment in associate. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Group's share in net profit or loss of an associate, unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

(c) Transactions with Noncontrolling Interests (NCI)

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

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

(d) *Interests in Jointly Controlled Operations*

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

The Company holds interest in various subsidiaries and associates as presented in Notes 1 and 11.

2.4 Business Combinations

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired, is recognized as goodwill. Goodwill on acquisitions of subsidiaries is presented under Other Noncurrent Assets – net account in the consolidated statement of financial position. On the other hand, if the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in the profit or loss section of the consolidated statement of comprehensive income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Goodwill is tested annually for impairment (see Note 2.21). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

2.5 Financial Assets

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

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

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

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

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

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

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Receivables (except Advances to contractors).

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

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

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

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

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

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

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

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

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

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

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

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

(i) Loans and Receivables

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables (except Advances to contractors) accounts in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

(ii) AFS Financial Assets

This category includes nonderivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included as part of Other Noncurrent Assets – net account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period.

The Group's AFS financial assets include equity securities and golf club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost. Gains and losses from changes in fair value are recognized in the consolidated other comprehensive income, net of any income tax effects, and are reported as part of the Accumulated Fair Value Gains (Losses) account in the consolidated statement of changes in equity.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value losses recognized in the consolidated other comprehensive income is reclassified from Accumulated Fair Value Gains (Losses) account to Impairment loss on AFS financial assets under Finance Costs and is presented as reclassification adjustment within consolidated other comprehensive income even though the financial asset has not been derecognized.

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

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

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for Receivables (except Advances to contractors), contract assets, and rental receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due (see Note 27.2).

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

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

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

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

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

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

Impairment loss on loans and receivables is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated profit or loss.

(ii) *Carried at Cost – AFS Financial Assets*

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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

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

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

(e) Derecognition of Financial Assets

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

2.6 *Real Estate Projects*

The acquisition costs of properties and other costs and expenses incurred to develop the properties are classified as part of Construction-in-progress (CIP) under the Real Estate Projects account when the development of the property starts. The related property development costs, including related borrowing costs, are then accumulated in this account (see Note 2.23). When the development of the property has been completed, the accumulated costs of the project are transferred as part of Subdivision houses and lots which is also presented under the Real Estate Projects account in the consolidated statement of financial position.

Cost of real estate sold includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and, borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.23). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

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

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

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

2.7 *Raw Land Inventory*

Acquisition costs of raw land intended for sale or development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Raw Land Inventory account in the consolidated statement of financial position. When the development of the property starts, the cost of related raw land inventory is then transferred to CIP under Real Estate Projects account in the consolidated statement of financial position (see Note 2.6).

Advance payments for raw land acquisitions intended for sale or development that are still in process of completing the transfer of title of the property to the Group are charged to Deposits on Land for Future Development account.

Costs of raw land inventory are assigned using specific identification of their individual costs. This inventory is carried at the lower of the acquisition cost of the land and net realizable value. Net realizable value for raw land inventory is the estimated selling price in the ordinary course of business, less the estimated costs to sell. Valuation allowance, if any, is provided when the net realizable value of the property is lower than its carrying amount.

2.8 Inventories

Inventories, presented as part of Other Current Assets – net account, are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion and the estimated costs necessary to make the sale. Net realizable value of raw materials is the current replacement cost.

2.9 Other Assets

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

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

2.10 Investment Property

Properties held for lease under operating lease agreements to earn rental income or for capital appreciation or for both, which comprise mainly of land and buildings and related improvements, are classified as investment property. Buildings and improvements and land improvements are carried at cost, net of accumulated depreciation and amortization and any impairment loss. Land, on the other hand, is carried at cost less any impairment in value.

The cost of investment property comprises the acquisition cost or construction cost and other directly attributable costs for bringing the asset to working condition for its intended use. Expenditures for additions and major improvements are capitalized while expenditures for repairs and maintenance are charged to expense when incurred.

Except for land which is not depreciated, depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	10 – 50 years
Land improvements	5 – 10 years

Capital projects-in-progress under Investment Property pertains to the accumulated costs of putting up assets, additions or improvements. Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation or amortization is recognized based on the estimated useful life of such asset.

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

Fully depreciated and amortized investment property is retained in the accounts until this is no longer in use and no further charge for depreciation and amortization is made in respect of this asset.

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

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

If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use (see Note 2.11).

The carrying amount of investment property is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see Note 2.21).

Policies on rental income and operating expenses from investment property, reported within Revenues and Cost of Rentals, respectively, are described in Note 2.19.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the consolidated statement of comprehensive income in the period of retirement or disposal.

2.11 Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount (which is cost less any impairment losses) is not depreciated.

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

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

Building and improvements	10 – 50 years
Machineries and transportation equipment	5 – 15 years
Furniture, fixtures and other equipment	3 – 5 years

Capital projects-in-progress under Property and Equipment pertains to the accumulated costs of putting up assets, additions or improvements. Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset become available for use, the accumulated cost is transferred to the appropriate property and equipment account, and depreciation is recognized based on the estimated useful life of such asset.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

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

2.12 Noncurrent Assets Classified as Held for Sale

Noncurrent assets classified as held for sale pertain to assets to which the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group"s control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Noncurrent asset held for sale is measured at the lower of their carrying amount, immediately prior to their classification as held for sale, or their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent writedown of the asset at fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation and amortization.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale asset is recognized in profit or loss and included in the consolidated statement of comprehensive income.

2.13 Intangible Assets

Intangible assets, except goodwill, pertain to software licenses, software development costs and land use rights, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from three to five years) as the lives of these intangible assets are considered finite. For land use rights, amortization commences once the development of the project to which the land use rights relate has been started, over the estimated length of development of six years. In addition, intangible assets are subject to impairment testing as described in Note 2.21.

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 recognized as expense in consolidated profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs, if any.

The costs of internally generated software developments are recognized as intangible assets; they are subject to the same subsequent measurement method as externally acquired software licenses. Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing in Note 2.21. When the asset has been completed or becomes available for use, the accumulated cost is transferred to the appropriate intangible asset account and amortization is recognized based on the estimated useful life of the asset.

When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment loss are removed from the accounts. Any resulting gain or loss on derecognition is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

2.14 Financial Liabilities

Financial liabilities, which include Loans and Borrowings, Trade and Other Payables (excluding provisions and tax-related liabilities), Due to Related Parties, and Rental deposits (presented as part of Advance Rentals and Deposits account), are measured at amortized cost using effective interest rate method. Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense in profit or loss as part of Finance costs under Other Income (Charges) – net account in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are charged to consolidated statement of comprehensive income on an accrual basis (except for capitalizable borrowing costs which are added as part of the cost of qualifying assets) using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

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

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group's BOD.

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

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

2.15 Offsetting of Financial Instruments

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

2.16 Provisions and Contingencies

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

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

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

2.17 Contract Assets and Contract Liability

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold (see Note 2.18).

Any rights to consideration recognized by the Group as it develops the property are presented as Contract assets under Other Current Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

2.18 Revenue and Cost Recognition

Revenue comprises revenue from sale of real properties, leasing activities, management fees and other services rendered.

To determine whether to recognize revenue from sale of real properties, the Group follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and,
5. Recognizing revenue when/as performance obligations are satisfied.

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

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

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of real estate* – For financial reporting purposes, revenues from real estate sales are recognized over time proportionate to the progress of the project development. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. This method faithfully depicts the transfer of goods or services because in a sale of real property, not all of the benefits are consumed by the customer until the complete satisfaction of the performance obligation. Revenue recognized from real estate sales is presented as part of Revenues in the consolidated statement of comprehensive income.

Revenue, whether completed or ongoing projects, is recognized as revenue when 10% of the total contract price has already been collected. If the transaction does not yet qualify for revenue recognition, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue, payments received from buyers are presented under the Customers' Deposits account in the consolidated statement of financial position.

For tax reporting purposes, revenue on sales and cost of real estate sold are recognized in full when more than 25% of the selling price is collected within the taxable year; otherwise, revenue and cost of real estate sold are recognized based on the percentage of collections over selling price.

(b) *Sale of undeveloped land* – Revenues from transactions covering sale of undeveloped land or raw land are recognized at a point in time. Under this method, the Group recognizes the revenue and cost from sale of undeveloped land in full when 10% or more of the contract price is received.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers' Deposits account under the liabilities section of the consolidated statement of financial position.

For tax reporting purposes, revenue on sales and cost of undeveloped land are recognized in full when more than 25% of the selling price is collected within the taxable year; otherwise, revenue and cost of undeveloped land sold are recognized based on the percentage of collections over selling price.

(c) *Room revenues* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered).

(d) *Sale of food and beverage* – Revenues are recognized at a point in time when services are rendered and upon delivery to and receipt of goods by customer.

(e) *Service income* – Revenue is recognized over time when the contractually agreed tasks have been substantially rendered.

(f) *Others* – These revenues pertain to health and laundry services rendered by the Group. Revenue from these transactions are recognized when services are rendered and upon delivery to the customer.

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.23).

In 2017 and prior periods, revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably.

The costs of real estate sold include the acquisition cost of the land and development costs incurred for the project (see Notes 2.6 and 2.7).

Other costs and expenses are recognized in the consolidated statement of comprehensive income upon receipt of goods, utilization of goods or services or at the date such costs and expenses are incurred. All finance costs are reported in consolidated statement of comprehensive income on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.22).

2.19 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessor*

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

For tax reporting purposes, revenue is recognized based on the rental revenue indicated on the lease contract. Advance rentals and rental deposits are immediately recognized as income and subjected to tax in the year received.

(b) *Group as Lessee*

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

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

2.20 Foreign Currency Transactions and Translation

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

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

2.21 Impairment of Nonfinancial Assets

The Group's investments in associates and equity advances, goodwill (presented as part of Other Noncurrent Assets – net account), deposits on land for future development, investment property, property and equipment, intangible assets and other nonfinancial assets are subject to impairment testing. Except for goodwill which is tested annually for impairment, all other nonfinancial assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Impairment loss is recognized in consolidated profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow.

Impairment loss is charged pro-rata to other assets in the cash-generating unit. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effect of asset enhancements. Discount factors determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset specific factors.

Nonfinancial assets other than goodwill are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.22 Employee Benefits

The Company provides retirement benefits to all permanent employees under a defined benefit retirement plan and other benefits which are recognized as follows:

(a) Defined Benefit Retirement Plan

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

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

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

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

(b) Compensated Absences

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

(c) Termination Benefits

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

(d) Bonus Incentives

The Group recognizes a liability and an expense for bonuses and profit-sharing upon discretionary approval from management, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

2.23 Borrowing Costs

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

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

For tax reporting purposes, capitalized borrowing costs are recognized as expense in the period they are incurred. When the qualifying assets, in which the borrowing costs are capitalized, are subsequently sold or depreciated, the capitalized borrowing costs are added back in the profit before tax for the purpose of computing the taxable income.

2.24 Income Taxes

Tax expense (benefit) recognized in consolidated statement of comprehensive income comprises the sum of deferred tax and current tax expense (benefit) not recognized in the consolidated other comprehensive income or directly in equity, if any.

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

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

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in consolidated other comprehensive income or directly in consolidated equity are recognized in consolidated other comprehensive income or directly in consolidated equity, respectively.

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

2.25 Related Party Transactions and Relationships

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

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

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

2.26 Equity

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

Additional paid-in capital includes premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Accumulated fair value gains (losses) comprise net gains and losses arising from revaluation of financial assets at FVOCI (previously AFS financial assets) measured at fair value.

Cumulative translation adjustment represents the Group's share in the translation adjustment recognized in the other comprehensive income of an associate.

Reserve for retirement plan pertains to current and prior year actuarial gains or losses of the defined benefit retirement plan.

Other reserves include the difference between the costs of acquiring an NCI over the carrying value of the additional Group share in the net assets of subsidiaries. These acquisitions and disposals of part of investment in subsidiaries did not result in gaining or losing of control by the Group.

Retained earnings, both restricted and available for dividend declaration, include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

NCI is the equity in subsidiaries that are not attributable, directly or indirectly, to the Group.

2.27 Earnings Per Share

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

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

Currently, the Company does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.28 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management Committee (ManCom), its chief operating decision maker. The ManCom is responsible for allocating resources and assessing performance of the operating segments. In identifying its operating segments, management generally follows the Group's products and service lines, which represent the main products and services provided by the Group.

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The activities undertaken by the leasing segment includes the leasing of office and commercial spaces (collectively referred to as investment property) to the Intermediate Parent Company, related parties under common control and third parties. Real estate sales segment includes sale of subdivision house and/or lots and raw land inventory while management and other services segment includes the management of properties owned by the Intermediate Parent Company and other services rendered to other related parties which includes project and property management and architectural services. Hotel operations segment, on the other hand, include revenues from room and other services, and sale of food and beverages to customers, in relation to their use of the Group's serviced apartment.

The measurement policies for segment reporting under PFRS 8, *Operating Segment*, are the same as those used in the preparation of the consolidated financial statements, except that, share in net profit of associates, finance costs, finance income, gain on sale of assets, tax benefit or expense and miscellaneous income are not included in arriving at the operating profit of the operating segment. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

Financial information on operating segments is presented in Note 4.

2.29 Events After End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

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

In determining the appropriate method to use in recognizing the Group's revenues, management determines that revenues from sale of subdivision house and lots are recognized over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments. Management fees are recognized over time when the Group transfers control of the services based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. Revenue from sale of undeveloped land and hotel operations recognized at a point in time when the services are rendered and upon delivery to and receipt of title of the property by customer.

(b) Revenue Recognition

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

(c) *Determination of ECL on Receivables and Contract Assets*

The Group uses credit loss rate approach to calculate ECL for Contract receivables and Contract assets. The provision rates are based on historical credit loss with forward-looking information (i.e., forecast of economic condition). Management determined that there is no required ECL to be recognized on the Group's Contract receivables and Contract assets since the legal title related to the land sold will only be transferred once the contract receivable has been paid in full. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient to cover the unpaid outstanding obligations.

Also, the Group uses a provision matrix to calculate ECL for Accounts receivables, Due from related parties and Due from current and former related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

Details about the ECL on the Group's Receivables and Contract asset are disclosed in Note 27.2.

(d) *Fair Value Measurement for Financial Instruments*

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

The carrying value of the Group's financial assets at FVOCI (previously AFS financial assets) and the amounts of fair value changes recognized is disclosed in Note 15.

(e) *Impairment of AFS Financial Assets (2017)*

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

As of December 31, 2017, the fair values of AFS financial assets, presented as part of Other Noncurrent Assets – net in the consolidated statements of financial position, is disclosed in Note 15.2.

(f) Determination of Departmental Cost Allocation

Management in hotel industry uses estimates and judgments in properly allocating the fixed charges and undistributed expenses between the cost of room services, cost of food and beverages and other operating expenses. The Group, being described as labor intensive, allocates a big percentage of their expense to direct cost. However, the amount of costs charged to other departments would differ if the Group utilized a different allocation base. Changes in allocated cost would affect the cost reported for each department.

(g) Distinction Between Investment Property and Owner-occupied Property

The Group determines whether a property qualifies as investment property.

In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the marketing or administrative functions. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(h) Distinction Between Raw Land Inventory and Investment Property

The Group's management identifies the proper classification of parcels of land acquired as either raw land inventory or investment property at the time of acquisition following the approved plan of the Company and the subsidiaries' respective BODs, and at the end of each reporting period. A property is classified as raw land inventory when management intends to develop the property into real estate project, while it is classified as investment property when management intends to hold the property to earn rentals or for capital appreciation or for both.

Parcels of land identified as Raw Land Inventory are disclosed in Note 9 while those identified as Investment Property are presented in Note 12.

(i) Distinction Between Operating and Finance Leases

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

Management has assessed that the lease agreements of the Group are all operating leases.

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recording of provisions and contingencies are discussed in Note 2.16 and disclosures on relevant provisions and contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

Discussed below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Revenue Recognition for Performance Obligations Satisfied Over Time

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

(b) Determination of Percentage of Completion

The Group uses the percentage of completion method in accounting for its construction revenues. The use of the percentage of completion method requires the Group to estimate the stage of completion based on surveys done by the Company's engineers and total costs to be incurred on a per unit basis. If the proportion of the percentage of completed projects or the total estimated costs per project differs from management's estimates, the amount of profit or loss would have changed.

In 2018 and 2017, most of the Group's project are already completed.

(c) Impairment of Receivables (2017)

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

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7.

(d) *Determination of the Amount of Costs Incurred to Obtain or Fulfill a Contract with a Customer*

In determining the amount of costs to obtain a contract that should be capitalized, the Group identifies those costs which would have not been incurred if the contract had not been obtained.

For the costs incurred in fulfilling a contract, the Group recognizes an asset only if: those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Group's resources that will be used in satisfying performance obligation in the future; and the Group expects those costs to be recovered.

(e) *Determination of Net Realizable Value of Real Estate Projects and Raw Land Inventory*

In determining the net realizable value of real estate projects and raw land inventory, management takes into account the most reliable evidence such as recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the Group's assets within the next reporting period.

As indicated in Notes 8 and 9, management assessed that the respective net realizable values of the Group's real estate projects and raw land inventory, respectively, are higher than their respective costs.

(f) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Group's inventories, which include perishable goods and supplies inventory, are affected by certain factors, which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 15 is affected by price changes in different market segments of the food industry.

Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period.

(g) *Fair Value Measurement of Raw Land Inventory and Investment Property*

Raw land inventory is measured at the lower of cost and net realizable value, while the investment property is measured using the cost model. The fair value of raw land inventory and investment property held for capital appreciation or to earn rentals are disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of professional and independent appraisers, existing bid or offer prices and recent sale of adjacent properties. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

The fair value of the Group's raw land inventory and investment property as of December 31, 2018 and 2017 is disclosed in Notes 9 and 12, respectively.

(h) Estimation of Useful Lives of Investment Property, Property and Equipment and Intangible Assets

The Group estimates the useful lives of investment property, property and equipment and intangible assets, except goodwill, based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment as of December 31, 2018 and 2017, there is no change in the estimated useful lives of those assets during those years.

Analyses of the carrying amounts of investment property, property and equipment and intangible assets are presented in Notes 12, 13 and 14, respectively. Actual results, however, may vary due to changes in factors mentioned above.

(i) Valuation of Financial Assets at FVOCI (2017: AFS Financial Assets)

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. The fair value measurements were determined using quoted market price of equity securities as of the end of the reporting period. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated equity.

Fair value gains and losses recognized on financial assets at FVOCI (previously, AFS financial assets) in 2018, 2017 and 2016, are presented under Net Fair Value Gains on financial assets at FVOCI account under the Other Comprehensive Income (Loss) section in the consolidated statements of comprehensive income (see Note 15).

(j) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Management assessed that the deferred tax assets as of December 31, 2018 and 2017 will be fully utilized within the prescribed periods, except for the related benefits of net operating loss carry-over (NOLCO), minimum corporate income tax (MCIT) and other temporary differences of certain subsidiaries, as it is expecting that the Group will generate sufficient taxable profits in the future against which the assets can be applied (see Note 22).

(k) Impairment of Nonfinancial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.21). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

No impairment losses were necessary to be recognized on deposits on land for future development, investment property, property and equipment, intangible assets, goodwill, investments in associates and other nonfinancial assets in 2018, 2017 and 2016, based on management's assessment.

In 2018 and 2017, certain equity advances were provided with allowance for impairment as the management assessed that they were no longer recoverable (see Note 11.2). There were no impairment losses recognized on the related equity advances in 2016.

(l) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates, salary increase rate and employee turnover rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in the next reporting period.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related post-employment defined benefit liability.

Other key assumptions for retirement benefit liability are based in part on current market conditions. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

(m) *Assessment of the Acquisition as Business Combinations and Accounting for Transactions under Acquisition Method*

The Company assesses whether the acquisition of an entity is a business combination or merely an asset acquisition. The Company accounts for the transaction as business combination if it includes the existing business and contracts of the acquired entities.

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

4. SEGMENT INFORMATION

As described in Note 2.28, management currently has four operating segments namely: leasing, sale of real estate, management services and hotel operations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

4.1 Analysis of Segment Information

Segment information can be analyzed below and in the succeeding page for the years ended December 31, 2018, 2017 and 2016.

	Leasing	Sale of Real Estate	Management Services	Hotel Operations	Eliminations	Total
2018						
Segment revenues	P 379,648	P 484,676	P 109,389	P 884,315	(P 130,885)	P 1,697,612
Cost of real estate sold	-	(442,958)	-	-	10,842	(432,410)
Cost of rentals	(70,838)	-	-	-	-	(70,838)
Cost of room services	-	-	-	(383,149)	15,707	(368,442)
Cost of food and beverage sold	-	-	-	(187,496)	-	(187,496)
Other operating expenses	(219,620)	(378,740)	(62,515)	(126,637)	88,281	(698,449)
Segment Operating Profit (Loss)	P 88,172	(P 337,047)	P 45,566	P 186,603	(P 16,440)	P 183,558
Total Segment Assets	P 16,308,138	P 11,043,719	P 104,016	P 4,006,583	(P 3,906,307)	P 28,263,061
Total Segment Liabilities	P 1,387,075	P 2,996,817	P -	P 4,074,786	(P 313,656)	P 11,785,812
2017						
Segment revenues	P 356,330	P 1,215,675	P 60,041	P 748,586	(P 48,957)	P 2,381,675
Cost of real estate sold	-	(674,183)	-	-	-	(674,183)
Cost of rentals	(77,493)	-	-	-	-	(77,493)
Cost of room services	-	-	-	(321,318)	15,707	(305,611)
Cost of food and beverage sold	-	-	-	(186,902)	-	(186,902)
Other operating expenses	(112,651)	(326,926)	(18,500)	(100,856)	45,302	(507,224)
Segment Operating Profit (Loss)	P 174,366	P 214,066	P 41,521	P 135,310	(P 780)	P 565,065
Total Segment Assets	P 7,159,871	P 18,694,424	P 38,240	P 4,214,565	(P 3,295,833)	P 26,863,302
Total Segment Liabilities	P 317,824	P 8,057,546	P -	P 5,228,516	(P 1,582,720)	P 11,373,380

	Leasing	Sale of Real Estate	Management Services	Hotel Operations	Eliminations	Total
2016						
Segment revenues	P 543,041	P 680,439	P 32,087	P 488,809	P (25,030)	P 1,795,223
Cost of real estate sold	-	(431,290)	-	-	-	(431,290)
Cost of rentals	(50,989)	-	-	-	-	(50,989)
Cost of room services	-	-	-	(308,679)	-	(308,679)
Cost of food and beverage sold	-	-	-	(167,280)	-	(167,280)
Other operating expenses	(126,062)	(249,337)	(11,762)	(120,806)	25,030	(482,937)
Segment Operating Profit (Loss)	P 126,344	P 1	P 20,325	P 63,044	P -	P 210,303
Total Segment Assets	P 7,210,155	P 13,149,246	P 217,858	P 4,328,806	P (1,106,080)	P 18,578,958
Total Segment Liabilities	P 210,471	P 7,458,276	P -	P 3,373,402	P (221,150)	P 10,521,898

Currently, the Group's operations are concentrated in few locations which are in close proximity with each other; hence, it has no geographical segment. The Group, however, continues to acquire properties in different regions of the country, as potential locations for its real estate projects, investment properties or hotels and serviced apartments.

In 2017, The Purefoods Hormel Company, Inc. (Purefoods Hormel) bought parcels of raw land inventory for a total consideration of P339,825. The revenue earned from this transaction accounts for 14% of the total real estate sales reported in the 2017 consolidated statement of comprehensive income. There were no sales made by the Group to any customer which exceeded 10% of the Group's real estate sales in 2018 and 2016.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate projects, raw land inventory, investment property, property and equipment and deposits on land for future development. Excluded from segment assets are deferred tax assets, noncurrent assets classified as held for sale, equity advances and investments in associates, and other assets which are considered corporate assets and are not allocated to any segment's assets. Segment liabilities include all operating liabilities incurred by management in each particular segment. Excluded from segment liabilities are due to related parties, retirement benefit liability, income tax payable, deposits for future stock subscription and deferred tax liabilities.

4.2 *Reconciliations*

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2018	2017	2016
Total segment assets	**P 22,263,061**	P 19,945,769	P 18,578,958
Equity advances and investments in associates	**10,584,355**	10,099,851	10,597,442
Receivables – net	**134,641**	104,353	148,805
Deferred tax assets – net	**28,371**	11,674	69,249
Goodwill	**27,463**	27,463	27,463
Other assets	**13,609**	10,685	9,895
Group Total Assets	**P 33,051,500**	P 30,297,795	P 29,431,812
Total segment liabilities	**P 11,785,812**	P 10,939,360	P 10,521,898
Due to related parties	**33,357**	29,924	54,152
Deferred tax liabilities – net	**85,812**	103,409	52,126
Retirement benefit liability	**21,393**	32,394	25,932
Income tax payable	**797**	1,570	480
Group Total Liabilities	**P 11,926,871**	P 11,106,657	P 10,654,588

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

5. INTEREST IN SUBSIDIARIES

5.1 Subsidiary with Material NCI

The following shows the subsidiaries of the Group with material NCI.

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Profit (Loss) Allocated to NCI		Accumulated NCI	
	2018	2017	2018	2017	2018	2017
Geosolutions –						
Individual stockholders	38.70%	31.70%	(P 4,088)	(P 3,663)	P 184,260	P 188,348
Excel Unified:						
Pet Plans, Inc.	42.65%	42.65%	(1,321)	(1,727)	143,899	145,220
Individual stockholders	6.85%	5.85%	(181)	(237)	19,737	19,918

The summarized financial information of Excel Unified and Geosolutions, before intragroup eliminations, is shown below.

	2018	2017
Current assets	P 1,011,748	P 989,362
Noncurrent assets	9,990	19,251
Total assets	P 1,021,738	P 1,008,613
Current liabilities	P 238,815	P 224,662
Noncurrent liabilities	16,209	17,363
Total liabilities	P 255,024	P 242,025
Equity attributable to owners of the Company	P 411,002	P 413,102
NCI	P 355,712	P 353,496
Gross sales	P 326	P 15,139
Forfeited sales	-	(25,771)
Net sales	P 326	(P 10,632)
Total comprehensive loss for the year attributable to owners of the Company	(P 5,529)	(P 9,977)
Total comprehensive loss for the year attributable to NCI	(5,590)	(5,627)
Total comprehensive loss for the year	(P 11,119)	(P 15,604)

The NCI of Excel Unified and Geosolutions did not have any cash inflow or outflow over the years presented.

5.2 Loss of Control over Subsidiaries

In 2018, the Company disposed its investments over Legacy Homes, Inc. (Legacy) thereby losing control. The aggregate carrying amount of net assets of the entities at the date of disposal is as follows:

Current assets (excluding cash)	P	40,647
Non-current assets		702,593
Current liabilities	(	134,427)
Share in net profit before disposal	(	21,564)
Total net assets		587,249
Total consideration received in cash	(	1,030,389)
Gain on deconsolidation	(P	443,140)

Similarly, in 2017, the Company disposed its investments over El Vertice Realty Corp. (El Vertice) and Estima Alta Realty Corporation (Estima) thereby losing control. The aggregate carrying amount of net assets of the entities at the date of disposal is as follows:

Current assets (excluding cash)	P	4,512
Non-current assets		687,901
Current liabilities	(	553,015)
Total net assets		139,398
Total consideration received in cash	(	186,188)
Gain on deconsolidation	(P	46,790)

Gain on deconsolidation is presented under Other Income (Charges) account in the 2018 and 2017 consolidated statement of comprehensive income. Total consideration for the sale of Legacy, and Estima and El Vertice were fully collected in 2018 and 2017, respectively. There was no similar transaction in 2016.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are as follows:

		2018		2017
Cash on hand and in banks	P	483,927	P	751,742
Short-term placements		313,055		493,603
	P	796,982	P	1,245,345

Cash in banks are unrestricted and readily available for use in the operations of the Group. These generally earn interest at rates based on daily bank deposit rates (see Note 20.2).

The Group's short-term placements are made for varying periods of up to two months depending on the immediate cash requirements of the Group and earn effective annual interest ranging from 1.63% to 5.25% in 2018, 2.13% to 3.00% in 2017, and 0.25% to 2.00% in 2016 (see Note 20.2).

7. RECEIVABLES

This account is composed of the following:

	Notes		2018		2017
Current:					
Contract receivables	7.1, 23	P	340,660	P	571,371
Rental receivables	23		46,947		37,494
Accounts receivables	23		16,469		7,410
Advances to contractors			99,243		113,002
Due from current and former related parties	23		33,144		525,159
Other receivables	7.2		147,548		102,520
			684,011		1,356,956
Allowance for impairment		(	135,086)	(	87,975)
			548,925		1,268,981
Noncurrent:					
Contract receivables			73,405		156,571
Advances to contractors	23		562,044		206,132
			635,449		362,703
		P	1,184,374	P	1,631,684

All of the Group's receivables have been reviewed for impairment and assessed for ECL allowance. Based on such review, certain receivables were found to be impaired and allowance for impairment has been recognized accordingly. The impaired receivables are mostly due from various third parties with past due accounts. In addition, certain miscellaneous receivables, previously provided with allowance for impairment, has already been collected as of December 31, 2017, hence, the management reversed the related allowance for doubtful accounts. The related reversal of allowance for impairment is presented as part of Miscellaneous Income (Charges) account under Other Income (Charges) account in the 2017 consolidated statement of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	Note		2018		2017
Balance at beginning of year		P	87,975	P	69,204
Impairment loss during the year	19		51,361		43,957
Write-offs		(	4,250)		-
Reversal of impairment			-	(	25,186)
Balance at end of year		P	135,086	P	87,975

7.1 Contract Receivables

Contract receivables generally arise from sale of real estate projects and certain raw land inventories of the Group.

The contract receivables of the Group are collectible over a maximum period of ten years and are classified as either interest-bearing, the interest rate of which ranges from 9.0% to 16.0% per annum, or noninterest-bearing, which are measured at amortized cost using the discount rate ranging from 7.0% to 11.5% based on the interest charged by certain financial institutions to retail borrowers.

The fair value of sales on noninterest-bearing contracts are determined by calculating the present value of the cash inflows anticipated to be received until the end of the contract term using the effective interest rate. This resulted in the recognition of fair value losses, charged to Real Estate Sales account for the portion pertaining to contract price, of P16,931, P18,939 and P4,239 in 2018, 2017 and 2016, respectively.

Interest income from unwinding the fair value losses on sales of noninterest-bearing contract receivables are presented as part of Interest income under the Finance Income account in the consolidated statements of comprehensive income (see Note 20.2).

The corresponding titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Management believes that these receivables are fully recoverable through collection of the accounts or repossession of the properties considering that the title has not yet been transferred to the buyers.

7.2 Other Receivables

Other receivables represent receivables from various individuals and companies arising from transactions related to the sale and lease of properties such as penalties and interest, claims from the homeowners' associations of their real estate projects for security, and other expenses paid by the Group on behalf of the said associations.

8. REAL ESTATE PROJECTS

This account, which are all stated at cost, consists of:

	2018	2017
Subdivision houses and lots	P 1,235,327	P 1,266,537
CIP	616,548	738,116
	P 1,851,875	P 2,004,653

The movements in the subdivision houses and lots as of December 31 are shown below.

	Notes	2018	2017
Balance at beginning of year			
As previously reported		P 1,266,537	P 1,203,848
Restatement	2.2	145,751	-
As restated		1,412,288	1,203,848
Reclassification from CIP		255,472	725,766
Cost of subdivision house and lots sold	18, 19	(432,433)	(663,077)
Balance at end of year		P 1,235,327	P 1,266,537

The movements in the CIP as of December 31 are shown below.

	Note	2018	2017
Balance at beginning of year		P 738,116	P 1,176,647
Additional construction cost during the year	16	133,904	287,235
Reclassification to subdivision houses and lots		(255,472)	(725,766)
Balance at end of year		P 616,548	P 738,116

In 2018, the Group recognized gain from repossession of inventory amounting to P15,274 in accordance with the adoption of PFRS 15 and PIC Q&A 2018-14. The related gain is presented as part of Miscellaneous Income (Charges) account under the Other Income (Charges) section in the 2018 consolidated statement of comprehensive income. Further, inventories that were repossessed in prior years that remained unsold as of January 1, 2018 were adjusted to reflect their fair values at the time of repossession.

Prior to 2018, the revenue and cost related to the forfeited sales amounting to P99,354 and P52,890, respectively, in 2017 and P125,345 and P65,133, respectively, in 2016 are recorded as reductions of Real Estate Sales and Cost of Real Estate Sold in the 2017 and 2016 consolidated statements of comprehensive income. The related gain on forfeited sales amounting to P27,326 and P29,567 in 2017 and 2016, respectively, is presented as part of Miscellaneous Income (Charges) account under the Other Income (Charges) section in the 2017 and 2016 consolidated statements of comprehensive income.

The carrying value of real estate projects includes unamortized capitalized borrowing costs amounting to P74,192 and P50,351 as of December 31, 2018 and 2017, respectively.

The net realizable value of real estate projects is higher than its carrying value as of December 31, 2018 and 2017, based on management's assessment.

9. RAW LAND INVENTORY

Below is a summary of the aggregate cost of raw land inventory as of December 31.

	Note		2018		2017
SMPI	18	P	**1,383,781**	P	1,382,405
Geosolutions			**605,497**		605,319
Rapidshare			**229,806**		229,806
Excel Unified			**117,239**		117,239
Grandioso			**71,160**		70,251
Brillar			**45,584**		45,584
First Monte			**43,424**		43,290
Coron			**36,662**		36,662
Tierra			**25,067**		-
Busuanga			**22,096**		22,096
Dimanyan			**16,259**		16,259
Elite Montagne			**11,609**		11,609
Bulalacao			**7,656**		7,656
Calamian			**5,202**		5,202
Palawan			**2,989**		2,989
Legacy			**-**		10,319
		P	**2,624,031**	P	2,606,686

An analysis of the carrying amounts of raw land inventory is presented below.

	Notes		2018		2017
Balance at beginning of year		**P**	**2,606,686**	P	2,527,566
Additions			**27,664**		90,226
Derecognition due to disposal of a subsidiary	5	**(**	**10,319)**		-
Disposals	18, 19		**-**	(	11,106)
Balance at end of year		**P**	**2,624,031**	P	2,606,686

In 2018 and 2017, the Company and certain subsidiaries incurred costs to effect transfer of the titles of certain properties. The costs were capitalized as part of the costs of raw land inventory in the consolidated statements of financial position.

Management determined that these properties have a total fair value of P10,218,323 and P10,221,101 as of December 31, 2018 and 2017, respectively. Fair value is determined by independent appraisers through appraisal reports, from existing bid or offer prices, and from recent sale of adjacent properties.

Information about the fair value measurement and disclosures related to raw land inventories are presented in Note 29.4.

10. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account includes the Group's advance payments for certain land acquisitions which are intended for future development.

In prior years, the Group made contributions to a real estate project with other domestic companies for the development of two parcels of subdivided lots in two separate locations. The contributions to this project, which amounted to P561,111, are being administered by a trustee bank, the real estate manager. The Group, through its property consolidator and legal consultant (the Consultant) has already completed the documentations, consolidation and transfer of title under its name of a portion of one of the two parcels of subdivided lots. Those subdivided lots amounting to P50,500 were presented under Raw Land Inventory in prior years.

Based on the advice by the Consultant, management believes that it will take a long period of time to complete the documentation process, consolidation of the titles and other activities relative to the acquisition of the remaining portion of subdivided lots. These activities are not yet completed as of December 31, 2018. Accordingly, the Group presented the outstanding balance of deposits as of December 31, 2018 and 2017 amounting to P572,319 and P570,043, respectively, as part of Deposits on Land for Future Development account under the Noncurrent Assets section of the consolidated statements of financial position.

The movements in the carrying amounts as of December 31, 2018 and 2017 of deposits on land for future development are presented below.

	Note	2018	2017
Balance at beginning of year		P 1,932,318	P 1,847,598
Additions		544,652	105,505
Derecognition due to disposal of a subsidiary	5	(702,281)	-
Reclassification		-	(20,785)
Balance at end of year		P 1,774,689	P 1,932,318

In 2018, the Company disposed its investment to Legacy, which resulted in the derecognition of Legacy's deposit on land for future development in the 2018 consolidated statement of financial position.

In 2016, the Group made advance payments amounting to P20,785 for the acquisition of a certain parcel of land located in Negros Occidental. In 2017, the ownership of the said property was transferred to the Group. Accordingly, related deposits formed part of the total capitalized costs of the property and was reclassified as part of Investment Property account (see Note 12).

Based on management's evaluation, the recoverable value of deposits on land for future development is higher than its carrying amount as of December 31, 2018 and 2017.

11. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES

The composition of equity advances and investments in associates account is as follows as of December 31:

	Note	2018	2017
Investments in associates	11.1	P 9,714,066	P 9,824,482
Equity advances	11.2	870,289	875,369
		P 10,584,355	P 10,699,851

11.1 *Investments in Associates*

Investments in associates as of December 31, 2018 and 2017, accounted for under the equity method, is as follows:

	2018	2017
Acquisition costs:		
BOC	P 7,801,496	P 7,801,496
NLI	232,000	232,000
	8,033,496	8,033,496
Accumulated share in total comprehensive income at beginning of the year:		
BOC		
As previously reported	1,657,675	1,393,848
Restatement	(146,732)	-
As restated	1,510,943	1,393,848
NLI	133,311	104,717
	1,644,255	1,498,565
Share in profit:		
BOC	19,833	292,068
NLI	38,636	34,850
	58,469	326,918
Share in other comprehensive of BOC		
Equity reserve for retirement plan	32,516	(4,997)
Fair value on financial assets through FVOCI	(53,180)	-
Fair value losses on AFS financial assets	-	(26,890)
Cumulative translation adjustment	8,594	3,646
	(12,070)	(28,241)
Dividend income	(10,083)	(6,256)
Net change during the year	36,316	292,421
Accumulated share in total comprehensive income at end of the year:		
BOC	1,518,706	1,657,675
NLI	161,864	133,311
	1,680,570	1,790,986
	P 9,714,066	P 9,824,482

The summarized financial information of the Group's associates shown in their financial statements, are as follows:

	2018	2017
BOC		
Total assets	P 153,943,393	P 140,455,843
Total liabilities	135,963,287	125,130,204
Revenues	5,218,256	4,239,005
Profit	371,385	595,344
Other comprehensive income (loss)	174,790	(129,960)
NLI		
Total assets	P 3,529,628	P 2,626,492
Total liabilities	1,488,273	725,092
Revenues	1,180,638	1,113,856
Profit	193,178	174,252

The reconciliation of the above summarized financial information to the share in profit of associates recognized in the consolidated statements of comprehensive income is presented below.

	2018	2017
BOC		
Profit	P 371,385	P 595,344
Adjustments made due to differences in accounting policies in:		
Investment property	(475,001)	(56,996)
Property and equipment	146,556	186,372
	(328,445)	129,376
Intercompany adjustments	6,730	6,730
Profit, after adjustments	49,670	731,450
Equity ownership interest	39.93%	39.93%
Share in profit of BOC	P 19,833	P 292,068
NLI		
Profit	P 193,178	P 174,252
Equity ownership interest	20.00%	20.00%
Share in profit of NLI	P 38,636	P 34,850

As discussed in Note 2.3, certain accounting policies applied by BOC are not consistent with the accounting policies applied by the Group. These include: (a) measurement of investment property using fair value model; and, (b) measurement of property and equipment using revaluation model. Accordingly, certain adjustments were made by the Company to the audited financial statements of BOC to be consistent with the Group's accounting policies.

BOC is required to meet certain ratios under the Bangko Sentral ng Pilipinas (BSP) regulations to manage the risks inherent in the banking business. As of the end of the reporting periods, BOC has complied with the statutory and regulatory capital requirements which were computed based on the regulatory accounting policies that differ from PFRS in some aspects. BOC's retained earnings as of the end of the reporting periods is restricted from dividend declaration to common stockholders to the extent of the amount of cumulative cash dividend in arrears of P320,200 declared by BOD on December 16, 2008 in favor of the stockholders of certain redeemed preferred shares.

11.2 Equity Advances

This account includes cash advances granted to future investees of the Group. These advances will be applied against future subscriptions of the Group to the shares of stock of the future investee companies.

In 2018 and 2017, certain equity advances were provided with allowance for impairment as the management assessed that certain portion were no longer recoverable. The related impairment loss is presented as part of Miscellaneous Income (Charges) account under Other Income (Charges) account in the 2018 and 2017 consolidated statements of comprehensive income.

The movements of these equity advances are presented below.

	2018	2017
Balance at beginning of year	P 875,369	P 1,065,381
Additions	3,861	16,052
Impairment loss	(3,136)	(76,316)
Repayments	(5,805)	(129,748)
Balance at end of year	P 870,289	P 875,369

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	2018	2017
Balance at beginning of year	P 76,316	P -
Impairment loss during the year	3,136	76,316
Balance at end of year	P 79,452	P 76,316

12. INVESTMENT PROPERTY

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

	Land	Land Improvements	Building and Improvements	Capital Projects in-Progress	Total
December 31, 2018					
Cost	P 7,083,313	P 20,953	P 1,107,709	P 286,130	P 8,482,087
Accumulated depreciation and amortization	-	(4,344)	(454,261)	-	(458,585)
Net carrying amount	P 7,083,313	P 16,609	P 653,448	P 286,130	P 8,043,492
December 31, 2017					
Cost	P 5,075,147	P 20,792	P 616,209	P 120,276	P 5,832,424
Accumulated depreciation and amortization	-	(5,806)	(411,454)	-	(417,260)
Net carrying amount	P 5,075,147	P 14,986	P 204,755	P 120,276	P 5,415,164
January 1, 2017					
Cost	P 4,620,155	P 4,818	P 770,149	P 86,354	P 5,483,487
Accumulated depreciation and amortization	-	(3,605)	(393,144)	-	(398,749)
Net carrying amount	P 4,620,155	P 1,213	P 377,005	P 86,354	P 5,084,738

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

	Land	Land Improvements	Building and Improvements	Capital Projects in-Progress	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 5,075,147	P 14,986	P 204,755	P 120,276	P 5,415,164
Additions	1,445,815	161	331,577	165,152	1,951,705
Additions from new subsidiary	694,614	-	-	702	695,316
Reclassifications	(132,263)	-	141,825	-	13,140
Depreciation and amortization charges during the year	-	(478)	(20,333)	-	(20,811)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 7,083,313	P 16,609	P 653,448	P 286,130	P 8,043,492
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 4,620,155	P 1,213	P 377,005	P 86,354	P 5,084,738
Additions	272,192	15,974	1,234	44,483	333,023
Additions from new subsidiary	707,043	-	-	-	707,043
Reclassifications	20,765	-	-	-	20,765
Disposals during the year (see Note 31)	(545,008)	-	(156,225)	(1,561)	(699,874)
Depreciation and amortization charges during the year	-	(2,201)	(16,292)	-	(18,511)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 5,075,147	P 14,986	P 204,755	P 120,276	P 5,415,164

In 2018 and 2017, the Company acquired a parcel of land situated in Makati City through its acquisition of a new subsidiary (see Note 31). The total amount paid by the Group, inclusive of purchase price and other direct costs relative to the acquisition of the property, amounted to P694,614 and P707,043, respectively. Accordingly, the Group recognized such property under the Investment Property – net account on the basis of its relative fair value at the time of acquisition.

In 2018, total construction cost amounting to P128,283 was reclassified from Land to Building and improvements to correct the disclosure pertaining to the reconciliation of the carrying amounts of Investment property [(see Note 2.1(b)].

The total rental income earned from investment property and the related costs are presented as Rental Income and Cost of Rentals accounts, respectively, in the consolidated statements of comprehensive income (see Notes 18 and 26.1).

The Group also engages in transactions involving certain investment properties with related parties (see Notes 23).

Based on the recent reports of independent appraisers, the Group's investment properties have a total fair value of P28,662,332 and P26,359,668 as of December 31, 2018 and 2017, respectively.

Information about the fair value measurement and disclosures related to investment property are presented in Note 29.4.

No investment properties have been pledged as security for liabilities.

13. PROPERTY AND EQUIPMENT

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

	Land	Building and Improvements	Machineries and Transportation Equipment	Furniture, Fixtures and Other Equipment	Capital Projects in-Progress	Total
December 31, 2018						
Cost	P 693,017	P 3,350,001	P 13,878	P 514,805	P 713,231	P 5,286,867
Accumulated depreciation and amortization	-	(220,331)	(10,087)	(310,077)	-	(580,917)
Accumulated impairment loss	-	(1,020)	-	-	-	(1,020)
Net carrying amount	P 693,017	P 3,130,848	P 3,584	P 194,198	P 713,231	P 4,736,879
December 31, 2017						
Cost	P 693,017	P 3,322,074	P 26,235	P 335,474	P 30,315	P 4,847,395
Accumulated depreciation and amortization	-	(169,556)	(10,641)	(216,209)	-	(396,406)
Accumulated impairment loss	-	(1,020)	-	-	-	(1,020)
Net carrying amount	P 693,017	P 3,151,498	P 15,594	P 289,465	P 30,315	P 4,210,249
January 1, 2017						
Cost	P 693,017	P 3,202,302	P 24,057	P 546,802	P -	P 4,547,258
Accumulated depreciation and amortization	-	(96,170)	(8,540)	(164,669)	-	(267,379)
Accumulated impairment loss	-	(1,020)	-	-	-	(1,020)
Net carrying amount	P 693,017	P 3,105,132	P 15,617	P 382,213	P -	P 4,278,850

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

	Land	Building and Improvements	Machineries and Transportation Equipment	Furniture, Fixtures and Other Equipment	Capital Projects in-Progress	Total
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment	P 693,037	P 3,161,498	P 15,504	P 209,465	P 50,595	P 4,210,160
Additions	-	35,348	3,334	72,750	668,895	717,398
Reclassifications	-	4,869	(13,148)	645	(5,859)	(15,485)
Disposals	-	-	-	(3,355)	-	(3,078)
Depreciation and amortization charges for the year	-	(65,373)	(3,024)	(105,438)	-	(172,282)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	P 693,037	P 3,132,000	P 2,884	P 174,198	P 713,230	P 4,726,873
Balance at January 1, 2017, net of accumulated depreciation, amortization and impairment	P 693,037	P 3,107,102	P 16,417	P 302,213	P -	P 4,278,819
Additions	-	58,584	1,278	8,592	51,503	100,157
Reclassifications	-	1,308	-	-	(1,308)	-
Depreciation and amortization charges for the year	-	(5,596)	(2,111)	(101,340)	-	(108,827)
Balance at December 31, 2017, net of accumulated depreciation, amortization and impairment	P 693,037	P 3,161,498	P 15,504	P 209,465	P 50,595	P 4,210,160

All the depreciation charges are reported as part of Depreciation and amortization under Other Operating Expenses section in the consolidated statements of comprehensive income (see Note 19).

Certain fully depreciated assets with acquisition costs of P41,937 and P39,140 as of December 31, 2018 and 2017, respectively, are still being used in the Group's operations.

The Company's property and equipment is subject to impairment testing whenever there is an indication of impairment. There is no indication of impairment on property and equipment as of December 31, 2018 and 2017.

14. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2018 and 2017 are shown below.

	Software Licenses	Land Use Rights	Total
December 31, 2018			
Cost	P 34,164	P 164,213	P 198,377
Accumulated amortization	(30,874)	(632)	(31,506)
Net carrying amount	**P 3,290**	**P 163,581**	**P 166,871**
December 31, 2017			
Cost	P 33,567	P 164,213	P 197,780
Accumulated amortization	(24,693)	-	(24,693)
Net carrying amount	P 8,874	P 164,213	P 173,087
January 1, 2017			
Cost	P 31,673	P 164,503	P 196,176
Accumulated amortization	(16,941)	-	(16,941)
Net carrying amount	P 14,732	P 164,503	P 179,235

A reconciliation of the carrying amounts of intangible assets for the beginning and end of 2018 and 2017 is shown below.

	Software Licenses	Land Use Rights	Total
Balance at January 1, 2018, net of accumulated amortization	P 8,874	P 164,213	P 173,087
Additions	597	-	597
Amortization charges for the year	(6,181)	(632)	(6,813)
Balance at December 31, 2018, net of accumulated amortization	**P 3,290**	**P 163,581**	**P 166,871**
Balance at January 1, 2017, net of accumulated amortization	P 14,732	P 164,503	P 179,235
Additions	1,604	-	1,604
Reclassifications	290	(290)	-
Amortization charges for the year	(7,752)	-	(7,752)
Balance at December 31, 2017, net of accumulated amortization	P 8,874	P 164,213	P 173,087

Land use rights pertains to the interest in a joint arrangement on a certain development project. The development project commenced in 2018.

Intangible assets with finite useful lives are subject to impairment testing whenever there is an indication of impairment. There were no indication of impairment in 2018, 2017 and 2016 as determined by management.

The amount of amortization charges were presented as part of Depreciation and amortization under Other Operating Expenses section in the consolidated statements of comprehensive income (see Note 19).

No intangible assets have been pledged as security for liabilities.

15. OTHER ASSETS

This account consists of the following:

	Note		2018		2017
Current:					
Input VAT		P	771,712	P	559,717
Prepaid expenses			375,237		250,710
Contract asset – net	15.3		62,145		-
Inventories			9,366		9,611
Others			58		-
			1,218,518		820,038
Noncurrent:					
Goodwill	15.1		27,463		27,463
Financial assets at FVOCI	15.2		13,610		-
AFS financial assets - net	15.2		-		10,685
			41,073		38,148
		P	1,259,591	P	858,186

Inventories, which are all stated at cost, pertain to supplies, food and beverages. The cost of inventories recognized as expense in 2018, 2017 and 2016 is shown in Note 18.

15.1 Goodwill

Goodwill pertains to the excess of cost over fair value of net assets of Excel Unified at the time of acquisition. It is primarily related to growth expectations, expected future profitability and expected cost of synergies. No impairment loss was needed to be recognized in 2018, 2017 and 2016.

15.2 Financial Assets at FVOCI (2017: AFS Financial Assets – Net)

The fair values financial assets at FVOCI (previously, AFS financial assets) have been determined by reference to published prices in the market. Included in financial assets at FVOCI are golf club shares, which are proprietary membership club shares, and listed equity securities.

The reconciliation of the carrying value of financial assets at FVOCI is shown below.

		2018		2017
Balance at beginning of year	P	10,685	P	9,895
Fair value gains		2,925		900
Redemptions during the year		-	(	110)
Balance at end of year	P	13,610	P	10,685

15.3 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of and for the year ended December 31, 2018 are as follows:

	Contract Assets	Contract Liabilities
Balance at beginning of year:		
As previously reported	P -	P -
Restatement	24,713	-
As restated	24,713	-
Increase as a result of changes in measurement of progress	37,432	-
Increase due to cash received excluding amount recognized as revenue during the year	-	219
	P 62,145	P 219

16. LOANS AND BORROWINGS

In the normal course of business, the Group obtains from local financial institutions unsecured, short-term, interest-bearing loans for the acquisitions of parcels of land, development of its real estate projects and property and equipment, additional investment in an associate and working capital requirements. These loans are renewable on a monthly basis and bear annual interest rates ranging from 2.25% to 7.25% in 2018 and 2.00% to 5.75% in 2017 and 2016. The related loan agreements do not contain loan covenant provisions.

Interest expense charged to operations amounted to P405,165, P271,996 and P295,773 in 2018, 2017 and 2016, respectively, and is presented as part of Finance Costs account in the consolidated statements of comprehensive income (see Note 20.1). Unpaid interest amounting to P35,131 and P29,186 as of December 31, 2018 and 2017, respectively, is shown as part of Other payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The Group capitalized borrowing costs from interest-bearing loans and borrowings specifically obtained for the construction of its real estate projects. Borrowing costs capitalized for the construction of the Group's real estate projects and investment properties under construction amounted to P18,716, P28,921 and P30,150 in 2018, 2017 and 2016, respectively. The capitalization rate used, which is based from the annual interest rate of the monthly renewable interest-bearing loans, ranges from 3.25% to 6.25% in 2018 and 2.00% to 5.50% in 2017 and 2016 (see Notes 8 and 12).

No assets are pledged as collateral to the existing loans as of December 31, 2018 and 2017.

17. TRADE AND OTHER PAYABLES

This account is composed of:

	Notes	2018	2017
Current:			
Accounts payable	23	P 727,131	P 1,447,191
Retention payable		143,125	133,879
Taxes payable		126,438	106,497
Provisions	26.3	4,564	4,564
Other payables	16	35,656	48,185
		1,036,914	1,740,316
Noncurrent –			
Accounts payable		11,152	7,425
		P 1,048,066	P 1,747,741

Other payables significantly include accruals for various operating expenses, such as interest expense, outside services and short-term employee benefits. Contract liabilities are also recognized as part of other payables.

The carrying amount of accounts payable, retention payable and other payables, which are presented as current liabilities and are expected to be settled within the next 12 months from the end of the reporting period, is a reasonable approximation of fair value.

18. COSTS OF SALES AND SERVICES

These accounts are composed of the following:

	Notes	2018	2017	2016
Cost of real estate sold:				
Real estate projects	8	P 432,433	P 663,077	P 431,096
Raw land inventory	9	-	11,106	-
	19	P 432,433	P 674,183	P 431,096
Cost of room services:				
Depreciation and amortization		P 130,052	P 106,796	P 94,736
Outside services	23	96,645	83,671	80,415
Utilities		47,476	34,443	51,160
Supplies		25,098	29,959	42,623
Commission		15,899	16,321	17,083
Laundry		13,436	11,512	11,292
Repairs and maintenance		9,268	11,937	12,850
Others		31,568	26,972	18,500
	19	P 369,442	P 321,611	P 328,659

	Notes		2018		2017		2016
Cost of food and beverages sold:							
Depreciation and amortization		P	37,754	P	59,131	P	63,157
Food and beverages sold	15		60,192		55,709		53,265
Outside services	23		39,727		41,217		36,797
Utilities			13,761		19,191		1,029
Laundry			1,078		942		1,283
Others			14,984		10,712		11,749
	19	P	167,496	P	186,902	P	167,280
Cost of rentals:							
Rentals	26.2	P	24,771	P	24,768	P	5,820
Taxes and licenses			23,357		23,583		29,463
Depreciation and amortization	12		13,650		13,915		33,972
Outside services			6,510		7,830		5,473
Dues and subscriptions			111		1,141		11,201
Others			2,439		6,456		5,026
	19	P	70,838	P	77,693	P	90,955

Other expenses under Cost of Rentals include insurance, utilities, supplies and other necessary expenses incurred for the Group's investment properties.

19. OPERATING EXPENSES BY NATURE

The details of operating expenses presented by nature are as follows:

	Notes		2018		2017		2016
Real estate projects sold	8, 18	P	432,433	P	663,077	P	431,096
Outside services	23		338,981		313,208		277,843
Depreciation and amortization	12, 13, 14		199,831		193,092		208,774
Taxes and licenses			142,762		118,391		102,054
Salaries and employee benefits	21.1		141,948		118,476		85,149
Utilities			65,945		53,634		55,684
Food and beverages sold	15, 18		60,192		55,709		53,265
Impairment loss on receivables	7		51,361		43,957		-
Supplies			48,820		55,402		60,784
Balance carried forward		P	1,482,273	P	1,614,946	P	1,274,649

	Notes	2018	2017	2016
Balance brought forward		P 1,482,273	P 1,614,946	P 1,274,649
Commissions		43,818	54,984	67,927
Repairs and maintenance		41,800	36,173	21,494
Advertising		28,197	20,374	24,550
Dues and subscriptions		21,652	13,760	21,541
Laundry		14,514	12,455	12,575
Communications		3,542	10,560	1,664
Raw land inventory sold	9, 18	-	11,106	-
Miscellaneous		103,857	73,255	81,514
		257,380	232,667	231,265
		P 1,739,653	P 1,847,613	P 1,505,914

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

	Note	2018	2017	2016
Cost of real estate sold	18	P 432,433	P 674,183	P 431,096
Cost of room services	18	369,442	321,611	328,659
Cost of food and beverages	18	167,496	186,902	167,280
Cost of rentals	18	70,838	77,693	90,955
Other operating expenses		699,444	587,224	487,924
		P 1,739,653	P 1,847,613	P 1,505,914

20. OTHER INCOME (CHARGES)

Presented below are the details of finance income and costs.

20.1 Finance Costs

	Notes	2018	2017	2016
Interest expense	16	P 405,165	P 271,996	P 295,773
Bank charges		73,417	43,970	-
Net interest expense on defined benefit obligation and plan assets	21.2	1,046	1,235	1,108
Impairment loss on AFS financial assets		-	-	11,596
		P 479,628	P 317,201	P 308,477

In 2016, the Group determined that certain AFS financial assets were impaired since there are significant or prolonged declines in the fair values of the shares below cost. Accordingly, impairment loss amounting to P11,596, of which P11,058 had been previously accumulated in consolidated equity, is presented as Impairment loss on AFS financial assets under Finance Costs in the 2016 consolidated statement of comprehensive income (see Note 20.1). There were no similar transactions in 2018 and 2017.

20.2 Finance Income

Finance income of the Group amounting to P61,240, P45,768 and P60,481 is presented as Finance Income in the consolidated statement of comprehensive income. This pertains to interest income earned from deposits and short-term placements (see Note 6, 7.1 and 23).

20.3 Miscellaneous Income (Charges)

The Group's miscellaneous income (charges) consist of gain arising from change in financing scheme of real estate sold, sale of scrap materials, sale of water system to a third party and other miscellaneous income.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

The expense recognized for employee benefits as part of Other Operating Expenses is analyzed below (see Note 19).

	2018	2017	2016
Short-term employee benefits	P 136,450	P 113,382	P 82,989
Retirement benefits	5,428	5,094	2,160
	P 141,878	P 118,476	P 85,149

21.2 Retirement Plan

(a) *Characteristics of the Defined Benefit Plan*

The Company maintains a partially funded, noncontributory defined benefit plan that is being administered by a trustee covering all of its regular employees. It provides a post-employment benefit equal to 100% of the monthly final pay for every year of credited service plus commutation of sick leave credits, if any. Actuarial valuations are made annually to update the retirement benefit obligation and the amount of contributions. The most recent actuarial valuation report is dated December 31, 2018 covering the valuation of the Group's retirement benefit obligation as of the same period. Annual cost is determined using the projected unit credit method.

The subsidiaries of the Company have no retirement plan. The finance and administrative functions of most subsidiaries are being handled by the Company, through a service agreement.

The plan is registered with the Bureau of Internal Revenue as a tax-qualified plan under Republic Act No. 4917, as amended. The control and administration of the retirement plan is vested in the BOT. Some of the members of BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also key members of the Group's management. The retirement plan's accounting and administrative functions are undertaken by the SMC Retirement Funds Office.

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding page are based on the actuarial valuation report obtained from an independent actuary in 2018, 2017 and 2016.

The following table shows a reconciliation of the net retirement benefit liability and its components:

	Present value of retirement benefit liability			Fair value of plan assets			Net retirement benefit liability		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Balance at beginning of year	P 50,485	P 37,545	P 28,201	P 18,091	P 11,593	P 5,519	P 32,394	P 25,952	P 22,682
Recognized in profit or loss:									
Current service cost	5,428	5,094	2,160	-	-	-	5,428	5,094	2,160
Interest expense	2,999	1,997	1,551	-	-	-	2,999	1,997	1,551
Interest income	-	-	-	1,953	762	443	(1,953)	(762)	(443)
	8,427	7,091	3,711	1,953	762	443	6,474	6,329	3,268
Recognized in other comprehensive income:									
Remeasurements:									
Actuarial losses (gains) arising from:									
Experience adjustments	20,204	7,648	3,405	-	-	-	20,204	7,648	3,405
Changes in financial assumptions	(9,514)	(1,799)	281	-	-	-	(9,514)	(1,799)	281
Changes in demographic assumptions	-	-	1,947	-	-	-	-	-	1,947
Return on plan asset (excluding amounts included in net interest)	-	-	-	(1,408)	271	575	1,408	(271)	(575)
	10,690	5,849	5,633	(1,408)	271	575	12,098	5,578	5,058
Others:									
Contributions	-	-	-	29,573	5,465	5,056	(29,573)	(5,465)	(5,056)
Benefits paid	-	-	-	-	-	-	-	-	-
	-	-	-	29,573	5,465	5,056	(29,573)	(5,465)	(5,056)
Balance at end of year	P 69,602	P 50,485	P 37,545	P 48,209	P 18,091	P 11,593	P 21,393	P 32,394	P 25,952

The current service cost amounting to P5,428, P5,094 and P2,160 in 2018, 2017 and 2016, respectively, is presented as part of Salaries and employee benefits under Other Operating Expenses section in the consolidated statements of comprehensive income (see Notes 19 and 21.1).

The net interest expense amounting to P1,046, P1,235 and P1,108 in 2018, 2017 and 2016, respectively, is included in Finance Costs account in the consolidated statements of comprehensive income (see Note 20.1).

Amounts recognized in consolidated other comprehensive income were included within items that will not be reclassified to consolidated profit or loss.

As of December 31, 2018 and 2017, net retirement liabilities recognized under Retirement Benefit Liability account in the consolidated statements of financial position amounted to P21,393 and P32,394, respectively.

The carrying amount of the Group's retirement fund approximate fair values as of December 31, 2018 and 2017.

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics is shown below in percentages:

	2018	2017
Interest in pooled funds:		
Fixed-income portfolio (FIP)	**76.5%**	69.8%
Stock trading portfolio (STP)	**23.3%**	29.4%
Others	**0.2%**	0.8%
	100.0%	100.0%

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

a) Interest in Pooled Funds

Investment in pooled funds were established mainly to put together all the retirement funds of the SMC Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The plan's interests in the net assets of the pooled funds were 0.66% and 0.20% of FIP and 0.13% and 0.11% of STP as of December 31, 2018 and 2017, respectively. Investment income and expense are allocated to the plan based on its pro-rata share in net assets of the pooled funds.

Investments in FIP consist of investments in money market placements, government securities, corporate notes and convertible preferred shares of stock, acquired to match the obligation of the retirement plan.

Investments in STP consist mainly of investments in shares of stock of publicly-listed companies that are carried at fair value based on the closing quoted market prices obtained from the PSE as at the end of the statement of net asset available for plan benefits dates.

Plan assets include shares of stock and debt securities issued by public entities within SMC Group, as disclosed in Note 23(e).

b) Others

Others include the Retirement Plan's cash and cash equivalents which earns interest.

The plan assets earned a return of P545, P1,053 and P1,018 in 2018, 2017 and 2016, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

In determining the amounts of the retirement benefit obligation, the following significant actuarial assumptions were used:

	2018	2017
Discount rates	7.5%	5.9%
Expected rates of salary increases	7.0%	7.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 55 is 25 for males and females as of December 31, 2018 and 2017, respectively. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

i. Investment and Interest Rate Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan comprises of investments in STP and FIP. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

ii. Longevity and Salary Risks

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

(d) Other Information

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

i. Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31, 2018 and 2017:

	Impact on Retirement Benefit Liability		
	Change in Assumption	Discount Rate	Salary Increase Rate
December 31, 2018			
Decrease in assumption	+9.0%/-7.9%	P 6,241	(P 5,515)
Increase in assumption	-7.8%/+8.9%	(5,442)	6,212
December 31, 2017			
Decrease in assumption	+9.7%/-7.8%	P 4,894	(P 3,935)
Increase in assumption	-8.4%/+8.8%	(4,230)	4,435

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

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

ii. Asset-liability Matching Strategies

The Retirement Plan Trustee has no specific matching strategy between the retirement fund assets and the defined benefit liabilities under the Plan. However, the investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2018 and 2017 is invested in FIP which consists of money market placements, government securities, corporate notes and convertible preferred shares of stock. The Group believes that these securities offer a good return over the long term with an acceptable level of risk.

There has been no change in the Group's strategies to manage its risks from previous periods.

iii. Funding Arrangements and Expected Contributions

The plan is currently underfunded by P21,393 based on the latest actuarial valuation. There are no minimum funding requirement in the country.

The Group's contribution to the plan amounts to P29,573 in 2018. Expected contribution in 2019 amounts P10,654.

The maturity profile of undiscounted expected benefits payments from the plan follows:

		2018		2017
Within one year	P	1,667	P	826
More than one year to five years		10,320		5,312
More than five years		61,496		47,691

The weighted average duration of the DBO at the end of the reporting period is eight years.

22. INCOME TAXES

The major components of tax expense (benefit) reported in the consolidated statements of comprehensive income are as follows for the years ended December 31:

		2018		2017		2016
Reported in profit or loss:						
Current tax expense	P	56,022	P	126,971	P	29,884
Deferred tax expense (benefit)	(	61,337)		110,261		42,475
	(P	5,315)	P	237,232	P	72,359
Reported in other comprehensive income –						
Deferred tax benefit	(P	2,751)	(P	1,404)	(P	1,517)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in consolidated profit or loss (shown as percentages) is as follows:

	2018	2017	2016
Tax on pretax profit	30.00%	30.00%	30.00%
Income subjected to lower income tax rates	(18.97%)	(0.24%)	(0.20%)
Tax effects of:			
Unrecognized deferred tax assets	24.48%	8.56%	22.95%
Nontaxable income	(20.09%)	(4.47%)	(8.50%)
Application of NOLCO	8.91%	-	-
Nondeductible expenses	8.52%	2.04%	1.93%
Share in profit of associates	(6.21%)	(15.71%)	(32.03%)
Expiration of excess MCIT	0.11%	-	2.65%
Reversal of previously recognized deferred tax asset	-	16.86%	7.07%
Others	3.69%	0.96%	1.11%
	(1.88%)	38.00%	24.98%

The deferred tax assets and liabilities of the Group as of December 31 relates to the following:

	2018	2017
Unrealized fair value gain on investment property	(P 106,150)	(P 106,150)
Allowance for impairment of receivables and equity advances	65,512	49,187
Unamortized capitalized interest	(53,427)	(55,580)
Fair value adjustment on repossessed inventories	(34,077)	-
Real estate sales	(29,734)	(46,899)
Unearned rentals	29,448	27,530
NOLCO	21,493	6,839
MCIT	17,574	9,542
Retirement benefits	13,634	10,513
Unrealized foreign currency losses - net	1,629	1,582
Provision for loss on contingent liability	1,369	1,369
Fair value gain on financial assets at FVOCI	1,106	-
Decline in market value of AFS financial assets	-	1,332
Other expenses	14,482	9,000
	(P 57,141)	(P 91,735)

The above amounts are reported in the consolidated statements of financial position as follows:

	2018	2017
Deferred tax assets - net	P 28,371	P 11,674
Deferred tax liabilities - net	(85,512)	(103,409)
	(P 57,141)	(P 91,735)

The components of net deferred tax expense (benefit) reported in the consolidated statements of comprehensive income are as follows:

	Profit or loss			Other comprehensive income		
	2018	2017	2016	2018	2017	2016
Real estate sales	(P 17,083)	P 2,530	(P 14,005)	P -	P -	P -
Allowance for impairment of receivables and equity advances	(16,325)	(20,515)	-	-	-	-
NOLCO	(34,484)	117,334	42,665	-	-	-
MCIT	(9,653)	30,656	(8,479)	-	-	-
Other expenses	(5,482)	(9,000)	20,474	-	-	-
Decline in market value of AFS financial assets	(683)	161	(161)	-	278	-
Fair value adjustment on repossessed inventories	4,383	-	-	-	-	-
Unamortized capitalized interest	(2,113)	(135)	4,228	-	-	-
Unaccrued rentals	(3,088)	(5,147)	(1,520)	-	-	-
Retirement benefit liability	508	(172)	(240)	(3,609)	(1,679)	(1,517)
Unrealized foreign currency loss (gain)	(47)	(10)	117	-	-	-
Fair value gain on financial assets at FVOCI	-	-	-	835	-	-
Net Deferred Tax Expense (Benefit)	(P 56,327)	P 110,260	P 42,475	(P 2,750)	(P 1,401)	(P 1,517)

Net deferred tax assets of the Company are not allowed to be offset against net deferred tax liabilities of other subsidiaries, or vice versa, for purposes of consolidation.

No deferred tax has been recognized on the Group's accumulated share in net profit and other comprehensive income (loss) of associates in all the years presented. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporations by a domestic corporation is not subject to income tax.

For the years ended December 31, 2018, 2017 and 2016, most of the operating subsidiaries incurred MCIT as it exceeded their respective RCIT. MCIT is equivalent to 2% of gross income, as defined in the tax regulations.

In 2018, 2017 and 2016, the Group opted to claim itemized deductions in computing their respective income tax due.

Presented below are the details of the Group's NOLCO and MCIT.

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2018	December 31, 2021	P 295,406	P 8,427
2017	December 31, 2020	190,652	5,025
2016	December 31, 2019	174,511	4,146
		P 660,569	P 17,598

For financial reporting purposes, no deferred tax assets relating to NOLCO and MCIT were recognized by the subsidiaries, except for several subsidiaries. Management believes that there is no assurance that their related tax benefits will be realized by the subsidiaries within the prescribed period. The details of unrecognized deferred tax assets are as follows:

		2018		2017
NOLCO	P	176,679	P	193,586
MCIT		24		67
Allowance for impairment of receivables and equity advances		423		100
	P	177,126	P	193,753

23. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The Group's related parties include intermediate parent company, associates, other entities under common control and the Group's key management and retirement fund plan as described below and in the succeeding pages. Related parties under common control are subsidiaries and associates of SMC through direct or indirect equity ownership.

The following are the transactions with related parties.

Related Parties	Notes	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	7, 13, 18	2018	P 117,038	P 63,185	P 21,605	P 220,826	On demand or 30 days from the date of billing; Noninterest-bearing	Secured by advance rentals and security deposits, and unsecured
		2017	113,455	94,813	32,267	157,120		
		2016	107,198	51,728	70,817	155,483		
Under Common Control	4, 7, 8, 17	2018	255,874	44,962	88,070	133,616	On demand or 30 days from the date of billing or less than 2 to 4 years; Interest-bearing	Secured by advance rentals and security deposits, and unsecured
		2017	343,978	25,994	171,505	120,048		
		2016	217,431	47,028	109,308	148,791		
Associates	28.2	2018	390	-	206,995	-	On demand, interest-bearing	Secured
		2017	215	-	191,279	-		
		2016	1,626	-	183,863	-		
		2018	P 373,302	P 108,147	P 316,670	P 354,442		
		2017	P 457,648	P 120,807	P 395,051	P 277,168		
		2016	P 326,255	P 98,756	P 363,988	P 304,274		

(a) Revenue from related parties consist of real estate sales, lease income, management and other administrative fees, room revenues, sale of food and beverages and interest income from deposits with the Group's associate.

(b) Purchases from related parties consist of management and other administrative services, technical services and administration of the construction of the Group's real estate projects, implementation of computer software and purchase of raw materials and supplies.

(c) Amounts owed by related parties consist of contract receivables, accounts receivables, due from related parties, deposits and cash advances. Contract receivables are payable in cash based on monthly amortization schedule. Rental receivables from lease of properties are payable in cash within 30 days from the date of billing. Accounts receivables and cash advances are payable in cash on demand.

(d) Amounts owed to related parties consist of accounts payable, due from related parties, advance rentals and security deposits. These are all payable in cash. Leases to related parties are secured with advance rentals, which are applied at the end of the lease term. Security deposits are refundable in cash at the end of the lease term.

(e) The Group maintains a partially funded, noncontributory post-employment defined benefit plan that is being administered by the BOT of the Group's Retirement Plan. The Group's plan assets includes shares of stock and debt securities issued by public entities within SMC Group which accounts for 0.41% and 0.23% of the STP and 0.65% and 0.29% of the total FIP as of December 31, 2018 and 2017, respectively. The details of the retirement plan are presented in Note 21.2. The Group has no transaction with the retirement plan other than contribution and benefit payments.

(f) The compensation of key management personnel of the Group is broken down as follows:

	2018	2017	2016
Short-term employee benefits	P 42,910	P 36,388	P 26,895
Post-employment benefit	3,107	3,101	1,850
	P 46,017	P 39,489	P 28,745

24. EQUITY

24.1 Capital Stock

The Company's capital stock consists of:

	Shares		Amount	
	2018	2017	2018	2017
Capital stock – P.01 par value Authorized	1,500,000,000	1,500,000,000	P 15,000,000	P 15,000,000
Issued and outstanding:				
Balance at beginning of year	599,995,840	572,010,840	P 5,999,959	P 5,720,109
Issued during the year	82,504,000	27,985,000	625,040	279,850
Balance at end of year	682,499,840	599,995,840	6,624,999	5,999,959
Treasury stock – at cost	(315,771)	(315,771)	(9,515)	(9,515)
Total outstanding	682,180,169	599,680,169	P 6,615,444	P 5,990,444

On January 30, 1998, San Miguel Properties Philippines, Inc. (SMPPI) and Monterey Farms Corporation (MFC) executed a merger, which made MFC as the surviving entity. Prior to the merger, the shares of MFC totaling 115,919,850 was already listed and approved by PSE on January 30, 1986. These shares were initially issued at an offer price of P10 per share. There were no additional shares listed subsequent to the initial listing. On July 14, 1998, the SEC approved the change of corporate name from MFC to San Miguel Properties, Inc.

On January 3, 2012, the PSE issued Memorandum Circular No. 2012-0003, announcing the effectivity of the Amended Rule on Minimum Public Ownership. Under this memorandum, all listed companies are required to maintain a minimum public ownership of 10% of all issued and outstanding shares. On December 28, 2012, the Company received a letter from PSE imposing trading suspension until June 30, 2013 due to failure to comply with the minimum public ownership requirement.

On February 5, 2013, the BOD approved the filing of the petition for voluntary delisting and conduct of a tender for the acquisition of common shares held by the minority shares. On March 4, 2013, the Company filed with the PSE the petition for voluntary delisting with May 6, 2013 as the effective date of the delisting of the Company's common shares from the PSE. On April 25, 2013, the PSE approved the voluntary delisting of the Company following the completed tender offer made to acquire 1,072 shares from minority shareholders of which 309 shares was transferred and recorded as treasury shares for an equivalent transaction value of P41.

On June 29, 2017, SMC has agreed to subscribe 27,985,000 additional shares of the Company out of the 928,304,831 unissued shares from the approved increase of authorized capital stock in 2016. Total additions to Capital Stock and Additional Paid-in Capital accounts arising from the share subscription by the Intermediate Parent Company amounted to P279,850 and P278,451, respectively. Total costs directly related to the issuance of shares amounting to P1,399 were deducted from the Additional Paid-in Capital account.

On February 19, 2018, SMC subscribed additional shares of the Company from the unsubscribed portion of the existing authorized capital stock in the amount of P1,250,000 divided into 62,500,000 shares with par value of P10 per share. Total additions to Capital Stock and Additional Paid-in Capital accounts amounted to P625,000 and P618,750, respectively. Total costs directly related to the issuance of shares amounting to P6,250 were deducted from the Additional Paid-in Capital account.

The Company has more than 200 stockholders holding shares of the Company's capital stock as of December 31, 2018 and 2017. The Company is still qualified to be a public corporation based on its quasi-public registration with the SEC.

As of December 31, 2018 and 2017, the Company has 75 stockholders owning 100 or more shares each of the Company's capital stock.

24.2 Restriction on Retained Earnings

Retained earnings is restricted for dividend declaration in the amount of P9,515 equivalent to the cost of the 315,771 shares held in treasury as of December 31, 2018 and 2017, and also, the accumulated share in profit of associates amounting to P1,680,570 and P1,790,986 for the years then ended.

24.3 Appropriation of Retained Earnings

In 2011, the BODs approved the appropriation of P5,000,000 of the Group's retained earnings for its existing and pipeline real estate projects. On March 14, 2017, the Company's BOD reversed the appropriation amounting to P5,000,000 as the purpose for which such appropriations were made has been completed. Also on the same date, the Company's BOD approved the appropriation of P4,500,000 of the Company's retained earnings for the development of Caticlan project from 2017 to 2022.

24.4 Other Reserves

In 2018 and 2016, the excess of the total consideration and the acquired interest of Geosolutions and Zee2 Resources amounting to P10,216 and P182,099, respectively, is presented as part of Other Reserves in the consolidated statements of changes in equity. The total consideration paid in the acquisition in 2018 and 2016 amounted to P229,500 and P290,700, respectively.

In 2010, GSIS exercised the put option which gave the Company 100% equity ownership interest in SMPI Flagship. This resulted in the recognition of Other Reserves that pertain to the excess of the exercise price of the put option paid by the Company and its corresponding share in the additional net assets of SMPI Flagship amounting to P88,200.

25. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

	2018	2017	2016
Net profit attributable to owners of the parent company for the year	P 293,535	P 392,833	P 217,695
Divided by weighted average number of outstanding common shares *(in thousands)*	651,764	585,688	496,695
Earnings per share – basic and diluted	P 0.45	P 0.67	P 0.44

The weighted average number of shares as of December 31, 2018 is computed as follows:

	Number of Shares	Months Outstanding	Weighted Number of Shares
Balance at beginning of year	599,680,169	12	7,196,162,028
Share issuance in February	62,500,000	10	625,000,000
Balance at end of year	662,180,169		7,821,162,028
Divided by			12
Weighted average number of shares outstanding			651,763,502

Diluted earnings per share equal the basic earnings per share since the Company does not have dilutive shares as of December 31, 2018, 2017 and 2016.

26. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

26.1 Operating Leases – Group as Lessor

The Group is a lessor under operating leases covering certain real estate properties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates of 5% to 10%.

The future minimum lease collections receivable under these operating leases as of December 31 are presented below.

		2018		2017
Within one year	P	301,475	P	265,809
After one year but not more than five years		116,438		803,177
After 5 years but not more than ten years		40,691		69,051
	P	458,604	P	1,138,037

The total rentals from these operating leases amounted to P362,172, P348,013 and P343,346 in 2018, 2017 and 2016, respectively, and presented as Rental Income account in the consolidated statements of comprehensive income.

26.2 Operating Lease – Group as Lessee

The Group is a lessee under an operating lease agreement covering a certain parcel of land. The lease has a lease term of 10 years, with renewal options and is not subject to escalation clauses. Rental expense recorded in the Group's books amounted to P24,771, P24,768 and P5,820 in 2018, 2017 and 2016, respectively, and is presented as part of Cost of Rentals account in the consolidated statements of comprehensive income (see Note 18).

26.3 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business.

In 2007, a provision amounting to P4,564 in connection with Excel Unified's pending settlement of a dispute regarding a right of way in Wedgewoods was recognized. The provision remains outstanding as of the reporting periods and is presented as Provision under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The Group's management, based on the advice of its legal counsels, believes that the recognized provision with regard to its legal case is reasonable and additional liabilities or losses, if any, that may arise from other claims will not have material effect on its consolidated financial statements.

26.4 Others

There are other contingencies that arise in the normal course of business that are not recognized in the Group's consolidated financial statements. As of December 31, 2018 and 2017, the Group's management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

It is the Group's policy to ensure that capabilities exist for active and prudent management of its financial risks. The Group does not engage in any speculative derivative transactions. The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

The Group's principal financial instruments include non-derivative instruments which arise directly from its operations. The financial risks to which the Group is exposed to are described below and in the succeeding page.

27.1 Market Risk

(a) Foreign Currency Risk

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine pesos which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to cash in bank. However, the amount is insignificant as of December 31, 2018 and 2017. The Group has no financial liabilities denominated in foreign currency.

(b) Interest Rate Sensitivity

The Group's exposure to changes in interest rates relates primarily to the Group's interest-bearing loans and borrowings and cash and cash equivalents which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The table below illustrates the sensitivity of consolidated profit before tax for the years in regards to the Group's cash and cash equivalents and interest-bearing loans and borrowings. These percentages have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at end of the reporting periods.

	2018		2017		2016	
	Reasonably possible change in rate	Effect in profit before tax	Reasonably possible change in rate	Effect in profit before tax	Reasonably possible change in rate	Effect in profit before tax
Profit before tax						
Net increase	+0.56%	(P 37,902)	+0.14%	(P 13,122)	+0.16%	(P 14,674)
Net decrease	-0.56%	37,902	-0.14%	13,122	-0.16%	14,674

(c) Other Price Risk Sensitivity

The Group's market price risk arises from its AFS financial assets which is considered negligible as the amount of the assets is not material. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment.

27.2 Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of real estates are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has provided allowance for impairment on receivables, where necessary, for potential losses on credits extended. The Group's contract receivables are effectively collateralized by real estate titles, which are subject to rescission and repossession upon nonpayment after reasonable collection effort has been exerted by the Group while the Group's rental receivables are effectively collateralized by security deposits and advance rental which can be applied by the Group upon default of the lessee of its contracted rental payment. Other financial assets are not secured by any collateral or other credit enhancements.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of advance rentals, security deposits and collaterals, if any.

Generally, the maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown on the face of the consolidated statements of financial position as of December 31, 2018 and 2017 (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes		2018		2017
Cash and cash equivalents	6	P	796,982	P	1,245,345
Receivables - net (excluding advances to contractors)	7		523,087		1,312,550
Contract assets	15		62,145		-
		P	1,382,214	P	2,557,895

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500 for every depositor per banking institution.

(b) Receivables and Contract Assets

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all Receivables and Contract assets.

The Group's Contract receivables and Contract assets relate mostly to receivables from third parties arising from sale of real estate and undeveloped land. The Group uses credit loss rate approach to calculate ECL for Contract receivables and Contract assets. The management determined that there is no required ECL to be recognized on the Group's Contract receivables and Contract assets as it is secured to the extent of the fair value of the real properties sold since the title to the real estate properties remains with the Group until the contract assets or receivables are fully collected. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient.

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

Other components of Receivables such as Accounts receivable, Rental receivables and Due from related parties are also evaluated by the Group for impairment and assessed that no ECL should be provided based on the available liquid assets and credit standing of the counterparties. Further, rental receivable is secured to the extent of advance rental and rental deposit received from the lessees.

The Group's management considers that all the financial assets are not impaired, except those specifically provided with allowance for impairment, as of the end of the reporting periods.

27.3 Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and, (d) to maintain an adequate time spread of refinancing maturities.

The maturity profile of the Group's financial liabilities (excluding unpaid taxes and provisions) as of December 31, 2018 based on contractual undiscounted payments is as follows:

	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Loans and borrowings	P 10,430,574	P -	P -	P -
Trade and other payables	727,656	143,125	11,152	-
Rental deposits	103,238	10,247	3,917	6,431
Due to related parties	33,357	-	-	-
	P 11,294,825	P 153,372	P 15,069	P 6,431

The maturity profile of the Group's financial liabilities (excluding unpaid taxes and provisions) as of December 31, 2017 based on contractual undiscounted payments is as follows:

	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Loans and borrowings	P 8,832,392	P -	P -	P -
Trade and other payables	1,424,216	131,156	7,425	-
Rental deposits	50,562	79,820	3,885	2,868
Due to related parties	25,924	-	-	-
	P 10,337,094	P 210,976	P 11,310	P 2,868

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2018		2017	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	6	P 796,982	P 796,982	P 1,245,345	P 1,245,345
Receivables – net (excluding advances to contractors)	7	523,087	523,087	1,312,550	1,312,550
Financial assets at FVOCI	15	13,610	13,610	-	-
AFS financial assets	15	-	-	10,685	10,685
		P 1,333,679	P 1,333,679	P 2,568,580	P 2,568,580
Financial liabilities					
Financial liabilities at amortized cost:					
Loans and borrowings	16	P 10,357,380	P 10,357,380	P 8,803,746	P 8,803,746
Trade and other payables	17	917,064	917,064	1,562,797	1,562,797
Due to related parties	23	33,357	33,357	29,924	29,924
Rental deposits	23	123,833	123,833	135,764	135,764
		P 11,431,634	P 11,431,634	P 10,532,231	P 10,532,231

See Notes 2.5 and 2.14 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2018 and 2017 and does not have relevant offsetting arrangements. Currently, all financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BODs and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Notes 7 and 23 can be potentially offset to the extent of their corresponding outstanding balances.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and nonfinancial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current bid price.

29.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of December 31, 2018 and 2017 approximate their fair value. Except for cash and cash equivalents which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

29.3 Fair Value Measurement of Financial Assets

The Group's golf club shares classified as financial assets at FVOCI (previously AFS financial assets) are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

The fair value of these financial assets increased by P2,925 and P900 in 2018 and 2017, respectively. The changes in fair value is presented as Fair Value Gains account in the consolidated statements of comprehensive income and the accumulated changes is presented as part of Accumulated Fair Value Gains (Losses) – net account in the Equity section of the consolidated statements of financial position.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in 2018 and 2017.

The Group has no financial liabilities measured at fair value as of December 31, 2018 and 2017.

29.4 Fair Value Measurement on Nonfinancial Assets

Management considers the hierarchy of disclosed fair values of raw land inventory and investment property measured at cost and the fair value used to determine the impairment loss on certain property and equipment to be at Level 3. The fair value is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations, from existing bid and offer prices and from recent sale transactions of adjacent properties. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties and raw land inventory are their current use.

The Level 3 fair value of raw land inventory and investment properties was derived using the observable recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

There has been no change to the valuation techniques used by the Group during the year for its investment properties. Also, there were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in 2018 and 2017.

30. CAPITAL MANAGEMENT OBJECTIVE, POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to stockholders or issue new shares.

The Group defines capital as paid-in capital stock, which includes additional paid-in capital and retained earnings, both the restricted and available for dividend declaration portions. Other components of equity such as treasury shares and revaluation reserves are excluded from capital for purposes of capital management. The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total liabilities (excluding deferred tax liabilities – net) divided by total equity attributable to owners of the Company [excluding accumulated fair value gains (losses) – net, cumulative translation adjustment and reserve for retirement plan]. Capital for the reporting periods as of December 31, 2018, 2017 and 2016 under review is summarized as follows:

	2018	2017	2016
Total adjusted liabilities	**P 11,841,359**	P 11,003,248	P 10,602,462
Total adjusted equity	**20,934,705**	19,741,129	18,789,995
Debt-to-equity ratio	**0.57:1.00**	0.56:1.00	0.56:1.00

The Group, except for BOC which is subject to certain capitalization requirement by the BSP, is not subject to externally imposed capital requirements.

31. SUPPLEMENTAL INFORMATION ON NONCASH ACTIVITIES

Discussed below are the supplemental information on noncash investing activities relative to the consolidated statements of cash flows of the Group.

Nature of transaction	Notes	**2018**	2017	2016
(a) Additions to investment property as a result of acquisition of a subsidiary	12	**P 695,306**	P -	P -
(b) Derecognition of investment properties as a result of disposal of controlling interests on subsidiaries	5.3, 12	-	685,814	-
(c) Additions to investment property through acquisition of a new subsidiary which remain unpaid as of December 31, 2017	17	-	707,403	-
(d) Reclassification of deposits under Other noncurrent assets to to Intangible assets and Investment property	12	-	-	140,000

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Loans and Borrowings (see Note 10)	Accrued Interest Payable (see Note 17)	Due to Related Parties (see Note 23)	Total
Balance as at January 1, 2018	P 8,802,746	P 29,386	P 29,924	P 8,862,856
Cash flows from financing activities				
Additional loans and borrowings	66,645,234	-	-	66,645,234
Repayment of loans and borrowings	(65,091,580)	(399,180)	-	(65,490,760)
Receipt of advances from related parties	-	-	3,433	3,433
Non-cash financing activity – Accretion of interest	-	405,165	-	405,165
Balance as at December 31, 2018	P 10,357,100	P 35,171	P 33,357	P 10,425,388
Balance as at January 1, 2017	P 8,586,265	P 26,305	P 54,152	P 8,676,722
Cash flows from financing activities				
Additional loans and borrowings	43,011,177	-	-	43,011,177
Repayment of loans and borrowings	(42,802,696)	(268,115)	-	(43,072,811)
Receipt of advances from related parties	-	-	(24,228)	(24,228)
Non-cash financing activity – Accretion of interest	-	271,996	-	271,996
Balance as at December 31, 2017	P 8,802,746	P 29,186	P 29,924	P 8,865,856

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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The Board of Directors and Stockholders
San Miguel Properties, Inc. and Subsidiaries
(A Subsidiary of San Miguel Corporation)
3rd Floor, San Miguel Head Office Complex
No. 40 San Miguel Ave., Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Properties, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2018, on which we have rendered our report dated March 12, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 12, 2019

Annex "D.1"

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
December 31, 2018

(1) Supplementary Schedules to Consolidated Financial Statements
(Annex 68-E, IRC Rule 68)

Schedule	Content
A	Financial Assets Financial assets at fair value through other comprehensive income Held-to-maturity Investments Available-for-sale Financial Assets
B	Amounts Receivable/Accounts Payable from/to Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

(2) Aging of Receivables

(3) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

(4) Reconciliation of Retained Earnings Available for Dividend Declaration as of December 31, 2018

(5) Map Showing the Relationship Between the Company and its Related Entities

(6) Schedule of Financial Soundness Indicators

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets (Financial assets at fair value through other comprehensive income)
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Riviera Golf Shares	1	P 4,170	P 4,170	P -
Sta. Elena Golf	1	5,500	5,500	-
Mimosa Golf	4	1,600	1,600	-
Meralco	91,011	910	910	-
Apo Golf	1	530	530	-
Tagaytay Midlands	1	650	650	-
Metroclub	1	250	250	-
Italian Country Club	89	-	-	-
	91,109	**P 13,610**	**P 13,610**	**P -**

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets (Held-to-maturity Investments)
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets (Available-for-sale Financial Assets)
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SEC Rule 68
Annex 68-E
Schedule B - Amounts Receivable/Accounts Payable from/to Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Deductions*		*Ending Balance*		*Balance at end of period*
			Amounts collected	*Amounts written off*	*Current*	*Not current*	

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2020
(Amounts in Thousand Philippine Pesos)

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions: Amounts Collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Non Current	Balance at the end of the period
Advances to Subsidiaries:							
Rosa Pointe Realty Corp	P 105,933	P 6,500	(P 2,085)	P	P 108,818	P	P 108,818
Lorenzo de Maya Realty Corp	339,681	600,148	(3,340)		936,489		936,489
First Monte Sierra Realty Corp	35,370	3,370	(435)		38,305		38,305
El Maestro Realty Corp	28,693	1,677	(543)		30,827		30,827
La Vendana Realty Corp	105,650	35,255	(906)		139,996		139,996
Batangas Bay Holdings, Inc.	7,377	443	(81)		7,659		7,659
Palawan White Sands Holding Co.	1,628	335	(35)		1,898		1,898
Coron Islands Holdings, Inc.	15,171	932	(125)		15,978		15,978
Caliraya Prime Holdings, Inc.	2,355	756	(43)		2,618		2,618
Balabac Property Holdings Co.	3,087	431	(38)		3,438		3,438
Maison 17 Properties, Inc.	-	872	(872)		-		-
Dinampua Water Holdings, Inc.	5,835	337	(45)		6,025		6,025
Silang Resources, Inc.	3,763	315	(4,078)		-		-
Sant Originals	97,346	7,591	(1,096)		103,841		103,841
Zabel Polo Club Inc.	-	404	(404)		-		-
HQ Business Center Phils., Inc.	-	215	(215)		-		-
First HQ Ayala Business Center	-	738	(738)		-		-
Carroll Realty, Inc.	78,837	4,884	(8,023)		75,498		75,498
Grandlane Realty Corporation	93,183	9,957	(830)		102,309		102,309
Haight Yosemite Realty, Inc.	247	15,570	(15,916)		342		342
Integrated Geosolutions, Inc.	9,047	13,220	(390)		21,877		21,877
E. Pass Investment Holdings, I	29	11,406	(11,435)		-		-
Bellas Realty And Development	45,478	3,005	(408)		54,918		54,918
Brightshore Realty And Developer	690,726	40,976	(2,197)		799,505		799,505
Bu Cruz Resource Management,	100,055	4,274	(829)		107,600		107,600
Tanauan Resources, Inc.	476,631	26,753	(3,607)		497,747		497,747
812 Amaris Holdings Corporation	168,086	12,277	(1,347)		179,941		179,941
Peninsula Realty Inc.	114,672	8,187	(908)		121,889		121,889
Apiro Solutions Resources Corp.	58,673	9,385	(414)		58,561		58,561
Kingsborough Realty Inc.	64,347	6,808	(479)		58,136		58,136
Picasso De Alta Realty Corp	161,134	8,269	(1,595)		167,898		167,898
Excel Unified Land Resources C	-	2,855	(2,855)		-		-
Sergi Makati Flagship Realty Co	380	1,363	(1,094)		650		650
La Belle Plaza	90,000	8,854	(91,819)		7,041		7,041
Elite Montagne (Phil.) Aldea Real	3,877	339	(67)		4,554		6,334
Mooring Development, I	-	3,019	(551)		2,468		3,468
Haley Holmes Realty Devels	-	3,315	(697)		2,526		3,336
Newscape Haven Developers	-	4,112	(574)		3,538		3,968
Castlestoupe Realty Dev	888	2,088	(997)		1,783		3,783
Town Castillian Devels	65	38,973	(187)		38,849		38,849
Casa Salvaro Holdings Inc	-	416	(545)		278		270
Quicksilver Development Corporation	-	10,406	(128)		9,983		9,583
Uno Clarity Investment Holdings, Inc.	-	4,065	(1,865)		2,290		2,300
Zeal Resources, Inc.	-	335,000	(20,522)		314,478		314,478
Pomona Land Resources, Inc.	500	4,095	(320)		4,270		4,270
	P 3,108,313	P 1,443,410	(P 166,222)	P -	P 4,344,507	P -	P 4,344,507

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SRC Retained Amended SRC Rule 68
Annex 68-E
Schedule D - Intangible Assets - Other Assets
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Description	Beginning balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Deductions: Other changes additions (deductions)	Ending balance
Goodwill	P 27,460	P -	P -	P -	P -	P 27,463
Trademarks and Other Intangibles						
Cost						
Licenses	P 33,567	P 577	P -	P -	P -	P 34,144
Land use rights	164,215	-	-	-	-	164,218
Other Intangibles	-	-	-	-	-	-
	P 197,780	P 102	P -	P -	P -	P 198,477
Accumulated Amortization and Impairment Losses						
Licenses	(P 28,695)	P -	(P 6,181)	P -	P -	(P 30,876)
Land use rights	-	-	(652)	-	-	(652)
Other Intangibles	-	-	-	-	-	-
	(P 28,695)	-	(P 6,833)	P -	P -	(P 35,506)
Net Book Value	P 193,880	P 577	(P 6,833)	P -	P -	P 160,871

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule E - Long-Term Debt
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule F - Indebtedness to Related Parties
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name and designation of debtor	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule G – Guarantees of Securities of Other Issuers
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H - Capital Stock
December 31, 2018
(Amounts in Thousand Philippine Pesos)

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Common shares - P10 par value	1,500,000,000	662,185,169	-	662,102,498	-	71,671

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Aging of Receivables
December 31, 2018
(Amounts in Thousand Philippine Pesos)

	Total Receivables	Non-Current	Current	TRADE RECEIVABLES PAST DUE			
				Not more than 30 days	*More than 30 days but not more than 60 days*	*More than 60 days but not more than 90 days*	*More than 90 days*
Trade	P 410,805	P 73,405	P 173,474	P 82,650	P 21,672	P 898	P 153,709
Non-Trade	112,294	-	60,518	7,757	303	1,037	42,497
	P 523,087	P 73,405	P 232,984	P 90,407	P 21,975	P 1,935	P 196,206

San Miguel Properties, Inc. and Subsidiaries
(A Wholly Owned Subsidiary of San Miguel Corporation)
Schedule of **Philippine Financial Reporting Standards and Interpretations**
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts	✓		
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss**	✓		
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)**			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 32: Classification of Rights Issues**	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective January 1, 2019)*			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

SAN MIGUEL PROPERTIES, INC.
(A Subsidiary of San Miguel Corporation)
3rd Floor, San Miguel Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2018

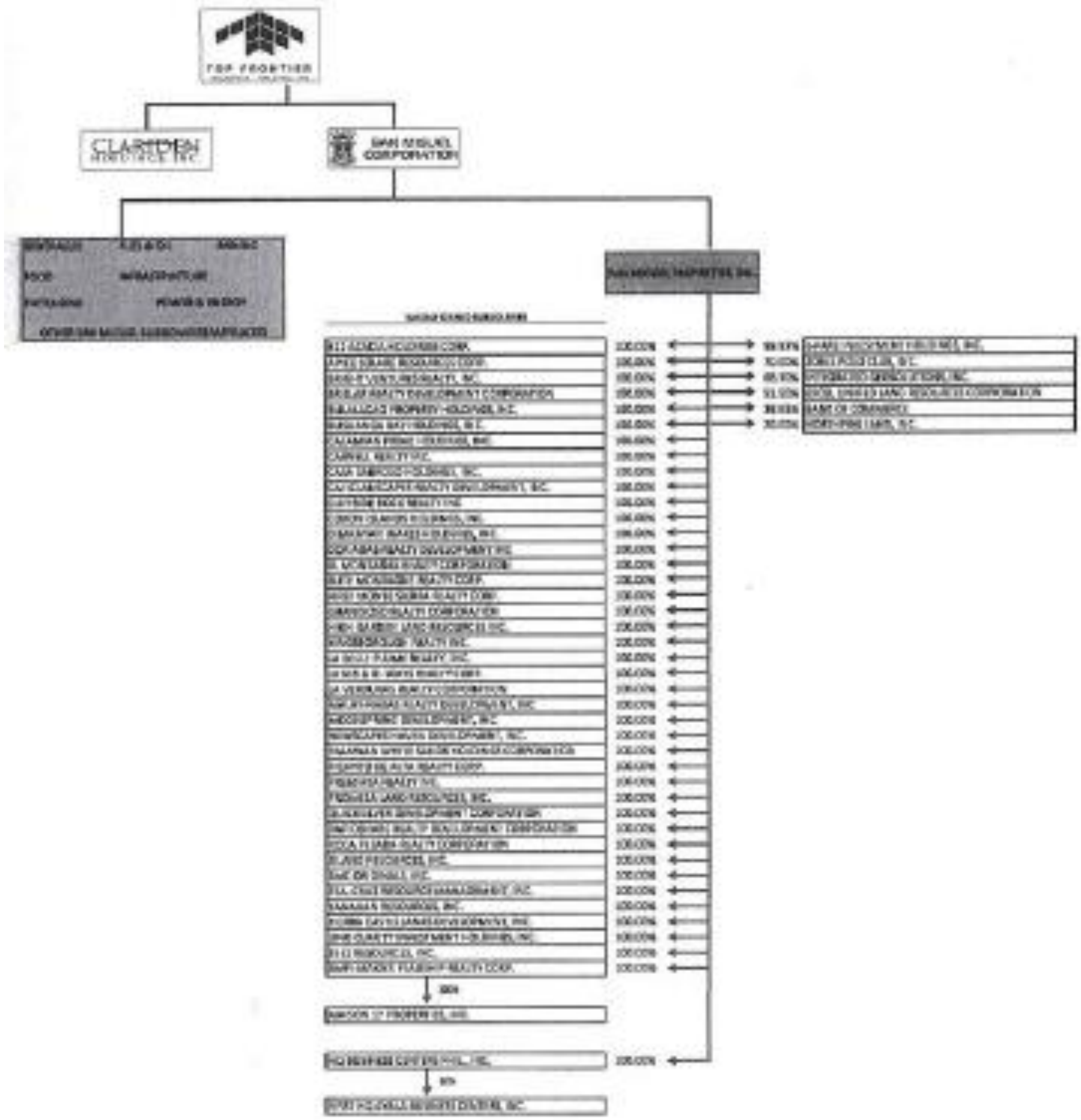
Unappropriated Retained Earnings at Beginning of Year			P	2,729,836,872
Less Prior Years' Outstanding Reconciling Items				
Beginning Deferred Asset			(	78,910,324)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted				2,650,926,548
Net Profit Realized during the Year				
Net profit per audited financial statements	P	255,438,678		
Deferred tax income	(	27,911,548)		227,527,130
Retained Earnings Restricted for Treasury Shares			(	9,515,759)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year			**P**	**2,868,937,919**

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES

(A Subsidiary of San Miguel Corporation)

MAP SHOWING THE RELATIONSHIP AMONG AND BETWEEN THE COMPANY AND ITS RELATED ENTITIES

December 31, [illegible]



SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
SEC Released Amended SRC Rule 68
Annex 68, per Bulletin No. 1 dated February 16, 2012
Schedule of Financial Soundness Indicators
For the Years Ended December 31 2018, and 2017

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurement based on the financial data of the current periods against the same period of previous year.

Key Performance Indicators	For the Years Ended December 31	
	2018	2017
Current Ratio	0.60 : 1.00	0.74 : 1.00
Total Assets to Equity Ratio	1.56 : 1.00	1.56 : 1.00
Debt to Equity Ratio	0.57 : 1.00	0.56 : 1.00
Return on Average Equity Attributable to Owners of the Parent Company	1.46%	2.00%
	For the Years Ended December 31	
	2018	2017
Volume Growth		
Lease	11.12%	29.17%
Real Estate Sales	(28.73%)	19.39%
Hotel	24.15%	2.89%
Revenue Growth	(20.72%)	39.47%
Operating Margin	8.32%	22.81%
Interest Coverage Ratio	2.19 : 1.00	3.99 : 1.00

The manner by which the Group calculates the above indicators is as follows:

Key Performance Indicators	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Total Assets to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity + Non-Controlling Interest}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Excluding deferred tax liabilities)}}{\text{Total Equity (Excluding Accumulated Fair Value Loss, CTA, Reserve for Retirement Plan, Treasury Shares and NCI)}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Owners of the Parent Company*}}{\text{Average Equity Attributable to Owners of the Parent Company}}$
Volume Growth	$\left[\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right] - 1$
Revenue Growth	$\left[\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right] - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$
Interest Rate Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense and Other Financing Charges}}$