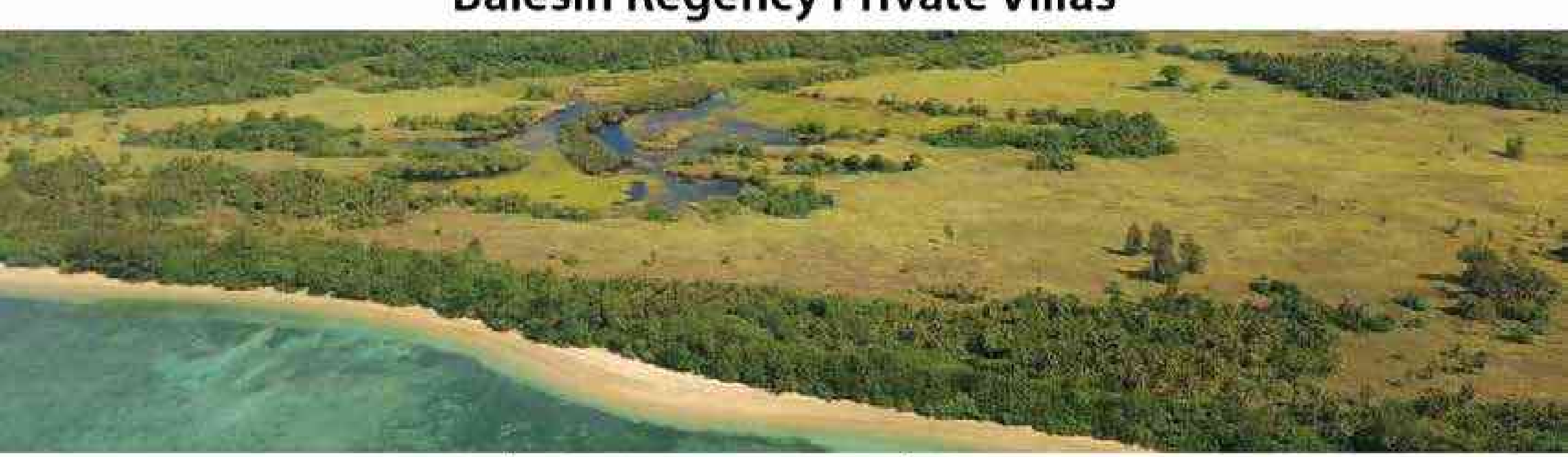
# alphaland
CORPORATION

# ANNUAL REPORT 2018

Balesin Regency Private Villas



Balesin International Gateway

Alphaland Baguio Mountain Lodges Quadruplex Lodges

# ABOUT US

Alphaland Corporation, a Philippine property development company, is managed by the RVO Capital Ventures Group.

Alphaland's corporate philosophy states:

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

# ALPHALAND - UNIQUE!

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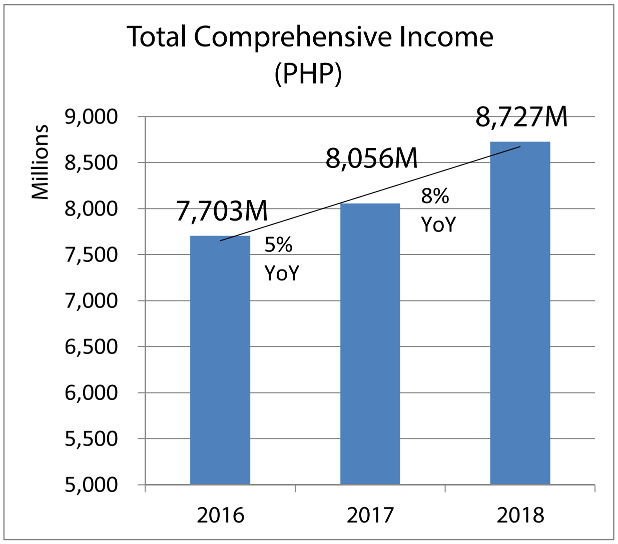
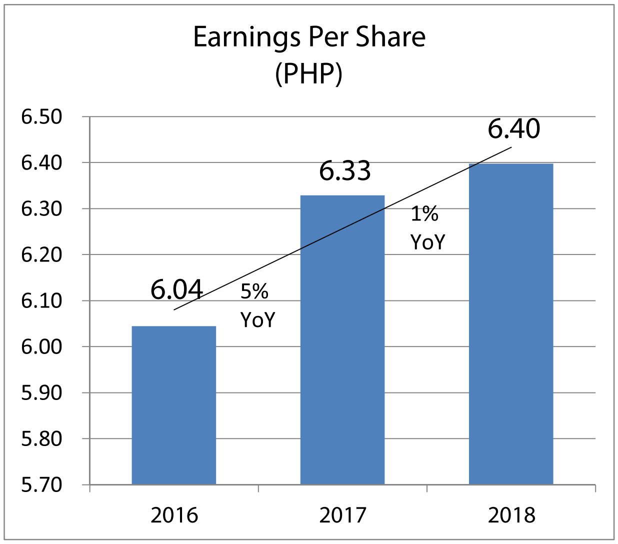
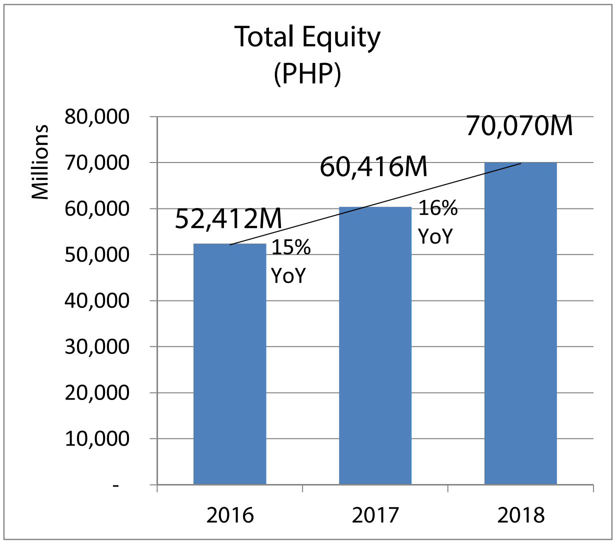
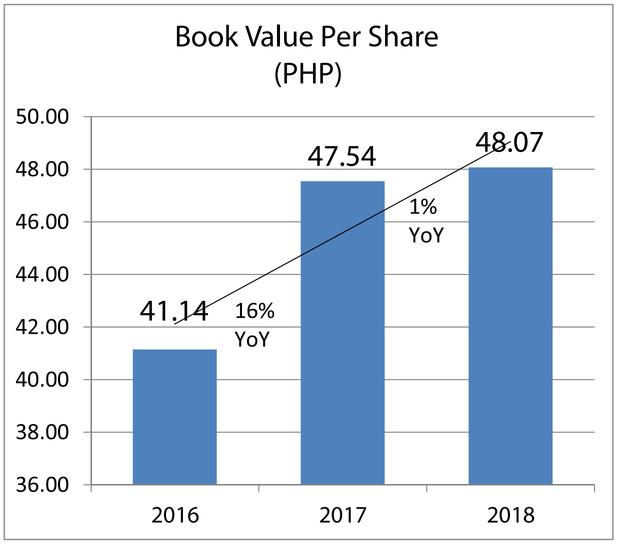
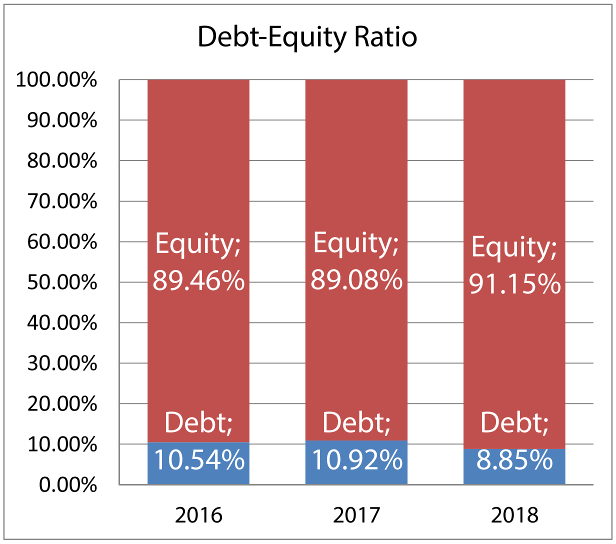
# ALPHALAND CORPORATION FINANCIAL HIGHLIGHTS

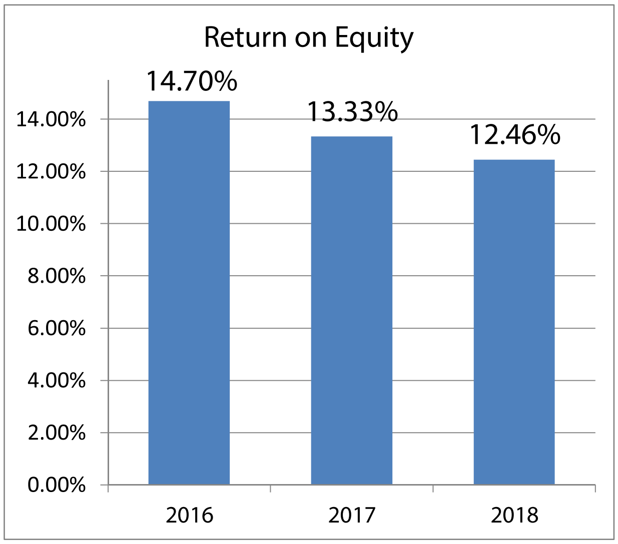

Total Comprehensive Income
(PHP)
Millions
9,000
8,500
8,000
7,500
7,000
6,500
6,000
5,500
5,000
7,703M
8,056M
8,727M
5%
YoY
8%
YoY
2016
2017
2018


Earnings Per Share
(PHP)
6.50
6.40
6.30
6.20
6.10
6.00
5.90
5.80
5.70
6.04
6.33
6.40
5%
YoY
1%
YoY
2016
2017
2018


Total Equity
(PHP)
Millions
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
52,412M
60,416M
70,070M
15%
YoY
16%
YoY
2016
2017
2018


Book Value Per Share
(PHP)
50.00
48.00
46.00
44.00
42.00
40.00
38.00
36.00
41.14
47.54
48.07
16%
YoY
1%
YoY
2016
2017
2018


Debt-Equity Ratio
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Equity; 89.46%
Equity; 89.08%
Equity; 91.15%
Debt; 10.54%
Debt; 10.92%
Debt; 8.85%
2016
2017
2018


Return on Equity
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
14.70%
13.33%
12.46%
2016
2017
2018

# OFFICE OF THE CHAIRMAN


**ANNA BETTINA ONGPIN**
PRESIDENT

**ROBERTO V. ONGPIN**
CHAIRMAN AND CEO

**MICHAEL A.P.M. ASPERIN**
COO & BALESIN ISLAND CLUB CEO

# CHAIRMAN'S LETTER

February 3, 2019

Dear Shareholders,

The year 2018 was a busy and exciting one for your company. During the year, we shifted our focus from building and selling assets to concentrating on recurring income. Thus, our financial numbers showed only a modest increase, but the quality of our comprehensive net income has improved dramatically. From Php 8.1 billion in 2017, it rose to Php 8.7 billion in 2018.

Foremost among our recurring income contributors was the Alphaland Corporate Center, which heretofore had been planned to be sold as a residential development. We converted it into an office tower, consisting of 27,000 square meters. By May 2018, it was 100% leased at an average of Php 1,350 per square meter, a record for the Makati area. Additionally, we converted the remaining units in The Residences at Makati Place, consisting of 249 suites, into a luxury serviced apartment business, which we named The Alpha Suites. With its launching just in May 2018, The Alpha Suites had already contributed Php 18 million of EBITDA after only six months of operation.

We thus converted potential asset sales of about Php 2 billion into recurring income, which dampened sales revenue growth, but was replaced by the much higher-quality recurring income revenue.

Your company has now a Php 70 billion net worth, and we rank among the top 5 largest property companies in the country.

Our comparative financial highlights are summarized on the charts on page 5.

Alphaland's balance sheet continues to be exceptionally strong, with a ratio of 8.85% in debt as against 91.15% in equity. This is the opposite of most property companies, where equity is typically much smaller than the debt component.

A significant event was the sale of Alphaland Southgate Tower and Mall at the beginning of 2019 (and therefore not reflected in the 2018 financial statements), at a handsome profit. The resulting financial impact was very welcome for Alphaland. We were able to prepay our long-term BDO loan of Php 5.6 billion. Additionally for 2019 and beyond, while we will forego the annual rental income from Southgate, we will be able to eliminate about Php 1 billion in debt service. This will have a dramatic positive impact on our financial performance for 2019 and beyond.

In addition, 2019 will be marked by our relisting on the Philippine Stock Exchange (in October 2019), after a five-year recess.

We are presently in discussions with various investor groups who will take an equity stake in Alphaland, and thus be our "anchor investor". We will therefore be able to have a much more aggressive expansion program beginning this year, as a result of having cashed out of the Southgate investment.

The most significant project that we broke ground on in December 2018 is the Balesin International Gateway on Patnanungan Island, only about 21 nautical miles from Balesin. The Balesin International Gateway (BIG) will have a 2.5 kilometer runway and international airport, an 18-hole championship golf course, and 5 branded hotels, plus about 2,000 home sites. BIG will not be a membership club like Balesin, but will be open to the public. We also foresee an increase in our membership in Balesin Island Club, due to the fact that visitors from all over the region will now be able to bypass the congestion in Manila, and land at BIG where we will have a jetfoil ferry (similar to Hong Kong-Macao ferries), and be in Balesin in about 45 minutes from the time they land at BIG from Hong Kong, Taiwan, Japan, Korea, Singapore, Thailand, Indonesia, and other major markets.

At 732 hectares, BIG is about three-fourths the land area of Boracay and 1-1/2 times the size of Balesin, and is undoubtedly a major project. Our intention is to partner with a major international property developer, and we are presently in discussion with several groups on this matter at this time of writing.

The master plan for BIG has been completed by EcoPlan of Florida, the same master planner that we had for Balesin, and we are now working on more detailed plans.

I am also pleased to inform you that our various projects continued to make steady progress in 2018. Our flagship project, Balesin Island Club, had another successful year. In August 2018, we started construction of the Balesin Regency Private Villas which will consist of 4 separate structures with 44 keys and 52 suites. Completion of the first Regency Private Villa will be in March, with the total project being completed in June of this year. With the completion of the Balesin Regency Private Villas, we will have a total of 384 suites in Balesin Island.

Our Alphaland Baguio Mountain Lodges continued to progress, with the completion of 21 single-family lodges (all sold). Our quadruplex multi-family lodges of 2 and 3 bedrooms, which consist of some 15 structures for a total of 60 home units, sell for about half the price of the single-family units, and we are already experiencing brisk market interest.

A project that we launched in October of 2018 is Top of the Alpha, a top-of-the-line chic night spot. It occupies the entire Penthouse floor of the Alphaland Corporate Center and is already a favorite of Manila's nightlife crowd.

Late in December 2018, the Securities and Exchange Commission finally approved our 1-for-10 stock split, which we had applied for a year earlier. With the approval only recently, these figures have not yet been reflected in the 2018 audited statements. Actually, it has really zero financial impact, other than each shareholder will get 10 shares for every 1 that he holds.

In 2018, we were delighted to have several distinguished individuals join our Board. They are Senator Juan Edgardo M. Angara, Atty. Florentino M. Herrera III, Atty. Francisco Ed. Lim, Mr. Eric O. Recto, Atty. Gilberto C. Teodoro, Jr., Mr. Dennis A. Uy, Fr. Jose Ramon T. Villarin and Mr. Gregorio T. Yu. Their biographies are in the section of Board of Directors later on in this annual report.

In closing, we are bullish for 2019. Not only has Alphaland made fundamentally sound financial and operating decisions in 2018, we also see the following favorable impact from the economy as a whole, which will provide a good environment for our property business:

(a) Inflation has been tamed. It was down to 5.1% in December. We expect inflation to be lower in 2019;

(b) Oil prices, a very vital element in our economy, have been at more reasonable levels (during the past few months, they were about 30% lower than earlier 2018 levels);

(c) The remittances from OFWs have remained strong. This has a very important impact on the economy;

(d) The Philippine peso, from an erratic start in 2018 having been at Php 54.50 / US$1, is now trading at a more appropriate rate of Php 52.20 / US$1. The currency exchange rate has a fundamental and dramatic impact on the economy, and recent developments that have strengthened the peso are very welcome.

Finally, I wish to thank all our shareholders, our staff, our members in the various clubs, and our many customers and friends, for their continuing confidence in Alphaland. We will do our best to improve Alphaland's prosperity in 2019 and the years to come.

Sincerely yours,

ROBERTO V. ONGPIN
Chairman

**NICHOLAS BELASCO**
GENERAL MANAGER
THE CITY CLUB

**MARK BIDDLE**
EXECUTIVE CHEF

**MA. LOURDES A. TORRES**
VP - HUMAN RESOURCES
AND ADMINISTRATION

**ENRICO SISON**
SVP - DESIGN

**CRISTINA ZAPANTA**
SVP - FINANCE

**JERIC POSIO**
VP - FINANCIAL
PLANNING

**ENGR. EMMANUEL**
**MARING**
SVP - PROPERTY
MANAGEMENT
AND LEASING

# MANAGEMENT COMMITTEE

**BENEDICT FRANCIS VALDECAÑAS, MD**
MEDICAL DIRECTOR
AEGLE WELLNESS CENTER

**ATTY. JASON ALBA**
GENERAL COUNSEL

**ATTY. CLIBURN ANTHONY A. ORBE**
OF COUNSEL

**ALAIN BORGERS**
PRESIDENT
THE ALPHA SUITES

**JON-JOVEN UY**
ASSISTANT GENERAL MANAGER
THE ALPHA SUITES

**CAPT. ARTURO BUENAVENTURA**
OFFICER IN CHARGE
ALPHALAND AVIATION

(From bottom)
1st row: Mary Ann Evans Ramos (Senior Assistant General Manager for Club Operations)

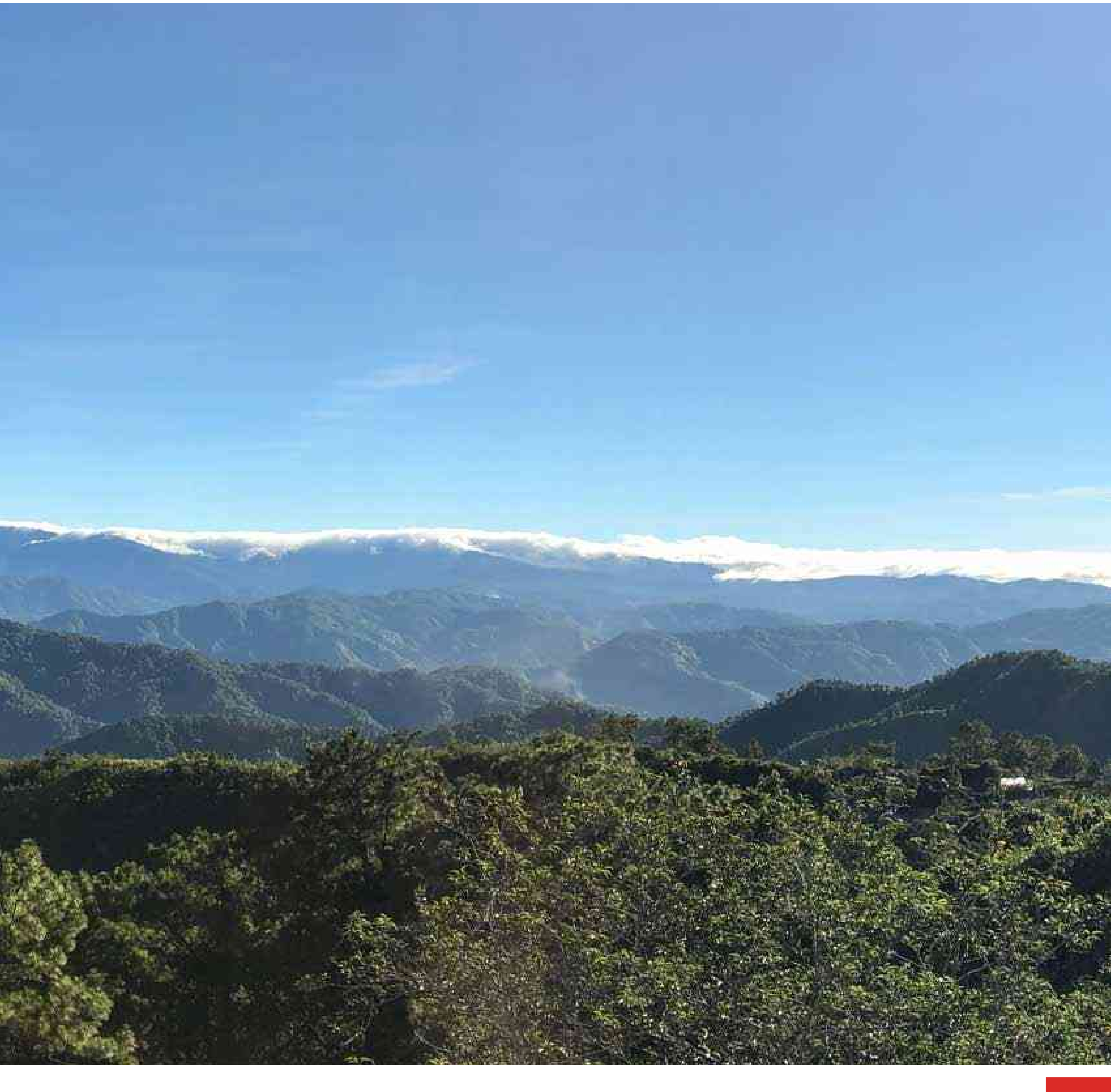
2nd row: Joey Jumawan (Assistant General Manager for Food & Beverage), Rodrigo Jerusalem (Assistant General Manager for Motorpool)

# THE BALESIN MANAGEMENT COMMITTEE

3rd row: Dennis Adan (Village Manager for Phuket Village and Balesin Royal Villa), Ramil Panganiban (Assistant General Manager for South Villages Operations), Luisa Frances Banta (Concierge & Shop Manager), Rico Landicho (Assistant General Manager for North Villages Operations), Arnel Toledo (Village Manager for Bali Village)

4th row: Vincent Robert Da Silva (Village Manager for St. Tropez Village), Anne Jayme (Officer-in-Charge for Balesin Village), Rene Boy Esmael (Village Manager for Mykonos Village), Chef Orvin Aure (Assistant Executive Chef)

# ALPHALAND BAGUIO MOUNTAIN LODGES



**BREATHTAKING VIEW FROM ALPHALAND BAGUIO MOUNTAIN LODGES PROJECT SITE**

ALPHALAND BAGUIO MOUNTAIN LODGES CLUBHOUSE INN

The Alphaland Baguio Mountain Lodges is a master-planned development of 300 lodge-style log homes and quadruplexes, situated on an 82-hectare property. The development is just 9 kilometers north of Baguio City on Ambuklao Road, which is now fully paved and is only a 15-minute drive from Baguio City proper. The development will also offer three helipads.

The site enjoys lush Benguet pine forest and totally pollution-free mountain air. There are 7 designs and floor plans to choose from, and the homes will be sited to maximize the views of the surrounding pine-forested mountains. The free-standing, individual log homes range in size from 4 to 6 bedrooms, while quadruplexes will house the 2- and 3-bedroom homes; all will be sold fully furnished. Each home will be constructed from western cedar or pine logs imported from Scandinavia. The entire property will be secured by an 8-foot concrete perimeter fence, with 12 security outposts.

The master plan was completed by EcoPlan of Florida in the U.S., the same master planner for Balesin Island. The lodges will be sold individually as horizontal condominiums, where the land will be proportionately owned by all 300 homeowners. This will allow for the optimization of the locations and views of all of the home sites.

Each quadruplex or cluster of 5 to 8 individual homes will have its own water cistern that collects rainwater from the roof of each building, and each home or quadruplex will have a complete genset that will serve as a backup source of power. Landscaping will be provided and maintained by Alphaland, to the usual superior Alphaland standard.

On the main Ambuklao Road part of the property, we will construct a commercial center consisting of 8 pine log units, which we will provide rent-free to the best restaurants and popular shops in Baguio, as well as a laundromat for the convenience of our homeowners.

As of December 2018, we have completely built and furnished 21 log homes and have started building the 2- and 3-bedroom quadruplex units, which will be delivered by the end of April 2019. Aside from these, a total of 3.37 km of primary roads (6m wide) has been constructed, as well as a stretch of 495 meters of concrete half-lane roads (3m wide), and another 759 meters of cemented secondary roads. We have laid out a total of 1,500 meters of underground electrical lines. In addition, we have started building the mini sports center/gymnasium, which will be completed by the end of January 2019.

RIPRAP STONEWORK

VIEW FROM CLUBHOUSE INN OUTDOOR DINING AREA

CLUBHOUSE INN INDOOR DINING AREA

FIRST HOME CLUSTER

CLUBHOUSE INN SCENIC ELEVATOR

VIEW OF SURROUNDING MOUNTAINS

VIEW FROM MODEL E DECK

CLUBHOUSE INN OUTDOOR DINING AREA

MOUNTAIN VIEW FROM CLUBHOUSE INN
LOWER GROUND GUEST ROOM

3-BEDROOM QUADRUPLEX LODGE

MODEL E MASTER BEDROOM

MODEL D

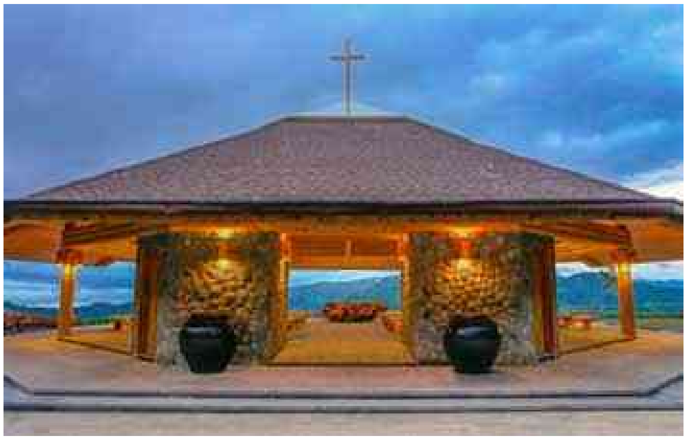
MODEL B LIVING ROOM

MODEL B KITCHEN & DINING AREA

MODEL B SAUNA IN MASTER BEDROOM

MODEL E DEN

2-BEDROOM QUADRUPLEX LODGE



FRONT VIEW OF THE CHAPEL

INSIDE VIEW OF THE CHAPEL

NURSERY FOR 50,000 PINE TREES

FLOWER NURSERY

CHAPEL ALTAR

HELIPAD

Toscana Village
St. Tropez Village
Cove Deck
Mykonos Village &
Thanassis Taverna
Mykonos Beach Villas
Poseidon Lounge
Aegle Wellness
Center
Pony Paddock
Soccer & Baseball Field
Balesin Private Villa
6-Bedroom
Balesin Private Villa
8-Bedroom
Balesin Private Villa
4-Bedroom
Water Villas
Nusa Dua Bar
Balesin Seafood Farm
Balesin Seafood Shack
Rico's Hideaway
Bali Village & Warung

# ALPHALAND BALESIN ISLAND CLUB


MAP OF BALESIN ISLAND CLUB

THE POOL AREA AT PHUKET VILLAGE

alphaland
BALESIN ISLAND CLUB

With more than seven kilometers of white-sand beach, Balesin Island sits in the Pacific Ocean, 29 nautical miles off the eastern coast of Luzon, and just 20 minutes by plane from Manila.

Balesin is an exclusive, world-class island resort off the east coast of the Philippines, for members only. It is the flagship project of Alphaland Corporation. Balesin Island sits in the Pacific Ocean, 29 nautical miles off the eastern coast of Luzon. It is 20 minutes' flight time from Manila or 30 minutes from Clark, on Alphaland's private fleet of airplanes, which are boarded at Alphaland's private terminals at both airports. Balesin Island is about 500 hectares in size, of which less than 40 hectares (about 8%) will ever be developed. The majority of the island is undisturbed, original tropical rainforest. The island is ringed by more than seven kilometers of white-sand beach.

The resort redefines the Asian luxury beach experience, which is characterized by excellent service, and provides a comprehensive array of facilities, for an endlessly varied and evolving lifetime experience for its members.

The accommodations consist of 7 villages, each inspired by world-renowned destinations: Balesin, Bali, Costa del Sol, Mykonos, Phuket, St. Tropez, and Toscana. Each village is a distinct experience, and effectively a resort in itself. Each is designed and executed authentically, from architecture and interiors to landscaping and cuisine. The emphasis of the design is on privacy and exclusivity. Many of the accommodations are standalone villas, while the suites are also very private.

The Balesin Royal Villa is a majestic structure that is an ideal venue for large family and social gatherings, weddings, and corporate retreats. The Royal Villa's upper floor offers 4 spacious Maharlika suites, accessible via private elevator, with their own private decks and jacuzzis. On the ground floor are 10 villa-type suites with private entrances, as well as a luxuriously appointed Salon opening out onto a sweeping deck with two pools overlooking the sea.

The Balesin Private Villas are the Club's newest amenity, offering casual luxury in 8-, 6-, and 4-bedroom private homes for extended families or corporations. Situated on pristine beachfront lots with a view of the sunset, the Private Villas feature stunning infinity pools with adjoining jetted whirlpools, fully equipped kitchens, billiard rooms and lounges with bar, karaoke rooms, cozy libraries, home offices, and expansive, skylit living and dining areas with indoor greenscape centerpieces. Each bedroom suite has an unobstructed view of the pool and beach, and includes an en-suite bathroom and private outdoor shower.

HORSEBACK RIDING ON THE BEACH

THE BALESIN SPA

AERIAL VIEW OF THE BALESIN ROYAL VILLA

THE BALESIN PRIVATE VILLA INFINITY POOL

## BALESIN REGENCY PRIVATE VILLAS

In mid-2018, construction began on the Balesin Regency Villas, which are four private villas that offer 14, 12, 12, and 6 suites, respectively. The 14-suite villa offers 14 keys (all one-bedroom suites) with a capacity of 50 people; the 12-suite villa offers 12 keys (with 8 two-bedroom suites and 4 one-bedroom suites) with a capacity of 68 people; the second 12-suite villa offers 12 keys (all one-bedroom suites) with a capacity of 42 people; and the 6-suite villa offers 6 keys (all one-bedroom suites) with a capacity of 20 people. Much like the Balesin Private Villas, the Regency Villas are situated on choice beachfront lots with infinity pools, and feature expansive living and dining areas, billiard rooms and lounges, libraries, and stunning ocean and sunset views. The Private Villas and Regency Villas are maintained and serviced by the Club.

In addition to the villages, there are extensive central facilities, including a main clubhouse larger than most country clubs, a Sports Center, an Aquatic Sports Center, the Aegle Wellness Center, numerous restaurants, and many others.

Balesin is also home to the M/Y "Obsessions" super yacht for the use of its members and guests. The 38.5-meter

BALESIN SPORTS BAR

BALI VILLA

M/Y OBSESSIONS

INTERIOR OF THANASSIS TAVERNA IN MYKONOS

BALESIN 8-BEDROOM PRIVATE VILLA


THE BALESIN ROYAL VILLA

COSTA DEL SOL CASA GRANDE

PHUKET SALATHIP

BALESIN SALA

TOSCANA VILLAGE

ST. TROPEZ

NUSA DUA BAR

RUNWAY LIGHTS

aluminium-hulled vessel was built by the world-renowned Heesen Yachts in Holland and is the pride of their fleet. The yacht has four beautifully decorated staterooms, all with en-suite bathrooms, and is often chartered for full-day trips to the surrounding Polillo Island group, as well as for sunset cruises around the island, dinners, and photo shoots.

Balesin Island Club offers a number of complimentary villa nights a year depending on the type of membership. Members and their guests can choose to use these complimentary nights at any of the villages or at the clubhouse suites, which are designed for larger families.

Balesin's E.L. Tordesillas Airport, named after the founder of the original resort, has a 1.5 kilometer-long concrete runway, built to international aviation standards, that can accommodate regional aircraft and private jets. The club recently invested in runway lights with Area Navigation (RNAV) approach capability, so it can now operate as a 24-hour aerodrome. The club operates its own fleet of aircraft to bring guests to and from the island, and has operated a capacity of 1,000+ seats a day during peak periods. A key aspect of the flight experience are our own private terminals at the Ninoy Aquino International Airport (NAIA) and at Clark International Airport, which are much more convenient—and luxurious—than the crowded public Domestic Terminals.

BALESIN CRAB FROM BALESIN SEAFOOD FARM

FAMILY PICNIC GROVE

## "Green" Balesin

Alphaland utilized revolutionary technologies and concepts in developing Balesin Island Club. In any island development, the main challenge is water supply. The concrete runway serves as a rainwater catchment, collecting over 200 million liters per year into man-made lakes. The harvested water is processed into potable water via ultrafiltration, and is then distributed around the island. Used water is processed aerobically and anaerobically in modular sewage treatment plants,

BALESIN ISLAND RESERVOIR

CRAB AND FISH FARM

producing Class A greywater. This reclaimed greywater is used for the island's lush landscaping during the summer months. Balesin, is thus, uniquely among island resorts, self-sufficient in water.

The island also produces a lot of its own food, which is made possible by the abundant water. The original fishing community that continues to live on the island supplies the fish served in its restaurants, and also staffs the aquaculture facilities, which include fish and shellfish farms. The banana plantations on the island produce a surplus, which is sent to the mainland and marketed there. In addition, 40,000 coconut trees on the island, with more planted every year, provide an ample supply of coconuts. Compact, high-technology organic vegetable farms established near the airport yield much of the produce needed by the island's restaurants, although some items (like rice and meats) will always be brought in from the mainland, as we would rather not clear forest to accommodate these.

Location and ambiance are keys to Balesin Island's overall vision. In this regard, the resort's architectural design remains in harmony with its natural surroundings. This was achieved by partnering with one of the world's pre-eminent hospitality master planners, EcoPlan, of Florida, USA. EcoPlan has ensured that each structure never overwhelms its environment in any way.

As part of our drive toward sustainability and ecological responsibility, in the second half of 2018 we replaced all our plastic drinking straws with biodegradable paper straws. We have also replaced plastic water bottles with our own refillable glass bottles of Balesin purified water, which has passed all required sanitary and laboratory tests.

There are 150 million tons of plastic items floating around or washed ashore in many countries around the world. Balesin is doing our bit to address this very serious problem.

In addition, Balesin has zero emissions of waste water into the sea around it. From the start, each of Balesin's villages had a sewage treatment facility. Last year, we completed the construction of a state-of-the-art central Sewage Treatment Plant (STP), where all the waste water and sewage from the individual villages is treated. The STP plant cost us Php40 million, but it was worth every penny.

We are proud to maintain the highest standards of environmental protection, which have guided us from the beginning of Balesin Island Club.

BALESIN ISLAND
PURE WATER

BIODEGRADABLE PAPER STRAW
IN OUR BUKO JUICE

BIODEGRADABLE LAUNDRY BAGS

THE AVIARY

BADMINTON COURTS

**SPORTS and RECREATION**

Outdoor Activities

- Archery - Archery Range near the Sports Center
- Basketball - Outdoor Basketball Court at the Sports Center
- Bicycling - Bicycles are available for use at the Main Clubhouse
- Bird Watching - The Aviary
- Boating - Speedboats and sailboats may be rented at the Aquatic Sports Center; the M/Y Obsessions super yacht may be chartered for outings, dinners, and photo shoots
- Children's Outdoor Playground, next to the Aquatic Sports Center
- Fishing - Deep sea, on board the M/Y Obsessions or on one of our fleet of speedboats, or gallery fishing at Fish Fun or Family Picnic Grove
- Gardening - Balesin has an Organic Vegetable Garden, where guests may harvest their own salads
- Hiking - 8 kms of nature trails through forest and banana fields
- Horseback Riding - Island Trail Ride, Bullring (equestrian), at the Stables
- Kayaking - Aquatic Sports Center
- Knockerball – Sports Center and soccer pitch
- Mountain Biking - The highest point of Balesin is just 10m above sea level, but we do have mountain bikes available for rent
- Paddle Boarding, Standup - Aquatic Sports Center
- Paintball/War Games - Sports Center
- Picnicking - Family Picnic Grove, which also offers fishing
- Sailing, Hobie Bravo - Aquatic Sports Center
- Sailing, Paraw (native boat) - Aquatic Sports Center
- Scuba Diving - Aquatic Sports Center
- Segway - Sports Center
- Snorkeling - Aquatic Sports Center
- Soccer – Soccer pitch, near the Sports Center
- Sunbathing - The main beach and all pool areas are provided with sun loungers.
- Surfing - Available at certain seasons, off various beaches. Our Aquatic Sports Center staff will show you the different breaks.
- Swimming - Beach swimming with lifeguards is available at specified schedules. The Clubhouse has a lagoon pool, three outdoor whirlpools, and a kiddie pool; each village has one or more pools while Mykonos Cove Deck has five outdoor whirlpools, and Poseidon has an indoor/ outdoor infinity pool; the Balesin Spa has a private pool
- Tennis - Outdoor Tennis Court, Sports Center
- Volleyball (beach) - Balesin Sala Beach Area
- Wakeboarding - Aquatic Sports Center
- Waterskiing - Aquatic Sports Center
- Windsurfing (sailboarding)- Aquatic Sports Center

Indoor Activities

- Badminton - Indoor Courts, Sports Center
- Basketball - Indoor Basketball Court, Sports Center
- Billiards - Game Room, Main Clubhouse
- Boxing, with trainer - Sports Center
- Children's Indoor Playroom – Sports Center
- Dancing - Ballroom, Latin, and other styles at various events throughout the island

- Gym - Sports Center
- Karaoke - Babes', Mike's and Rannie's KTV Rooms, Main Clubhouse
- Mahjong - Mahjong Rooms, Main Clubhouse
- Mixed Martial Arts, with trainer - Sports Center
- Poker and other card games - Poker Rooms, Main Clubhouse
- Reading - E.L. Tordesillas Library, Main Clubhouse
- Rock Climbing Wall - Sports Center
- Smoking - Tabacalera Cigar Divan, Main Clubhouse
- Table Tennis (Ping Pong) - Game Room, Main Clubhouse
- Tennis - Indoor Tennis Court, Sports Center
- Wii© - Wii© Room, Main Clubhouse

**DINING**

- Dining - Breakfast buffet, Main Clubhouse Lounge
- Dining - Filipino, Main Clubhouse Lounge, Balesin Dining Room, Verandah, Balesin Sala
- Dining - Fish "catch-it-yourself" at Fish Fun and Family Picnic Grove
- Dining - French, at St. Tropez Village
- Dining - Greek at Thanassis Taverna and Cove Deck, Mykonos Village, and Poseidon, Mykonos Beach Villas
- Dining - Indonesian at Bali Warung and Nusa Dua Bar
- Dining - Italian at Toscana Village
- Dining - Korean at Han Gang, Main Clubhouse
- Dining - Japanese at Sakura, Main Clubhouse
- Dining - Spa cuisine at Ambrosia, Aegle Wellness Center
- Dining - Spanish at the Restaurante Español and Tapas Bar, Costa del Sol Village
- Dining - Steak at Mark's Steak House, Main Clubhouse
- Dining - Thai at Salathip, Phuket Village
- Dining - Mongolian BBQ and mixed grill for lunch and cocktails for sunset at Rico's Hideaway
- Dining - Seafood at Balesin Seafood Shack and Fish Fun
- Dining, Private - Michelle's and Anna's at Main Clubhouse, Private Dining Rooms at Bali, Phuket, St. Tropez, Costa del Sol Village, Toscana, and Mykonos Village
- Cocktails - The Main Clubhouse has three (3) bars, the Pool bars serve the swimming pools and the beach, and the sala of each village has a bar with general cocktails and drinks and wines unique to its theme. The open-air Nusa Dua bar at Bali village sits on stilts on the water.

**SPA & WELLNESS**

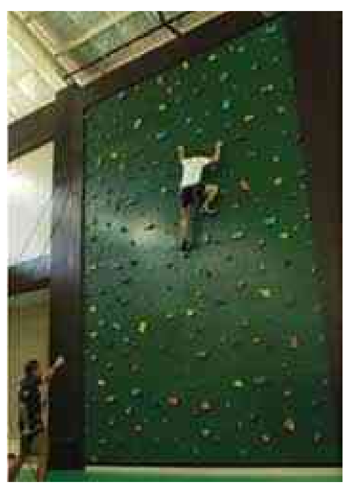
- Massage (various types) - Balesin Spa and Aegle Wellness Center
- Sauna and Steam Bath - Balesin Spa
- Aegle Wellness Center, adjacent to Mykonos Beach Villas
- Thalassotherapy, Aegle Wellness Center
- Spa cuisine, Ambrosia at Aegle Wellness Center

**AMENITIES**

- Concerts and Performances – Clubhouse Performance Theatre, Main Clubhouse
- Haircuts and grooming – Salon & Barber Shop, Main Clubhouse
- Locker Rooms (Men's and Women's) – Main Clubhouse and Sports Center
- Meeting and Conference facilities – Function Rooms, Main Clubhouse; The Balesin Royal Villa
- Shopping - Sundries and souvenirs at Balesin Souvenir Shop, Main Clubhouse and E.L. Tordesillas airport
- Worship - The Balesin Chapel offers regular Catholic Masses on Sundays, and other days of Catholic observance. It is open all day for private prayer, and available for weddings and other occasions.

**TRANSPORTATION**

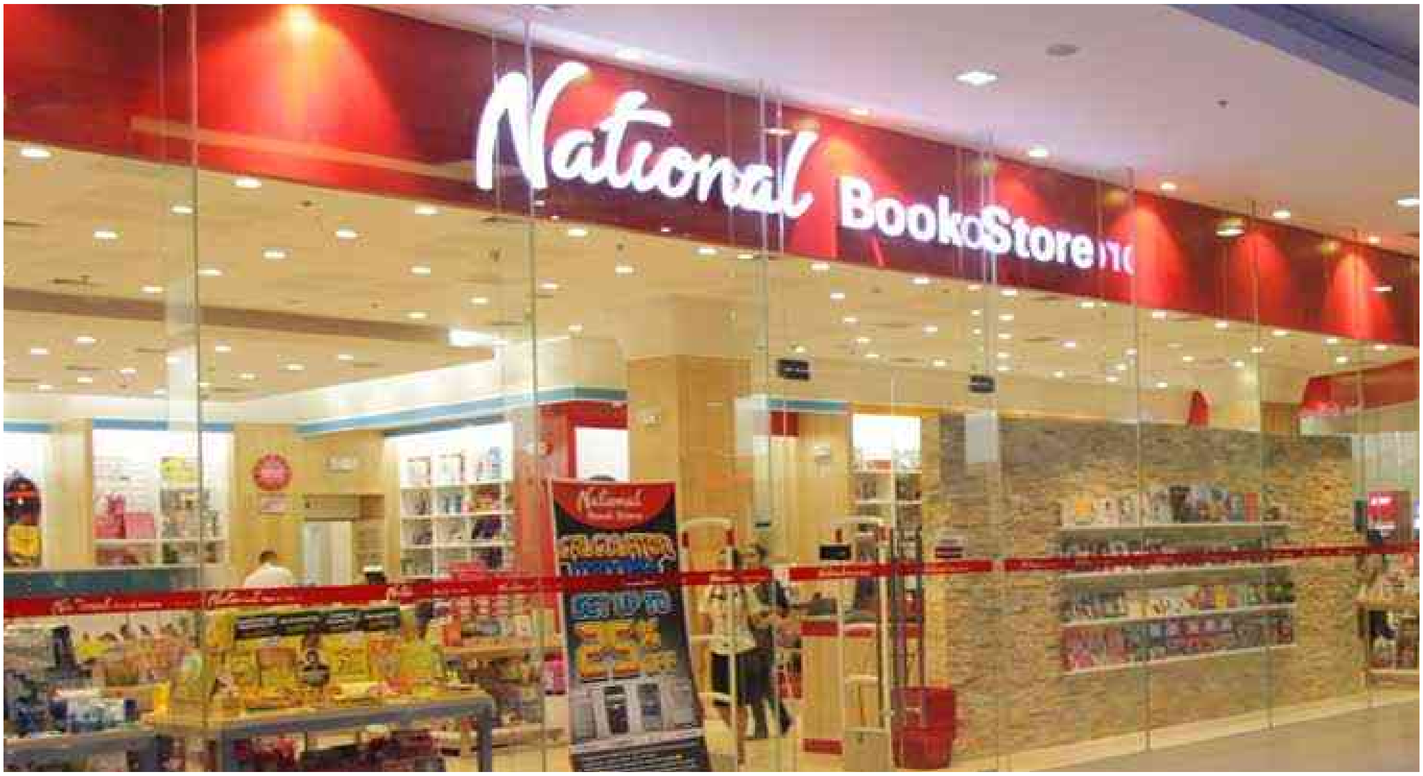
- Golf cart rides - All over the island
- Jeepney rides - All over the island
- Bicycling - Bicycles are available for use at the Main Clubhouse



THE INDOOR CLIMBING WALL AT THE SPORTS CENTER

HOBIE CAT SAILING IN BALESIN'S CLEAR BLUE WATERS

# ALPHALAND MAKATI PLACE




alphaland
MAKATI PLACE
7232 AYALA AVENUE

Continued economic growth brings about the expansion of Makati's Central Business District. Alphaland Makati Place, located on a premium one-hectare property along Ayala Avenue Extension, near office buildings, schools, shopping centers, hospitals, and community areas, leads the charge.

Alphaland Makati Place is a uniquely intelligent, state-of-the-art residential and leisure complex that offers an integrated lifestyle solution in one dynamic complex. Every detail is planned for efficiency, sustainability, and enjoyment.

It consists of 1 corporate and 2 residential/hotel towers on a six-storey podium. The first three floors of the podium contain an upscale public shopping center, high-end supermarket, world-class restaurants, and service hubs. The upper three floors of the podium house The City Club, an exclusive urban sport and leisure membership club and business haven. The City Club also houses Aegle Wellness Center, a center for longevity and holistic health. Atop the six-storey podium are the 250 units that compose The Alpha Suites luxury serviced residences, the 244 units that make up The Residences at Alphaland Makati Place, and the 34-story Alphaland Corporate Tower.

FULLY FITTED KITCHEN AND DINING AREA AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

Alphaland Makati Place is the only complex in the Central Business District to present such a comprehensive living solution. It is designed by the well-established group of architectural and engineering practice, Wong & Ouyang, and the leading architectural firm in the country, Casas + Architects. This complete community is designed to cut down on commuting to enable residents and guests to save time and energy, and minimize traffic, all in secure, private surroundings.

Alphaland Makati Place is designed from the ground up with state-of-the-art building management, automation, and security, as well as energy-efficient mechanical, electrical, and sanitary systems. The complex consumes far less water and energy than comparable buildings, minimizing carbon emissions and unnecessary costs, while still achieving a high level of comfort. Moreover, the basement has five levels of parking, which provide approximately 1,000 parking spaces (the most of any building in Makati) to reduce the urban "heat island effect". The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED).


RUSTAN'S SUPERMARKET


ZOO COFFEE

# ALPHALAND CORPORATE TOWER

The Alphaland Corporate Tower is a 34-story, Grade AAA office building located in the heart of Makati's Central Business District on prestigious Ayala Avenue. Part of the Alphaland Makati Place complex, it offers total leasable space of 26,582 sqm, a panoramic view from each floor, and a total of 27 floors, each with a floor plate of 950 sqm.

Completed in early 2018, the Corporate Tower was fully leased by mid-2018. Each tenant is entitled to 10 City Club shares (worth Php 1.5 million each for a total of Php 15 million) at no cost. The tower offers 4 high-speed elevators, an all-granite and marble entrance lobby, 100% backup genset, and the exclusive Top of the Alpha jazz bar and lounge on the penthouse floor, with its own private elevator.

ALPHALAND CORPORATE TOWER LOBBY

# ALPHALAND CORPORATE TOWER


# TOP OF THE ALPHA

The Top of the Alpha by Louie Y is Manila's premier destination for upscale bar & lounge entertainment. The venue features a magnificent view from every part of the 34th floor penthouse of the Alphaland Corporate Tower in Makati.

Top of the Alpha by Louie Y was officially launched in October 2018, with guest of honor Makati Mayor Abigail Binay, Alphaland Chairman Roberto V. Ongpin, and nightlife impresario Louie Ysmael himself presiding over the ribbon-cutting ceremony.

Top of the Alpha has an L-shaped music lounge where well-known jazz bands perform on a daily basis, a Tabacalera Cigar Divan featuring the country's finest hand-rolled cigars and single-malt Scotch and Cognac pairings, and an open-air wraparound terrace for dining and lounging with a spectacular view of the metropolis. It also has three beautifully designed private rooms featuring large TV monitors where you can view the live bands or your choice of music in a plush, private setting.

Top of the Alpha features all genres of jazz, performed live by Manila's finest jazz bands and talents, such as three-time Aliw awardee

PRIVATE ROOM A

Romy Posadas, versatile multi-awarded singer Kat Agarrado, legendary jazz keyboardist Henry Katindig, contemporary jazz band Kiss The Bride, and jazz mavens Emcy Corteza and The Brass Munkeys.

With a capacity of approximately 200 people, the lounge is also an exceptional venue for private parties and corporate events.

PIANO LOUNGE

BLUE ROOM

SKY LOUNGE

# THE ALPHA SUITES LUXURY SERVICED RESIDENCES

TYPICAL 1-BEDROOM SUITE


THE ALPHA SUITES LOBBY

THE ALPHA SUITES

In late 2017, Alphaland decided to convert its unsold inventory in The Residences at Alphaland Makati Place into luxury serviced apartments. The Alpha Suites serviced residences was launched in May 2018, and is wholly owned and operated by Alphaland Corporation. Composed of 250 suites, it offers several different room types: 1-Bedroom, 2-Bedroom, 2-Bedroom Deluxe, 3-Bedroom, three Penthouses and a two-level Presidential Suite.

Each suite offers bespoke furniture, top-of-the-line appliances, and premium bathroom fixtures. Every unit has a fully equipped kitchen with dishwasher as well as automated lights, window shades, TV lift, and air conditioning; laundry washer and dryer; minibar; and a safe, with the larger units also including a wine chiller. Fixtures for the suites were handpicked from leading global brands, such as Philippe Starck and Electrolux.

Guests of The Alpha Suites have full access to the 50+ facilities and amenities of The City Club, located in the same building, including the 9 world-class restaurants, expansive swimming pool, indoor tennis, badminton, basketball and

LAGOON-STYLE SWIMMING POOL

squash courts, 500-square meter gym, business facilities, etc.

The Alpha Suites quickly achieved profitability just three months into operation, and from May to December 2018 has contributed approximately Php 18 million to Alphaland's bottom line.  It is projected to earn Php 338 million of recurring income per year.

TYPICAL DINING AREA IN THE 1-BEDROOM SUITE

TYPICAL 3-BEDROOM UNIT AT THE ALPHA SUITES


SAKURA

# THE CITY CLUB AT ALPHALAND MAKATI PLACE

THE CITY CLUB ATRIUM

THE CLUB LOUNGE

All rolled into one, like no other! The City Club is a three-hectare lifestyle hub for leisure, entertainment and business options in the heart of Makati's Central Business District. No other club offers all these options in one place.

The City Club is an integral component of Alphaland Makati Place. All tenants of Alphaland Corporate Tower and unit owners at The Residences at Alphaland Makati Place are automatically members of The City Club, while non-residents may also purchase memberships. The Alpha Suites guests also have full access to the club's facilities. Located along Ayala Avenue, it occupies the top three floors of the six-storey podium of Alphaland Makati Place, with an area of 30,000 square meters. It is located within walking distance of many major corporations, residential buildings, and commercial establishments in the Central Business District. This provides convenience from work, home, and everywhere in between.

The City Club houses 9 specialty restaurants where you can choose from a variety of international cuisines. Among them are A

MYKONOS RESTAURANT AT THE CITY CLUB

SPECIALTY OF MYKONOS

CLUB LOUNGE

BOARD ROOM

CONFERENCE ROOM

BANQUET HALL

Taste of France (French), Balesin Islander (Filipino), Costa del Sol (Spanish), Tang Palace (Chinese), Mark's Prime Rib (Steak House), Sakura (Japanese), Mykonos (Greek), Salathip (Thai) and Toscana Ristorante Italiano (Italian). These are complemented by the Tabacalera Cigar Divan, where members can enjoy the finest cigars and single-malt whiskies, and TWG Tea Lounge, serving the finest luxury tea in the world.

Doing business outside the office is never a problem at The City Club. The Club's Business Center includes meeting and conference rooms that provide an ideal working environment. The Club offers Wi-Fi and a state-of-the-art fiber optic network to ensure that members stay connected anywhere around the club's premises. Function rooms are also available for events, from corporate functions to weddings and banquets, and a

GYM

MOVIE THEATER/AUDITORIUM

LIBRARY

PILATES STUDIO

76-seat auditorium is popular for seminars and presentations.

No club is complete without a pool, and The City Club has its lagoon-style swimming pool with additional areas for laps. Children also get to enjoy The City Club's child-friendly facilities, which include a kids' swimming pool, indoor playground, and activity area. Other facilities such as game rooms, KTV rooms, a screening room, and a Wii room provide recreational activities that the entire family can enjoy.

In addition, The City Club has an extensive array of amenities dedicated to your health and wellness needs. Apart from its swimming pools, Aegle Wellness Center & Spa, and a fully equipped 500-square meter gym, sports enthusiasts will enjoy the indoor courts for basketball, tennis, badminton, and squash, and the high-definition virtual golf simulator, which is exclusive to The City Club and is the only one of its kind in the Philippines. For those who want to revitalize their minds and bodies, studios for Pilates, aerobics and yoga can also be found in the Club. There is also a boxing ring and martial arts studio for those who enjoy more strenuous activities.

**CLUB AMENITIES**

- Indoor Tennis Court
- Indoor Basketball Court
- Badminton Courts
- Boxing Ring
- Squash Court
- Gym
- Billiard Tables
- Table Tennis Room
- Aerobics & Yoga Studio
- Martial Arts Studio
- Pilates Studio
- Dance Studios
- Aegle Wellness Center & Spa
- Swimming Pool
- Pool Sunbathing Deck
- High-Definition Virtual Golf Simulator
- Health Bar
- Meeting and Conference Rooms
- Movie Theater/Auditorium
- Library
- Business Center
- Banquet Hall
- Private Function Rooms
- Chinese Function Rooms
- Private Dining Rooms
- The Boardroom
- Large Function Rooms
- Tabacalera Cigar Divan
- Outdoor Activity Area
- Banquets and Events
- Wii Room
- Game Room
- Club Lounge
- Salon & Barber Shop
- KTV Rooms
- Screening Room
- Poolside Restaurant & Al Fresco Bar
- Restaurants:
  — Sakura
  — Salathip Thai Restaurant
  — Tang Palace
  — A Taste of France
  — Costa del Sol
  — Toscana Ristorante Italiano
  — Mark's Prime Rib
  — Balesin Islander
  — Mykonos
- The TWG Tea Lounge
- Children's Indoor Play Area
- Pro Shop
- Outdoor Playground
- Children's Pool
- Snack Bar
- Barbecue Area

TANG PALACE

SALATHIP THAI RESTAURANT

# THE RESIDENCES AT ALPHALAND MAKATI PLACE

**TYPICAL UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE**

TYPICAL DINING AREA AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

THE RESIDENCES alphaland MAKATI PLACE

Dubbed "the home of the future", The Residences at Alphaland Makati Place incorporates the limitless possibilities of future-receptive technology into residents' daily lives through the incorporation of fiber optic infrastructure.

The Residences at Alphaland Makati Place, a meticulously designed complex that ensures a natural fusion of aesthetics and efficiency, offers fully fitted and fully furnished, state-of-the-art Ayala Avenue apartments. The strategic location of the complex makes it a perfect home for dynamic executives, young families, and upwardly mobile singles. The complex incorporates high-speed fiber-optic infrastructure, ensuring that it will be technologically advanced for years to come.

As if that weren't enough, each unit in The Residences at Alphaland Makati Place comes with a resident membership in The City Club, whose top-of-the-line facilities are dedicated to fulfilling the most demanding lifestyle needs.

DESK AREA INSIDE A UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

TYPICAL BEDROOM OF A 2-BEDROOM UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE


alphaland
unique!

# ALPHALAND SOUTHGATE TOWER AND MALL


**ALPHALAND SOUTHGATE TOWER AND MALL, LOCATED AT THE CORNER OF EDSA AND CHINO ROCES AVENUE**

ALPHALAND SOUTHGATE TOWER HAS BECOME A WELCOME ADDITION TO THE CITY SKYLINE

alphaland SOUTHGATE

The Southgate Tower exemplifies the company's vision of superior value transformation.

## ALPHALAND SOUTHGATE TOWER

Located at the intersection of EDSA and Chino Roces Avenue, Alphaland Southgate Tower has become an iconic establishment and functions as the gateway to Makati. Its distinctive LED display, set in the building's blue glass facade, welcomes visitors to the metropolis' Central Business District.

The project began as an unfinished high-rise building that remained idle for nearly 30 years.
The Alphaland Corporation reinvented it as a modern glass office tower with a podium mall, transforming a former eyesore into one of the city's most recognizable and vibrant landmarks.

In 2010 Alphaland Southgate first opened its doors, with the initial batch of tenants composed of companies within the group, including Alphaland itself, PhilWeb Corporation, ISM Communications, and Atok-Big Wedge. Major BPO players such as Teleperformance, GHD Pty. Ltd., Genie Technologies, and Alorica Inc. soon followed. Later on, Anthem Solutions Inc., MRL Gold Phils., Jorge Yulo Architects, and Western Mindanao rounded out the rest of the building's occupants.

By the end of 2011, Alphaland Southgate Tower had reached full occupancy.

## ALPHALAND SOUTHGATE MALL

Convenience is the main driver of the Alphaland Southgate Mall.

The Alphaland Southgate Mall is directly connected to the Southgate Tower. It offers about 18,340 sqm of floor area on three levels, with the third level providing commuters with direct access to the Magallanes MRT station. The building houses major bank branches like BDO and PBCOM, fast-food and casual dining establishments, food kiosks, a department store, computer shops, beauty and wellness shops, and fashion outlets. Mall events are regularly held during holidays on the ground floor and the third floor.

Alphaland's own property operations team addresses tenants' needs and requests. Supported by a professional staff and a 24/7 concierge service, the group deals with any of their construction, engineering, housekeeping, parking, and security concerns that may arise.

The Alphaland Southgate Mall is open from 10AM to 9PM, Mondays to Sundays, including holidays.

THE EIGHTH ANNIVERSARY OF ALPHALAND SOUTHGATE


DEPARTMENT STORE

COFFEE SHOP

ALPHALAND SOUTHGATE MALL INTERIOR

# AEGLE WELLNESS CENTER

AEGLE WELLNESS CENTER AT BALESIN ISLAND CLUB

AEGLE WELLNESS CENTER
AT THE CITY CLUB

AEGLE
WELLNESS CENTER

Aegle Wellness Center is a state-of-the-art integrative health and wellness center purposely set in two complementary sites—a five-star city center facility and an exclusive island resort setting—to nurture and sustain our unique wellness programs.

## AEGLE WELLNESS CENTER

Named after the Greek goddess of radiant good health, Aegle illustrates the marriage of science and health—Aegle being the daughter of Aesculapius, the god of medicine, and Epione, the goddess of soothing of pain. Aegle is the sister of Panacea, the goddess of medicines, and Hygeia, goddess of health.

Aegle is devoted to the maintenance of health through lifestyle modification based on cutting-edge technology from the basic sciences such as cell physiology, molecular biology, and human genomics. Protocols are hinged on the four foundations of wellness: natural detoxification, weight management, ageing medicine, and holistic health.

Complementing the limitations of Western medicine with the preventive health values of traditional healing, Aegle provides multi-faceted programs to address health concerns ranging from treatment of lifestyle diseases, to enhancing function and athletic performance, to providing support to terminal illness prevention.

Leading Aegle's acclaimed medical team is Dr. Ben Valdecañas, the country's leading authority in the field of Sports and Regenerative Medicine.

The city center facility of Aegle Wellness Center, which is located at The City Club, began operations in late 2015, while its second center, located adjacent to the Mykonos Beach Villas in Balesin Island Club, opened its doors in April 2016. The Aegle facility at Balesin offers Thalassotherapy as a centerpiece of its wellness programs.

In late 2018, Aegle Aesthetics—the aesthetics arm of Aegle Wellness Center—introduced an innovative treatment called FaceFitness, the Philippines' first facial workout. FaceFitness is a series of passive and assisted facial muscle exercises that stimulate the facial muscles, restore skin elasticity, kickstart lymphatic drainage, improve blood circulation, and promote collagen production.

## SERVICES AND PROGRAMS

Professional Assessment & Evaluation

- Professional Age Management Consults
- Exercise Instruction, Initiation, and Integration
- Nutritional Consults, Management, and Support
- Life Coaching
- Mind-Body-Spirit Coaching
- Thalassotherapy (Aegle Balesin only)
- Laboratory Assessment
    - ► Complete Blood Analysis and Serum Chemistry
    - ► Body Composition Analysis (BCA)
    - ► Metabolic Analysis Testing
    - ► Food Sensitivity Testing
    - ► Genomic Analysis
    - ► Hormonal Assay
    - ► Micronutrient Assay
    - ► Cancer Markers
    - ► Toxicology Scan
    - ► Gut Micro Biome Analysis
    - ► Oxidative Stress
    - ► Neurotransmitter Assay
    - ► Amino Acid Assay
    - ► Cardiac Vascular
    - ► Chronic Fatigue Syndrome
- Ancillary Assessment
    - ► Plethysmography
    - ► Live Blood Analysis

Treatments

- Hyperbaric Oxygen Therapy (HBOT)
- Colon Hydrotherapy
- Intravenous Detoxification
- Intravenous Supplementation

Aesthetic Treatments

- Skin Renewals
- Skin Regeneration & Remodeling
- Body Reshaping
- FaceFitness and FaceFitness Luxe

FACEFITNESS

PATNANUNGAN ISLAND

Alphaland has acquired more than 700 hectares on Patnanungan Island, which is only 21 nautical miles north of Balesin. Between Balesin and Patnanungan it takes only 10 minutes by helicopter, 5 minutes by our Cessnas, and half an hour by a fast ferry.

We intend to build a full international airport facility with a runway of 2,500 meters, which will accommodate even Boeing 747s, although we are targeting only the Airbus 320s that fly around the region.

We have always envisioned making Balesin directly accessible to international flights. With the establishment of the Balesin Gateway International Airport, our international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hong Kong, Bangkok, Singapore, and

DISTANCE FROM BALESIN TO PATNANUNGAN

Jakarta, and even Sydney, all cities that will be the target of our aggressive international marketing of Balesin Island Club in 2019.

Because the island has fresh ground water, we also plan to build an 18-hole championship golf course and a 300-room hotel, as well as 500 beachfront and golf course homes. So that we do not end up with a mish-mash of designs and are able to preserve the pristine character of the land, we will design and build each individual home. The homes can be directly owned by individuals and companies who would like to acquire their own beach houses.

The entire project will take 3 to 4 years to complete. In 2018, we partnered with EcoPlan (the same master planner for Balesin Island) to finalize the master plan for the island and continued to work on obtaining the necessary permits and regulatory approvals.

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# BALESIN INTERNATIONAL GATEWAY MASTER PLAN

**Master Plan Highlights:**

- 732-hectare project site (approximately 1.5 times the size of Balesin Island)
- Five luxury hotels
    - Oceanview rooms
    - World-class spas
    - Ballrooms sized to hold a variety of events
- 1,834 Residential units
    - Single family residential
    - Multi-family
- Resort branded residential
- International airport with 2,500-meter long runway
- 18-hole championship golf course
    - Par 72
    - 7,150 yards
    - World-class practice facilities
- Commercial village
- Environmental and sustainable components

**Legend:**

*A. Beachfront Hotel (220 Rooms & 100 Branded Residential)*
*B. Beachfront Hotel (210 Rooms & 17 Branded Residential)*
*C. Beachfront Hotel (230 Rooms)*
*D. Beachfront Hotel (200 Rooms)*
*E. Beachfront Hotel (220 Rooms)*
*F. Single Family Residential*
*G. Multi-family Residential (Blocks of 12 Units)*
*H. Multi-family Residential (Blocks of 8 Units)*
*I. Multi-family Residential (Blocks of 4 Units)*
*J. Future Residential (Proper Topography not yet Available)*
*K. Residential Beach Club*
*L. Golf Clubhouse and Sports Club*
*M. 18-hole Championship Golf Course*
*N. Golf Practice Area*
*O. Golf Course Halfway House*
*P. Commercial Center*
*Q. Waterfront Restaurants & Retail*
*R. Hotel Watersports Center*
*S. Airport Terminal with Hangars*
*T. 2,500-meter Long Runway*
*U. Infrastructure and Maintenance Center*
*V. Jetty and Hyrofoil Terminal*
*W. Employee Housing Village*
*X. Landscape Nursery*
*Y. Retention Pond*
*Z. Lagoon*
*AA. Renewable Energy Center with Wind Farm*



BRITISH AEROSPACE JETSTREAM 32


DASSAULT FALCON 900EX

ATR 72-500 AIRCRAFT

## OUR FLEET OF AIRCRAFT

Alphaland Aviation's fleet of aircraft includes two 68-seater ATR 72-500s, two 9-seater Cessna 208B Grand Caravans, a 12-passenger Dassault Falcon 900EX, and a 19-seater British Aerospace Jetstream 32, as well as a 5-passenger Eurocopter EC-130B4 helicopter.

CESSNA 208B GRAND CARAVAN

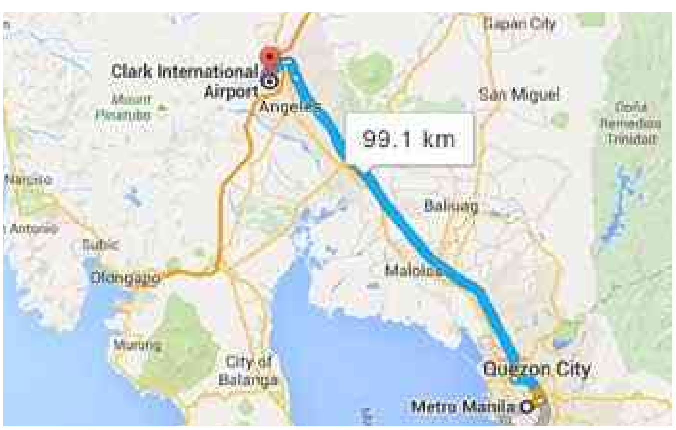
EUROCOPTER EC-130B4 HELICOPTER



ARRIVAL LOUNGE

DEPARTURE LOUNGE

VIEW OF CLARK HANGAR




DISTANCE FROM MANILA TO CLARK

# ALPHALAND CLARK HANGAR AND LOUNGE

Alphaland's new private hangar and lounge at Clark International Airport in Pampanga has allowed us to offer additional and more convenient flights for Balesin members who live in the northern part of Metro Manila and in Central Luzon. In addition to our usual service from NAIA, we now schedule flights to and from Clark to avoid the air traffic and runway congestion at NAIA.


Balesin Coastal Cleanup


**BALESIN COASTAL CLEAN-UP VOLUNTEERS**

BALESIN'S COASTAL CLEAN-UP DAY

# Corporate Social Responsibility

## COMMUNITY DEVELOPMENT PROGRAMS

Balesin Island Club supports the island's residents through various community development programs. One of the program's main thrusts is the hiring of local residents to train with and eventually become part of the island's workforce. The club employs its staff from a community of around 2,000 people. The children of these workers also become scholars of Balesin Island Club. Eventually, upon reaching high school, they may choose to take their "on-the-job training" (OJT) in the club, effectively becoming skilled workers in the luxury hospitality industry.

## BALESIN INTEGRATED SCHOOL

The Balesin Integrated School is an island-based school that serves the needs of the children of Balesin Island's local residents. Founded in 1999, it is a direct beneficiary of Alphaland Corporation. The company regularly donates materials and supplies during the Christmas holidays and other special occasions. Aside from supporting the school through charitable donations and funding teacher salaries, Alphaland also grants scholarships to deserving students, many of whom continue their further education at top universities on the mainland.

## ANNUAL OUTREACH PROGRAMS

Every December, Alphaland Corporation shares its blessings with those less fortunate through a yearly outreach program. The beneficiaries of this annual event are the residents of the local Balesin island community. Members from various Alphaland departments are chosen to fly to the island for a day of fellowship and camaraderie. While on the island, they pack Christmas ham and fruit baskets, attend a thanksgiving mass, and share a simple yet meaningful meal in celebration of the true meaning of the season. The children of the local residents are also treated to a magic show, parlor games, and loot bags.

## ANNUAL COASTAL CLEAN-UP

Alphaland Balesin Island Club participates in the annual International Coastal Cleanup, the world's largest volunteer event on behalf of ocean health. This event is dedicated to improving beaches, coastal areas, and their surroundings.

TRASH COLLECTED DURING BALESIN'S COASTAL CLEAN-UP DAY

VOLUNTEERS ON BALESIN'S COASTAL CLEAN-UP DAY

OUTREACH PROGRAM AT THE LOCAL BARANGAY HOSTED BY TESSA PRIETO-VALDES

# BOARD OF DIRECTORS

**ROBERTO V. ONGPIN**
**Chairman & CEO**

Mr. Ongpin, Filipino, 82 years old, was elected Director and Chairman of the Board on November 11, 2009. He is also the Chairman of Atok-Big Wedge Company, Inc. and Alphaland Balesin Island Club, Inc., and former Director of San Miguel Corporation, PAL Holdings, Inc. and Petron Corporation. In Hong Kong, he was the Non-Executive Director of Shangri-La Asia and was the Deputy Chairman of the South China Morning Post, both listed on the Hong Kong Stock Exchange. He was also a Non-Executive Director of Forum Energy PLC (United Kingdom). Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant, and has an MBA from Harvard Business School.

**ANNA BETTINA ONGPIN**
**President**

Ms. Ongpin, Filipino, 54 years old, was elected Director of the Company on 19 March 2014 and elected President on 31 May 2016. She is also the Vice Chairman of Alphaland Balesin Island Club, Inc., Vice Chairman and President of The City Club at Alphaland Makati Place, Inc., and Chairman of The Alpha Suites. Ms. Ongpin has more than twenty years of communications, marketing, project management, and operations experience in the management consulting and media fields. She holds a Bachelor's degree in Political Science from Wellesley College.

**ERIC O. RECTO**
**Vice Chairman**

Mr. Recto, Filipino, 55 years old, is presently the Vice-Chairman and President of Atok-Big Wedge Co., Inc. He is the Chairman of Philippine Bank of Communications; Chairman and CEO of ISM Communications Corporation; Chairman and President of Bedfordbury Development Corporation; Vice-Chairman of Alphaland Corporation; an Independent Director of Aboitiz Power Corporation and Philippine H2O; a member of the Board of Supervisors of Acentic GmbH. Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University, USA.

**LORENZO V. TAN**
**Vice Chairman**

Mr. Lorenzo Villanueva Tan is currently the Managing Director of Primeiro Partners. Mr. Tan was the Chief Executive Officer and President of Rizal Commercial Banking Corp. until May 2016. He served as Chairman of the Asian Bankers Association from 2012 to 2014, President of the Bankers Association of the Philippines (BAP) from 2013 to March 14, 2016. As BAP president, he lead the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN).

Mr. Tan is also a Director at Smart Communications, Digitel Telecommunications, EEI, House of Investments, iPeople, Malayan Insurance, Sunlife Grepa, Philrealty Holdings and Investment Corp. and Board of Trustees at De La Salle Zobel, and Vice Chairman TOYM foundation.

Mr. Tan is a Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

**SENATOR JUAN EDGARDO M. ANGARA**
**Director**

Mr. Angara, Filipino, 46 years old, has been a Senator of the Republic of the Philippines since 2013. In his 15 years as a legislator, he has sponsored or authored more than 150 laws, particularly on education and employment. Mr. Angara represented Aurora province in the House of Representatives from 2004 to 2013, and was recognized as one of the Ten Outstanding Young Men for government service and legislation in 2010. He has a Bachelor of Laws degree from the University of the Philippines College of Law, and a Master of Laws degree from Harvard Law School.

**GREGORIO MA. ARANETA III**
**Independent Director**

Mr. Araneta, Filipino, 70 years old, was elected Director of the company on December 3, 2014. He is also an independent Director of Atok-Big Wedge Co., Inc., Alphaland Balesin Island Club, Inc. and The City Club at Alphaland Makati Place, Inc.

He is presently the Chairman of the Board of Directors of Gregorio Araneta, Inc., Araneta Properties, Inc., ARAZA Resources Corporation, Carmel Development Corporation, Belisama Hydro Corporation, Gregorio Araneta Management Corporation, Gamma Properties, Inc. and Philweb Corporation. He is also the President of Energy Oil and Gas Holdings, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University, where he earned his Bachelor of Arts degree in Economics.

**MICHAEL A.P.M. ASPERIN**
**COO & Balesin Island Club CEO**

Mr. Asperin, Filipino, 60 years old, was elected director of the Company on April 2, 2013 and as Chief Operating Officer on May 31, 2016. He is the President and Chief Executive Officer of the Alphaland Balesin Island Club, Inc. He also handles the operations of the aviation and security divisions of Alphaland Group of Companies. Prior to joining Alphaland, he served in Philweb Corporation from 2009 to 2012 as Senior Vice President for Enterprise Risk Management. He graduated from the Philippine Military Academy in 1981.

**ATTY. FLORENTINO M. HERRERA III**
**Independent Director**

Atty. Herrera, Filipino, 67 years old, is the founding partner of Herrera Teehankee & Cabrera Law Offices. He was a Partner of one of the largest law offices in the Philippines. He has been engaged in the general practice of law for the past forty one (41) years specializing in corporate law practice as counsel for various companies. Among others, he is a director of Philippine Airlines, Inc. (PAL), Lufthansa Tecknik Philippines (LTP) and Rizal Commercial Banking Corporation (RCBC). He is the Corporate Secretary of MacroAsia Corporation and Allianz PNB Life Insurance, Inc. Atty. Herrera holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws degree (Cum Laude, Salutatorian) both from the University of the Philippines.

**ATTY. FRANCISCO ED. LIM**
**Director**

Atty. Francis Lim, Filipino, 63 years old, is presently a Senior Partner and a member of the Executive and Special Committees of the Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW). He served as President and Chief Executive Officer of the Philippine Stock Exchange, Inc. from September 16, 2004 to February 10, 2010. He is the incumbent president of the Shareholders' Association of the Philippines (SharePHIL). He is a member of the Board of Governors and Vice-President of the Management Association of the Philippines (MAP). He is also a trustee of the Financial Executives Institute of the Philippines (FINEX), CIBI Foundation, Inc. and the Judicial Reform Initiative, Inc., and a Fellow of the Institute of Corporate Directors (ICD). He is also a member of the American Bar Association, International Insolvency Institute ("III"), and Advisory Committee for the Asian Principles of Business Restructuring Project of the III and Asian Business Law Institute. Atty. Lim is a law professor in the Ateneo de Manila University, San Beda Graduate School of Law and a professorial lecturer and Vice-Chair of the Commercial Law Department of the Philippine Judicial Academy. He is a director of several public companies, among which are the Energy Development Corporation and The Insular Life Assurance Co., Ltd. He is also a director of private corporations like the Producers Savings Bank Corporation and Camerton Holdings. He is a member of both the Philippine Bar and the New York State Bar.

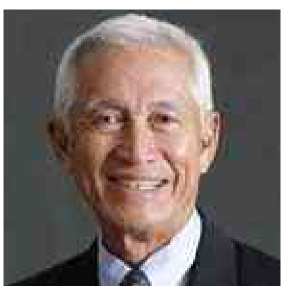
**ATTY. MARIO A. ORETA**
**Director**

Atty. Oreta, Filipino, 72 years old, was elected Director on November 11, 2009. He served as President of the Company from 2007 to 2016. He is also the Director of The City Club at Alphaland Makati Place, Inc. He graduated with honors from the Ateneo de Manila University with a Bachelor of Laws degree and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako. He was Founding Partner of Tanjuatco Oreta and Factoran Law Firm and The Law Firm of Mario A. Oreta and Partners.

**GILBERTO EDUARDO GERARDO C. TEODORO, JR.**
**Independent Director**

Mr. Teodoro, Filipino, 54 is the Chairman of the Board of Sagittarius Mines, Inc. and Indophil Resources, Inc. He is also a Director of Canlubang Sugar Estate, and Philippine Geothermal Production Co., Inc., and an Independent Director of BDO Unibank, Inc.

He is the Chairman of the Philippine Air Force Multi-Sectoral Governance Council and sits on a similar council of the Philippine Navy.



**MARGARITO B. TEVES**
**Independent Director**

Mr. Teves, Filipino, 75 years old, was elected Independent Director on August 31, 2011. He is also an Independent Director of Atok-Big Wedge, Alphaland Balesin Island Club, Inc., and The City Club at Alphaland Makati Place, Inc. Mr. Teves is currently the Chairman of Think Tank, Inc., and a member of the Board of Advisors of Bank of Communications. He was formerly Secretary of the Department of Finance, Landbank President and CEO, and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics, from the City of London College, and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was recently conferred an Honorary Degree, Doctor of Laws, by Williams College, and named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

**DENNIS A. UY**
**Director**

Mr. Dennis A. Uy, Filipino, is the Founder, Chairman, and CEO of UDENNA Corporation, his holding company with a diverse business portfolio that includes interests in petroleum retail and distribution, shipping and logistics, real estate development, infrastructure, education, leisure and gaming, and telecommunications.

He is the President and CEO of Phoenix Petroleum Philippines, Inc., the country's leading independent oil company. He is Chairman of Chelsea Logistics Holdings Corporation, a dominant player in the shipping and logistics industry, and Chairman of 2GO Group Inc., the country's largest logistics provider.

He is Chairman and President of UDENNA Development Corporation, which develops and manages real estate projects such as Clark Global City, Calaca Industrial Seaport Park, UDENNA Tower, and The Emerald in Mactan, Cebu under development. He is Chairman and President of UDENNA Infrastructure Corp., Chairman of PH Travel and Leisure Holdings Corp., President of Enderun Colleges, Inc., and Chairman of Dennison Holdings.

Mr. Uy is also Chairman of Phoenix Philippines Foundation, UDENNA Foundation, Siklab Atleta Pilipinas Sports Foundation, and LIFE Fund.

He was appointed Presidential Adviser on Sports in 2016, and Honorary Consul of Kazakhstan to the Philippines in 2011. Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

# BOARD OF DIRECTORS

**DENNIS O. VALDES**
**Director**

Mr. Valdes, Filipino, 57 years old, was elected a director of the Company in 2011. He is presently the President and a director of Philweb Corporation. He is also a director of Atok-Big Wedge Co., Inc. His previous work experience includes 10 years with the Inquirer Group of Companies. He is a certified public accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines and has an MBA degree from the Kellogg School of Management, Northwestern University.

**FR. JOSE RAMON T. VILLARIN**
**Independent Director**

Fr. Villarin, Filipino, 58 years old, is presently the President of the Ateneo de Manila University. He is also the Vice-Chairman of the Scientific Community/ Academe of the National Resilience Council. He is also a member of the Board of Governors of Asian Institute of Management (AIM) and Chairman of the Board of Trustees of Synergeia, Manila Observatory, and Confucius Institute. Fr. Villarin is also a member of the Board of Trustees of various private institutions, among which are the Philippine Institute of Pure and Applied Chemistry, Loyola School of Theology, and Ateneo de Naga University. Fr. Villarin has a degree in Physics from the Ateneo de Manila University and a PhD in Atmospheric Sciences from Georgia Tech.

**GREGORIO T. YU**
**Independent Director**

Mr. Yu, Filipino, 60 years old, is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp. and American Motorcycles, Inc. He is also the Vice Chairman and Director of Sterling Bank of Asia. Mr. Yu is also a director of various private institutions, among which are, PAL Holdings, Inc., Philippine Airlines, Inc., Philequity Management, Inc., Philippine Bank of Communications, CATS Asian Cars, Inc., ISM Corporation, Unistar Credit and Finance Corporation, Glyph Studios Inc., PhilEquity Management Inc., E-Business Services, Inc., Nexus Technologies, Jupiter Systems Inc and Wordtext Systems Inc. He is a board member of Ballet Philippines and Manila Symphony Orchestra.

# CONSOLIDATED FINANCIAL STATEMENTS

alphaland
CORPORATION

## "STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Alphaland Corporation 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, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in 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.

Reyes Tacandong & Co., the independent auditor 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.

**ROBERTO V. ONGPIN**
Chairman

**ANNA BETTINA ONGPIN**
President and Vice Chairman

**CRISTINA B. ZAPANTA**
Senior Vice President - Finance

Signed this 29th day of January 2019

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation

*Opinion*

We have audited the accompanying consolidated financial statements of Alphaland Corporation 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 ended December 31, 2018, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years ended December 31, 2018, 2017 and 2016 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 the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2018 is expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of these 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, these 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 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 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 the 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 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 audits.

**REYES TACANDONG & CO.**

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 7334334
Issued January 3, 2019, Makati City

January 29, 2019
Makati City, Metro Manila

**ALPHALAND CORPORATION AND SUBSIDIARIES**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**(Amounts in Thousands, Except for Book Value per Share)**

| | | December 31 | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | **₱110,157** | ₱215,593 |
| Trade and other receivables | 6 | **1,773,928** | 1,993,504 |
| Land and development costs and parking lots for sale | 7 | **3,080,140** | 3,942,375 |
| Advances to related companies | 17 | **3,119,379** | 2,777,048 |
| Equity securities designated as fair value through other comprehensive income [FVOCI] [formerly classified as available-for-sale (AFS) financial assets] | 10 | **1,065,311** | 985,811 |
| Other current assets | 8 | **2,189,454** | 1,791,845 |
| Total Current Assets | | **11,338,369** | 11,706,176 |
| **Noncurrent Assets** | | | |
| Investment in and advances to an associate | 9 | **12,349** | 12,349 |
| Equity securities designated as FVOCI (formerly classified as AFS financial assets) - net of current portion | 10 | **29,970,774** | 29,078,457 |
| Investment properties | 11 | **47,675,812** | 40,664,073 |
| Property and equipment | 12 | **10,174,812** | 1,832,348 |
| Other noncurrent assets | 13 | **190,584** | 321,572 |
| Total Noncurrent Assets | | **88,024,331** | 71,908,799 |
| | | **₱99,362,700** | ₱83,614,975 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | **₱3,896,062** | ₱2,808,583 |
| Current portion of: | | | |
| Long-term debt | 15 | **1,223,962** | 1,071,574 |
| Customers' deposits | 18 | **3,592** | 73,504 |
| Advances from related companies | 17 | **245,252** | 81,764 |
| Income tax payable | | **66,949** | 45,287 |
| Total Current Liabilities | | **5,435,817** | 4,080,712 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current portion | 15 | **4,974,969** | 5,525,046 |
| Customers' deposits - net of current portion | 18 | **266,111** | 97,605 |
| Retirement liability | 21 | **44,509** | 24,451 |
| Net deferred tax liabilities | 22 | **18,541,246** | 13,451,529 |
| Other noncurrent liabilities | | **29,910** | 20,118 |
| Total Noncurrent Liabilities | | **23,856,745** | 19,118,749 |
| Total Liabilities | | **29,292,562** | 23,199,461 |

(Forward)

| | Note | December 31 2018 | 2017 |
|---|---|---|---|
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock* | 16 | **₱2,842,174** | ₱2,655,707 |
| Additional paid-in capital | | **12,769,730** | 10,740,079 |
| Retained earnings | 16 | **45,295,494** | 40,343,598 |
| Other comprehensive income: | | | |
| Cumulative unrealized valuation gain on equity securities designated as FVOCI (formerly classified as AFS financial assets) | 10 | **22,891,678** | 23,432,497 |
| Revaluation surplus | 12 | **3,103,638** | 75,850 |
| Accumulated remeasurement gain on retirement liability | 21 | **45,350** | 45,350 |
| | | **86,948,064** | 77,293,081 |
| Less: | | | |
| Parent Company's shares held by a subsidiary | 16 | **16,881,220** | 16,881,220 |
| Cost of treasury shares | 16 | **1,214** | 1,214 |
| | | **70,065,630** | 60,410,647 |
| Noncontrolling interests | | **4,508** | 4,867 |
| Total Equity | | **70,070,138** | 60,415,514 |
| | | **₱99,362,700** | ₱83,614,975 |
| **Book Value Per Share*** | 23 | **₱48.081** | ₱47.539 |

*See accompanying Notes to Consolidated Financial Statements.*

*The Securities and Exchange Commission approved the 10-for-1 Stock Split (Stock Split) of Alphaland Corporation on December 10, 2018. Book value per share is computed based on the total outstanding shares before the effect of stock split. This information is intended as additional information for management reporting purposes only.

## ALPHALAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**(Amounts in Thousands, Except for Earnings per Share)**

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| **REVENUES** | 19 | **₱2,877,819** | ₱2,483,427 | ₱2,335,748 |
| **COSTS AND EXPENSES** | 20 | | | |
| Cost of real estate sold | | **859,354** | 834,340 | 1,094,857 |
| Cost of services | | **646,589** | 360,468 | 285,884 |
| General and administrative | | **1,237,330** | 874,784 | 528,056 |
| | | **2,743,273** | 2,069,592 | 1,908,797 |
| **OTHER INCOME (EXPENSES)** | | | | |
| Gain on fair value changes of investment properties | 11 | **7,453,516** | 11,471,819 | 10,007,052 |
| Interest expense and other finance charges | 15 | **(321,345)** | (365,727) | (294,749) |
| Other gains (losses) - net | | **(100,857)** | 51,476 | 71,431 |
| | | **7,031,314** | 11,157,568 | 9,783,734 |
| **INCOME BEFORE INCOME TAX** | | **7,165,860** | 11,571,403 | 10,210,685 |
| **PROVISION FOR INCOME TAX** | 22 | | | |
| Current | | **68,380** | 58,161 | 87,084 |
| Deferred | | **2,369,177** | 3,344,210 | 3,046,778 |
| | | **2,437,557** | 3,402,371 | 3,133,862 |
| **NET INCOME** | | **4,728,303** | 8,169,032 | 7,076,823 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| *Not to be reclassified to profit or loss in subsequent years:* | | | | |
| Revaluation increase | 12 | **4,365,148** | 9,515 | 103,828 |
| Income tax effect | | **(1,287,956)** | (2,854) | (31,148) |
| | | **3,077,192** | 6,661 | 72,680 |
| Unrealized valuation gain on equity securities designated as FVOCI | 10 | **1,084,338** | – | – |
| Income tax effect | | **(162,651)** | – | – |
| | | **921,687** | – | – |
| Remeasurement gain (loss) on retirement liability | 21 | **–** | 22,504 | (1,346) |
| *To be reclassified to profit or loss in subsequent years:* | | | | |
| Reclassification adjustments on disposal of AFS financial assets | 10 | **–** | (216,038) | (108,495) |
| Unrealized valuation gain on AFS financial assets | 10 | **–** | 58,146 | 725,090 |
| Income tax effect | | **–** | 15,789 | (61,665) |
| | | **–** | (142,103) | 554,930 |
| | | **3,998,879** | (112,938) | 626,264 |
| **TOTAL COMPREHENSIVE INCOME** | | **₱8,727,182** | ₱8,056,094 | ₱7,703,087 |



(Forward)

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | **Years Ended December 31** | | |
| **Net income attributable to:** | | | | |
| Equity holders of the Parent Company | | **₱4,727,912** | ₱8,167,662 | ₱7,076,406 |
| Noncontrolling interests | | **391** | 1,370 | 417 |
| | | **₱4,728,303** | ₱8,169,032 | ₱7,076,823 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | | **₱8,726,791** | ₱8,054,768 | ₱7,702,670 |
| Noncontrolling interests | | **391** | 1,326 | 417 |
| | | **₱8,727,182** | ₱8,056,094 | ₱7,703,087 |
| **Total Comprehensive Income Per Share*** | | | | |
| Based on weighted average number of shares outstanding before the effect of stock split | 23 | **₱6.398** | ₱6.328 | ₱6.044 |

*See accompanying Notes to Consolidated Financial Statements.*

*Total comprehensive income per share is computed based on weighted average number of shares outstanding before the effect of stock split which was approved by the SEC on December 10, 2018. This information is intended as additional information for management reporting purposes only.

## ALPHALAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(Amounts in Thousands)**

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| **CAPITAL STOCK** | 16 | | | |
| Balance at beginning of year | | **₱2,655,707** | ₱2,655,707 | ₱2,655,707 |
| Additions | | **186,467** | – | – |
| Balance at end of year | | **2,842,174** | 2,655,707 | 2,655,707 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance at beginning of year | | **10,740,079** | 10,739,039 | 10,739,039 |
| Additions | | **2,029,651** | – | – |
| Excess of acquisition price over acquired interest | | **–** | 1,040 | – |
| Balance at end of year | | **12,769,730** | 10,740,079 | 10,739,039 |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of year | | **40,343,598** | 32,172,445 | 25,095,300 |
| Net income | | **4,727,912** | 8,167,662 | 7,076,406 |
| Reclassification adjustments on disposal of equity securities designated as FVOCI | 10 | **189,059** | – | – |
| Amortization of revaluation surplus | | **52,918** | 3,491 | 739 |
| Changes on initial application of PFRS 9 | 6 | **(17,993)** | – | – |
| Balance at end of year | | **45,295,494** | 40,343,598 | 32,172,445 |
| **CUMULATIVE UNREALIZED VALUATION GAIN ON EQUITY SECURITIES DESIGNATED AS FVOCI (FORMERLY CLASSIFIED AS AFS FINANCIAL ASSETS)** | 10 | | | |
| Balance at beginning of year | | **23,432,497** | 23,574,600 | 23,019,670 |
| Effect of change in tax rate | | **(1,301,805)** | – | – |
| Unrealized valuation gain | | **921,687** | 52,331 | 652,580 |
| Reclassification adjustments on disposal | | **(160,701)** | (194,434) | (97,650) |
| Balance at end of year | | **22,891,678** | 23,432,497 | 23,574,600 |
| **REVALUATION SURPLUS** | 12 | | | |
| Balance at beginning of year | | **75,850** | 72,680 | – |
| Revaluation gain | | **3,077,192** | 6,661 | 73,419 |
| Amortization of revaluation surplus | | **(49,404)** | (3,491) | (739) |
| Balance at end of year | | **3,103,638** | 75,850 | 72,680 |
| **ACCUMULATED REMEASUREMENT GAIN ON RETIREMENT LIABILITY** | | | | |
| Balance at beginning of year | | **45,350** | 22,846 | 24,192 |
| Remeasurement gain (loss) on retirement liability | 21 | **–** | 22,504 | (1,346) |
| Balance at end of year | | **45,350** | 45,350 | 22,846 |
| **PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY** | 16 | | | |
| Balance at beginning of year | | **(16,881,220)** | (16,817,972) | (16,817,972) |
| Additions | | **–** | (63,248) | – |
| Balance at end of year | | **(16,881,220)** | (16,881,220) | (16,817,972) |

(Forward)

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | **Years Ended December 31** | | |
| **TREASURY SHARES** | 16 | | | |
| Balance at beginning of year | | **(₱1,214)** | (₱12,214) | (₱1,214) |
| Reissuance | | **–** | 11,000 | – |
| Additions | | **–** | – | (11,000) |
| Balance at end of year | | **(1,214)** | (1,214) | (12,214) |
| **NONCONTROLLING INTERESTS** | | | | |
| Balance at beginning of year | | **4,867** | 4,610 | 4,193 |
| Acquisition | | **(750)** | (1,069) | – |
| Share in: | | | | |
| Net income | | **391** | 1,370 | 417 |
| Other comprehensive loss | | **–** | (44) | – |
| Balance at end of year | | **4,508** | 4,867 | 4,610 |
| | | **₱70,070,138** | ₱60,415,514 | ₱52,411,741 |

*See accompanying Notes to Consolidated Financial Statements.*

## ALPHALAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**(Amounts in Thousands)**

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | **₱7,165,860** | ₱11,571,403 | ₱10,210,685 |
| Adjustments for: | | | | |
| Gain on fair value changes of investment properties | 11 | **(7,453,516)** | (11,471,819) | (10,007,052) |
| Interest expense and other finance charges | 15 | **321,345** | 365,727 | 294,749 |
| Depreciation and amortization | 12 | **296,100** | 124,567 | 121,860 |
| Loss on forfeitures and cancellation | 7 | **197,387** | – | – |
| Interest income | 5 | **(17,033)** | (17,764) | (19,635) |
| Unrealized foreign exchange losses | | **3,584** | 1,117 | 1,885 |
| Gain on sale of AFS financial assets | 10 | **–** | (123,152) | (108,505) |
| Equity in net loss (income) of an associate | 9 | **–** | (1,381) | 1,135 |
| Operating income before working capital changes | | **513,727** | 448,698 | 495,122 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **(232,876)** | (738,983) | (458,383) |
| Land and development costs and parking lots for sale | | **(153,290)** | (537,357) | (458,693) |
| Other current assets | | **(15,848)** | (384,624) | 220,506 |
| Increase in: | | | | |
| Trade and other payables | | **277,383** | 321,031 | 1,062,891 |
| Customers' deposits | | **98,594** | 21,142 | 25,991 |
| Retirement liability | | **20,058** | 15,540 | 7,494 |
| Net cash generated from (used for) operations | | **507,748** | (854,553) | 894,928 |
| Income taxes paid | | **(46,718)** | (17,866) | (82,091) |
| Interest received | | **11,893** | 17,764 | 19,635 |
| Net cash provided by (used in) operating activities | | **472,923** | (854,655) | 832,472 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to: | | | | |
| Property and equipment | | **(1,633,160)** | (435,010) | (608,326) |
| Investment properties | 11 | **(208,777)** | (33,459) | (226,678) |
| Equity securities designated as FVOCI | | **(70,400)** | – | – |
| Software | 13 | **(5,796)** | – | (154) |
| Proceeds from: | | | | |
| Sale of equity securities designated as FVOCI (formerly classified as AFS financial assets) | | **215,921** | 158,214 | 137,820 |
| Disposal of property and equipment | | **35,417** | – | – |
| Rescission of sale and disposal of investment properties | | **–** | 221,279 | – |
| Decrease (increase) in: | | | | |
| Advances to related companies | | **(342,331)** | (364,306) | (446,730) |
| Other noncurrent assets | | **134,658** | (18,904) | 52,517 |
| Investment in and advances to an associate | | **(750)** | 9,671 | – |
| Advances to an associate | | **–** | 1,689 | (696) |
| Net cash used in investing activities | | **(1,875,218)** | (460,826) | (1,092,247) |

(Forward)

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | **Years Ended December 31** | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Issuance of new shares | | **₱2,216,118** | ₱– | ₱– |
| Availments of long-term debt | | **782,737** | 6,530,142 | 2,157,784 |
| Payments of: | | | | |
| Long-term debt | | **(1,193,853)** | (5,318,627) | (1,713,541) |
| Interest and other finance charges | | **(296,078)** | (605,945) | (231,614) |
| Increase (decrease) in: | | | | |
| Advances from related companies | | **163,488** | 73,071 | 34,013 |
| Other noncurrent liabilities | | **9,792** | (69,691) | (2,131) |
| Purchase of Parent Company shares held by a subsidiary | 16 | **–** | (63,248) | – |
| Movements in treasury shares | 16 | **–** | 11,000 | (11,000) |
| Net cash provided by financing activities | | **1,682,204** | 556,702 | 233,511 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(3,584)** | (1,117) | (1,885) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **276,325** | (759,896) | (28,149) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | | |
| Cash and cash equivalents | 5 | **215,593** | 256,146 | 453,723 |
| Restricted cash | 8 | **1,183** | 720,526 | 551,098 |
| | | **216,776** | 976,672 | 1,004,821 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | | |
| Cash and cash equivalents | 5 | **110,157** | 215,593 | 256,146 |
| Restricted cash | 8 | **382,944** | 1,183 | 720,526 |
| | | **₱493,101** | ₱216,776 | ₱976,672 |

*See accompanying Notes to Consolidated Financial Statements.*

## ALPHALAND CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Matters**

**Corporate Information**

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The consolidated financial statements as at December 31, 2018 and 2017 and for each of the three years ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on January 29, 2019.

**ALPHA's Legal Subsidiaries as at December 31, 2018 and 2017**

| Company | Place of Incorporation | Nature of Business | Percentage of Ownership 2018 | 2017 |
|---|---|---|---|---|
| Alphaland Southgate Tower, Inc. (ASTI) | Philippines | Real property development | **100** | 100 |
| Alphaland Balesin Island Resort Corporation (ABIRC) | Philippines | Real property development | **100** | 100 |
| Alphaland Makati Place, Inc. (AMPI) [a] | Philippines | Real property development | **100** | 100 |
| Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI) | Philippines | Real property development | **100** | 100 |
| Alphaland Balesin International Gateway, Inc. (formerly Alphaland Balesin Gateway, Inc.) (ABIGI) | Philippines | Real property development | **100** | 100 |
| Alphaland Reclamation Corporation (ARC) | Philippines | Real property development | **100** | 100 |
| 2258 Blue Holdings, Inc. (Blue Holdings) [a] | Philippines | Holding company | **100** | 100 |
| Alphaland Southgate Restaurants, Inc. (ASRI) [a] | Philippines | Restaurant operations | **100** | 100 |
| Alphaland International, Inc. (AII) | Philippines | Holding company | **100** | 100 |
| Alphaland Aviation, Inc. (AAI) | Philippines | Aviation | **100** | 100 |
| Alphaland Aviation - Pampanga, Inc. (AAPI) [b] | Philippines | Aviation | **100** | 100 |
| Aegle Wellness Center, Inc. (AWCI) | Philippines | Wellness center | **100** | 100 |
| Alphaland International, Inc. - BVI | British Virgin Islands | Holding company | **100** | 100 |
| Alphaland International, Inc. - Seychelles | Seychelles | Holding company | **100** | 100 |
| Superface Enterprises Limited | Hongkong | Holding company | **100** | 100 |
| Aegle Drugstore Inc. (ADI) [c] | Philippines | Pharmacy | **100** | 100 |
| Choice Insurance Brokerage, Inc. (CIBI) [e] | Philippines | Insurance brokerage | **100** | 97 |
| Alphaforce Security Agency, Inc. (ASAI) [f] | Philippines | Security agency | **80** | 80 |
| Redstone Mountain Holdings Inc. (RMHI) [g] | Philippines | Holding company | **100** | – |
| Lodgepole Holdings, Inc. (LHI) [g] | Philippines | Holding company | **100** | – |
| Mt. Baguio Holding Estates Inc. (MBHEI) [g] | Philippines | Holding company | **100** | – |

(Forward)

| Company | Place of Incorporation | Nature of Business | Percentage of Ownership | |
|---|---|---|---|---|
| | | | **2018** | 2017 |
| Top of the Alpha, Inc. Doing business under the names and styles of Top of the Alpha by Louie Y and The Alpha BY Louie Y (Top of the Alpha) [(d)] | Philippines | Restaurant operations | **100** | – |
| The Alpha Suites, Inc. (Alpha Suites) [(d)] | Philippines | Real estate company | **100** | – |
| Pinecrest Holdings, Inc. (PHI) [(g)] | Philippines | Holding company | **100** | – |

*(a) Through ASTI*
*(b) Through AAI*
*(c) Through AMPI; Incorporated in 2017*
*(d) Through AMPI; Incorporated in 2018*
*(e) Through Blue Holdings*
*(f) Associate in 2016*
*(g) Incorporated in 2018*

**<u>Changes in Group Structure during 2018 and 2017</u>**

a. ADI was incorporated and registered with the Philippine SEC on December 22, 2017 primarily to engage in the business of retailing or wholesaling of pharmaceutical products, medicines, foodstuffs and groceries.

b. Blue Holdings initially subscribed to 15,749,996 common shares of CIBI representing 70% of its outstanding shares in November 2012. In October 2017, Blue Holdings purchased additional 6,000,000 common shares from an existing shareholder for ₱5.0 million resulting to an increase in ownership of CIBI to 97%. In December 2018, the remaining interest was obtained by Blue Holdings making CIBI its wholly-owned subsidiary.

   CIBI was incorporated and registered with the Philippine SEC on November 6, 2012 primarily to engage, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities.

c. ALPHA initially subscribed to 79,999 common shares of ASAI representing 40% of its outstanding shares in March 2011, which was then accounted for as an associate. In October 2017, ALPHA purchased additional 79,999 common shares from an existing shareholder for ₱11.2 million increasing its ownership of ASAI to 80% (see Note 9).

   ASAI was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

d. Top of the Alpha was incorporated and registered with the Philippine SEC on May 21, 2018 primarily to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

e. Alpha Suites was incorporated and registered with the Philippine SEC on June 11, 2018 primarily to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects.

f. RMHI, LHI, MBHEI and PHI were incorporated and registered with the Philippine SEC primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description. These entities were incorporated in 2018.

**Significant Operating Subsidiaries**

a. ASTI was incorporated and registered with the Philippine SEC on May 29, 2007 as Alphaland Corporation. The Philippine SEC approved the change in its corporate name to "Alphaland Development, Inc." on December 28, 2009 and then to "Alphaland Southgate Tower, Inc." on October 15, 2015.

   ASTI's primary purpose is to engage in real property acquisition and development. ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower (see Note 11).

b. ABIRC was incorporated and registered with the Philippine SEC on May 26, 2010 primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

   ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI) (see Note 10).

c. AMPI was incorporated and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name to "Alphaland Makati Place, Inc."

   AMPI's primary purpose is to acquire by exchange of shares, purchase and lease a specific property described as three-storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

   AMPI entered into a joint venture with the Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place (see Note 4). It is a mixed-use property development consisting of two (2) high end residential towers and one (1) corporate tower atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

   AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI) (see Note 10).

d. ABMLHI was incorporated and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in corporate name to "Alphaland Baguio Mountain Log Homes, Inc."

ABMLHI's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects, involving commercial, industrial, urban, residential or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law.

e. AAI and AAPI were incorporated and registered with the Philippine SEC on July 31, 2012 and December 5, 2016, respectively, primarily to engage in aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

**Major Sources of Funds**

*Operations*. The Group generates funds primarily from sale of condominium units and parking spaces at Alphaland Makati Place, Baguio Mountain Lodges, and Balesin Private Villa; from mall and leasing operations of Alphaland Southgate Tower and Alphaland Makati Place Mall and Corporate Tower, and; from the operation of the serviced residences of The Alpha Suites that commenced in the first half of 2018.

The Group also generates funds from secondary sale of membership shares of completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place.

*Borrowings.* ALPHA, ABICI, ABIRC, AMPI and ASTI has an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (BDO) for a loan facility of ₱6,726.0 million for the purpose of: (a) refinancing the Group's loans; (b) financing new and on-going projects and (c) providing additional working capital for the Group.

AAPI and AAI both entered into an Amortized Commercial Loan (ACL) agreement with BDO Leasing and Finance, Inc. (BDOLFI) for a loan facility of ₱265.2 million and ₱309.0 million, respectively, for the purpose of financing the acquisition of two ATR72 Turboprop Aircraft.

*Contract To Sell (CTS) Financing.* ABMLHI obtained a CTS financing facility with BDO amounting to ₱500.0 million for the purpose of refinancing the company's CTS receivables under the terms and conditions of a Memorandum of Agreement (MOA) dated October 30, 2018 between BDO and ABMLHI.

Aggregate loan availments amounted to ₱782.7 million and ₱6,530.1 million in 2018 and 2017, respectively (see Note 15).

**Events after the Reporting Period**

*Assignment of OLSA with BDO.* The long-term loan with BDO under the OLSA dated February 15, 2017, amounting to ₱5,653.2 million inclusive of interest and adjustments as of January 23, 2019, was assigned effective on the same date by BDO to Philippine Bank of Communications - Trust and Wealth Management Group pursuant to an Assignment Agreement dated January 23, 2019 between the parties.

*Possible Sale of Alphaland Southgate Tower*. ASTI is currently in negotiations with a third party for the sale of Alphaland Southgate Tower. However, as at January 29 2019, there is no definitive agreement regarding the sale. The sale is conditioned on obtaining relevant regulatory clearances.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All amounts are rounded to the nearest thousands unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- Equity securities designated as fair value through other comprehensive income [FVOCI] [formerly classified as available-for-sale (AFS) financial assets];
- Investment properties which are measured at fair value; and
- Aircrafts and serviced residences presented under "Property and equipment" account which are stated at revalued amount; and

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 10, 11, 12 and 25.

**Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39*, Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

    - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income [OCI]), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

    - For financial liabilities, the amount of change in fair value of a financial liability designated as fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch.

    - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. Recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

    - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures.

    - The derecognition provisions are carried over almost unchanged from PAS 39.

  As allowed under transitory provisions of PFRS 9, the Group applied the requirements of PFRS 9 retrospectively but opted not to restate the comparative information.

  The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

  *Classification and Measurement.* On the date of initial application, January 1, 2018, the Group made the following reclassifications:

  (i) Trade and other receivables and other financial assets that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost. These financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

(ii) The Group's investment in preferred shares of ABICI (Island Club) and TCCAMPI (City Club) classified as AFS financial assets under PAS 39 will continue to be measured at fair value under PFRS 9. These investments are intended to be disposed of over time to third parties. As permitted by PFRS 9, the Group made an irrevocable designation to present in OCI the changes in fair value of these investments. Unlike PAS 39, the accumulated gains or losses presented in OCI related to these investments will not be subsequently reclassified to profit or loss.

The Group has not designated any financial liabilities as at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group's financial instruments as at January 1, 2018.

*Impairment.* The new impairment requirements do not result to additional provision for impairment with respect to trade receivables and contract assets from real estate sales because the credit exposure arising from these financial assets was mitigated by the Group's policy that title transfer should be done only upon full payment and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables arising from other business segments, the Group applies the simplified approach in measuring the expected credit losses. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime expected credit losses. This resulted in an increase of the allowance for impairment losses with a corresponding decline in retained earnings as at January 1, 2018 by ₱18.0 million.

While cash and cash equivalents are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result to significant expected credit loss. In performing the assessment, the Group considered the available liquid assets of the related parties and the letter of support from the stockholders.

*Hedging.* The Group does not have transactions that will require the use of hedge accounting.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

  The following are the related literatures issued subsequent to adoption of PFRS 15:

  - Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Philippine Interpretations Committee (PIC) Q&A No. 2016-04, *Application of PFRS 15 Revenue from Contracts with Customers on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provides implementation guidance specifically whether the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a CTS with a buyer –meets the criteria for revenue recognition over time.

- PIC Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.

- SEC Memorandum Circular No. 14, Series of 2018, *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry* – The Circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion, for a period of three years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group has adopted PFRS 15 using the cumulative effect method which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the information presented for 2017 and 2016 have not been restated. Further, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

Prior to adoption of PFRS 15 and its related issuances, the Group is already using the percentage of completion method in determining the revenue from real estate transactions. The Group also availed of the relief provided by SEC Memorandum Circular No. 14, Series of 2018. With these, the application of PFRS 15 has no significant impact on the Group's real estate transactions except for the recognition of contract assets with a corresponding decrease in trade receivables amounting to ₱217.6 million as at December 31, 2018 (see Note 6). Had the Group opted to adopt in full the guidance provided in PIC Q&A 2018-12, it is anticipated that there will be a decrease in the revenue from real estate sales due to a lower percentage of completion.

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transaction*s – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and condition of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation from IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements except for PFRS 9 and 15 as discussed in the foregoing. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

**New and Amended PFRS in Issue But Not Yet Effective**
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases,* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures* – The amendment clarifies that an entity should apply PFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture to which the equity method is not applied.

- Amendments to PFRS 9, *Prepayments Features with Negative Compensation* – The amendment provides a narrow-scope amendment to PFRS 9 to enable companies to measure at amortized cost some prepayable financial assets with negative compensation.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Parent Company has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

NCI represents the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. NCI pertains to the equity interest in ASAI as at December 31, 2018 and 2017 and CIBI as at December 31, 2017.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

*Business Combinations and Goodwill* - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

**Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model.

As at December 31, 2018 and 2017, the Group does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under “Other current assets” account), advances to an associate and refundable deposits (presented under “Other noncurrent assets” account).

*Equity Securities Designated as FVOCI (Starting January 1, 2018).* Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under “Other comprehensive income” account in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group’s investment in shares of stock of Island Club and City Club. In the prior financial year, these equity securities are classified as AFS financial assets. The accounting policy for AFS financial assets is set out below:

*AFS Financial Assets (Prior to January 1, 2018).* AFS financial assets are measured at fair value. The changes in fair values are recognized in OCI and accumulated in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), long-term debt, customers’ deposits and advances from related companies.

**Reclassification**

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

**Impairment of Financial Assets at Amortized Cost**
The Group records an allowance for "expected credit loss." Expected credit loss (ECL) is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group has established a provision matrix that is based on the industry's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

**Land and Development Costs and Parking Lots for Sale**
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Costs include:

- Cost of the land;
- Construction and development costs; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

**Other Current Assets**
This account consists of the excess of input value-added tax (VAT) over output VAT, advances to contractors and suppliers, creditable withholding taxes (CWT), supplies, prepayments, deferred rent and restricted cash.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

*Advances to Contractors and Suppliers*. Advances to contractors and suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Advance payments to contractors and suppliers, relating to the portion of the project that is classified as investment property and advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

*CWT*. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at estimated NRV.

*Prepayments.* Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

*Restricted Cash*. Restricted cash includes cash in banks under trust and to be used for interest and principal loan payments, funds reserved for the purchase of Euro notes and environmental escrow funds. This is classified as current asset if the expected release is within 12 months from the financial reporting date. Otherwise, this is classified as a noncurrent asset.

**Interests in Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

**Investment in an Associate**

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statements of comprehensive income reflect the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share in net income of the associate is shown as "Equity in net income (loss) of an associate" account in the consolidated statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

**Investment Properties**

Investment properties comprise of completed properties and land for future development held by the Group to earn rentals or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

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

**Property and Equipment**

Property and equipment, except land, serviced residences and aircrafts, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

In 2016, the Group adopted the revaluation model in measuring its aircrafts. This change in accounting policy was applied by the Group prospectively. In 2018, the Group adopted the revaluation model in measuring its serviced residences.

Under the revaluation model, aircraft and serviced residences are initially recorded at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in OCI and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in OCI.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

| Asset Type | Number of Years |
|---|---|
| Serviced residences | 35 |
| Aircrafts | 15 to 25 |
| Buildings | 20 to 40 |
| Transportation equipment | 2 to 5 |
| Machinery, equipment and tools | 2 to 15 |
| Office furniture and equipment | 2 to 5 |
| Leasehold improvements | 2 to 10 or lease term, whichever is shorter |

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. 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 asset) is included in profit or loss in the year the asset is derecognized.

Construction in progress, which includes cost of construction and other direct costs, is stated at co and is not depreciated until such time as the relevant assets are completed and put into operation use. Assets under construction are reclassified to a specific category of property and equipmer when the construction and other related activities necessary to prepare the assets for their intende use are completed and the assets are available for use.

**Software**

Software is measured initially at cost. Software is recognized if it is probable that the futur economic benefits that are attributable to the asset will flow to the enterprise and the cost of th asset can be measured reliably. After initial recognition, software is measured at cost le accumulated amortization and any impairment loss.

Amortization of software is computed on a straight-line basis over the estimated useful life five years.

The amortization period and method are reviewed periodically to ensure that these are consister with expected pattern of economic benefits from the intangible assets.

**Impairment of Nonfinancial Assets**

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicat that the carrying amount may not be recoverable. The Group assesses at each reporting date wheth there is an indication that an asset may be impaired. If any such indication exists, or when annu impairment testing for an asset is required, the Group makes an estimate of the asset's recoverab amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to se and its value in use and is determined for an individual asset, unless the asset does not generate cas inflows that are largely independent of those from other assets or groups of assets. Where th carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In assessing value in use, the estimated future cash flows ar discounted to their present value using a pre-tax discount rate that reflects current mark assessments of the time value of money and the risks specific to the asset.

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

*Goodwill.* The Group assesses whether there are any indicators that goodwill is impaired at eac financial reporting date. Goodwill is tested for impairment annually and when circumstanc indicate that the carrying amount may be impaired. Impairment is determined for goodwill assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than their carrying amount, an impairment lo is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

*Investment in an Associate.* After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its associate. The Group determines at each financial reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss under the "Equity in net income (loss) of an associate" account.

**Capital Stock and Additional Paid-in Capital**

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

**Retained Earnings**

Retained earnings represent the cumulative balance of the Group's results of operations, reclassification adjustments on disposal of equity securities designated as FVOCI (formerly classified as AFS financial assets), amortization of revaluation surplus, and net of dividend distribution, if any.

**OCI**

OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Group pertains to unrealized valuation on equity securities designated as FVOCI (formerly classified as AFS financial assets), revaluation surplus and remeasurement on retirement liability.

**Treasury Stock**

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

**Parent Company's Shares Held by a Subsidiary**

Parent's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The following specific recognition criteria must also be met before revenue is recognized.

*Revenue from Sale of Condominium Units, Parking Lots, Sale of Log Homes and Private Villas (Starting January 1, 2018).* Revenue from sale of completed projects is accounted for using the full accrual method at a point in time when the customer obtains control of the assets. When the Group has material obligations to complete the project after the property is sold, revenue is recognized over time using the percentage of completion method. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work.

The Group accounts for any cash received from buyers as "Contract liabilities" account in the consolidated statements of financial position when the related performance obligation for which payment was made has not yet been performed. Excess of collections over satisfied performance obligation is also classified as contract liabilities. Contract liabilities are reduced by the amounts of revenue recognized during the reporting period. Receivables that are conditional upon performance of other obligations are recognized as "Contract assets" (presented under "Trade and other receivables" account) in the consolidated statements of financial position. Contract assets are reclassified to trade receivables upon completion of the performance obligation.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component. Collections received are applied pro-rata based on the selling price of the condominium unit, net of VAT and interest, and the selling price of the preferred share.

*Real Estate Sales (Prior to January 1, 2018).* Revenue from sales of completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, sales is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work. Costs that relate to the acquisition, development, improvement and construction of the real estate projects are capitalized and are charged to operations when the related revenues are recognized.

The Group accounts for any cash received from buyers as deposits from sale of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for percentage of completion method are met. Excess of collections over the recognized receivables are included in the "Trade and other payables" account in the consolidated statements of financial position, if expected to be applied within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Revenue on the sale of parking lots is recognized using the full accrual method.

*Rent.* Rent income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

*Air Transport, Medical and Security Services.* These are recognized when the related service has been rendered.

*Room Revenues.* Revenue is recognized when the room facilities are used and the related services are rendered.

*Gain on Sale of AFS Financial Assets.* Gain on sale of AFS financial assets are recognized upon transfer of risks and rewards to the buyer.

*Interest income.* Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

*Other Income.* Income from other sources, which includes revenue from serviced residences, is recognized when earned during the period.

**Cost and Expense Recognition**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

*Cost of Real Estate Sold.* Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

*Cost of Services.* Cost of services is recognized as expense when services are rendered.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

*Interest Expense and Other Finance Charges.* Interest expense and other finance charges are recognized as they accrue. This includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated in an effective interest rate basis.

**Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefit Costs.* The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

**Operating Lease**

*Group as a Lessee*. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

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

**Borrowing Costs**

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period they occur.

**Foreign Currency Denominated Transactions**
Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, an associate and interests in joint ventures.

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

**Related Parties**

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

**Contingencies**

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

**Events after the Reporting Date**

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

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

*Recognizing Revenue from Real Estate Sales Under PFRS 15*. The recognition of revenue at a point in time requires certain judgment on when the customer obtain control over the promised goods and services. In determining whether control has been transferred to the customer, the Group considers the following indicators:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

For real estate sales recognized over time, the Group recognizes revenue using percentage of completion method. This method requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections and credit standing of the buyers. The percentage of completion of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

Real estate sales recognized amounted to ₱1,346.5 million, ₱1,366.6 million and ₱1,421.2 million in 2018, 2017 and 2016, respectively (see Note 19).

*Determining Functional Currency*. Based on the economic substance of the underlying circumstances relevant to the Group, functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

*Determining the Classification of Operating Lease Commitments - The Group as a Lessor*. The Group entered into a number of operating lease agreements as a lessor. As a lessor, the Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Group recognized rent income amounting to ₱1,173.7 million, ₱834.8 million and ₱696.0 million in 2018, 2017 and 2016, respectively (see Note 18).

*Determining the Classification of Operating Lease Commitments - The Group as a Lessee*. The Group entered into various cancellable lease agreements with its related companies covering AWCI's branches. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and benefits of ownership of the properties and has classified the lease as operating lease.

Rent expense amounted to ₱23.2 million in 2016 (see Note 18).

*Determining the Classification of Financial Instruments*. The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

*Determining Fair Value of Financial Instruments.* PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

*Determining Fair Value of Investments in Clubs' Preferred Shares.* The Group establishes fair value by using recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The carrying value of investments in preferred shares amounted to ₱31,036.1 million and ₱30,064.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

*Determining Control, Joint Control or Significant Influence over an Investee Company.* Control is presumed to exist when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed to share control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in all joint arrangements.

The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) as at December 31, 2018 and 2017. The Group accounts for these investments as associate since management has assessed that there is no joint control between the parties.

*Determining the Classification of Joint Arrangements.* The joint venture agreement with BSP is accounted for as a joint operation since the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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

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

*Determining Transfers.* Transfers between investment properties, land and development costs and property and equipment of the Group are made after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or commencement of development with a view to sale. These transfers are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

The carrying amounts of nonfinancial assets transferred between investment properties, land and development costs and property and equipment are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Transfer from land and development costs to: | | | |
| Property and equipment | 12 | **₱2,115,863** | ₱– |
| Investment properties | 11 | **–** | 2,425,353 |
| Transfers from investment properties to: | | | |
| Land and development costs | 7 | **653,310** | 327,319 |
| Property and equipment | 12 | **2,244** | 19,471 |

*Evaluating Legal Contingencies.* There are on-going litigations involving the Group which management believes would not have a material adverse impact on the Group's financial condition and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results (see Note 26).

**<u>Estimates and Assumptions</u>**
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Recognizing Revenue and Cost.* The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost from sale of real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Revenue from AMPI's sale of condominium units and preferred shares, ABIRC's sale of private villa and land and ABMLHI's sale of log homes under a single contract to sell are allocated to each component using the residual method.

The fair value of the preferred share is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Revenue recognized based on percentage of completion amounted to ₱ 1,346.5 million, ₱1,366.6 million and ₱1,421.2 million in 2018, 2017 and 2016, respectively (see Note 19). Cost recognized based on percentage of completion amounted to ₱859.4 million, ₱834.3 million and ₱1,094.9 million in 2018, 2017 and 2016, respectively (see Note 20).

*Assessing Expected Credit Losses.* The Group estimates expected credit losses on trade receivables and contract assets using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

Impairment losses recognized on trade and other receivables amounted to ₱4.5 million, ₱71.9 million and ₱34.1 million in 2018, 2017 and 2016, respectively. The Group wrote-off trade and other receivables amounting to ₱6.9 million in 2016. The Group recognized a reversal of allowance for impairment losses amounting to ₱104.6 million in 2018 (see Note 6).

Allowance for impairment loss on trade and other receivables amounted to ₱29.7 million and ₱111.8 million as at December 31, 2018 and 2017, respectively (see Note 6). Management believes that the allowance is sufficient to cover receivable balances which are specifically identified to be doubtful of collection.

The aggregate carrying amount of trade and other receivables and advances to an associate and related companies amounted to ₱4,894.3 million and ₱4,771.6 million as at December 31, 2018 and 2017, respectively (see Notes 6, 9 and 17).

*Determining NRV of Land and Development Costs and Parking Lots for Sale.* The Group writes down the carrying value of land and development costs and parking lots for sale whenever the NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying value is reviewed regularly for any decline in value.

The carrying value of land and development costs amounted to ₱2,808.0 million and ₱3,806.6 million as at December 31, 2018 and 2017, respectively. Parking lots for sale amounted to ₱272.1 million and ₱135.8 million as at December 31, 2018 and 2017, respectively (see Note 7).

*Assessing Equity Securities Designated as FVOCI (Formerly Classified as AFS Financial Assets) for Impairment*. The Group assesses equity securities designated as FVOCI (formerly classified as AFS financial assets) as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as period more than 12 months. In addition, the Group evaluates other factors, including future cash flows and the discount factors for unquoted equities.

The Group's equity securities designated as FVOCI (formerly classified as AFS financial assets) amounted to ₱31,036.1 million and ₱30,064.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

*Estimating Useful Lives of Property and Equipment.* The Group estimates the useful lives of the property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives 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 these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of depreciable property and equipment in 2018, 2017 and 2016. The carrying value of property and equipment amounted to ₱10,174.8 million and ₱1,832.3 million as at December 31, 2018 and 2017, respectively (see Note 12).

*Estimating Impairment of Nonfinancial Assets*. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No impairment loss on nonfinancial assets was recognized in 2018, 2017 and 2016. The carrying amounts of nonfinancial assets are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Other current assets* | 8 | **₱1,806,510** | ₱1,790,662 |
| Investment in an associate | 9 | **11,326** | 11,326 |
| Property and equipment | 12 | **10,174,812** | 1,832,348 |
| Other noncurrent assets** | 13 | **141,931** | 224,226 |

**Excluding restricted cash.*
***Excluding noncurrent portion of trade receivables and refundable deposits.*

*Determining Fair Value of Investment Properties.* The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair values of investment properties were based on the valuation performed in 2018, 2017 and 2016. The fair values of the land were determined using sales comparison and land development approach. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Land development approach is basically a discounting process wherein the present worth of the potential value of the property as "raw" land for subdivision purposes may be estimated. The fair value of properties held for lease was determined using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate.

Further information about the assumptions made in measuring fair values of investment properties are discussed in Note 11.

Gain on fair value changes which was recognized in the consolidated statements of comprehensive income amounted to ₱7,453.5 million, ₱11,471.8 million and ₱10,007.1 million in 2018, 2017 and 2016, respectively. Carrying values of investment properties amounted to ₱47,675.8 million and ₱40,664.1 million as at December 31, 2018 and 2017, respectively (see Note 11).

*Determining Fair Value of Property and Equipment Measured at Revalued Amount.* The Group engaged an independent appraiser to determine the fair value of its serviced residences and aircrafts. The fair value of the serviced residences was determined by an independent appraiser using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate. The fair value of aircraft was determined using the market data approach. Market data approach involves gathering of cost data from original import commercial invoices as well as comparable sources of similar aircraft.

Further information about the assumptions made in measuring fair values of serviced residences and aircrafts are discussed in Note 12.

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,103.6 million and ₱75.9 million as at December 31, 2018 and 2017, respectively. The aggregate carrying value of serviced residences and aircraft carried at fair value amounted to ₱9,786.3 million and ₱1,534.7 million as at December 31, 2018 and 2017, respectively (see Note 12).

*Determining Retirement Benefit Costs.* The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement expense amounted to ₱19.9 million, ₱6.4 million and ₱7.5 million in 2018, 2017 and 2016, respectively. Retirement liability amounted to ₱44.5 million and ₱24.5 million as at December 31, 2018 and 2017, respectively (see Note 21).

*Assessing Realizability of Deferred Tax Assets*. The Group reviews its deferred tax assets at each reporting date 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. There is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Recognized deferred tax assets of the Group amounted to ₱6.7 million and ₱111.5 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱306.9 million and ₱217.2 million as at December 31, 2018 and 2017, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

4. **Joint Operation**

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "Development Costs") and its exclusive right (the "Leasehold Rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include The City Club and the 15% share of BSP shall include the Boy Scout Convention Center. As provided in the Joint Venture Agreement, AMPI shall submit progress reports of the development works in the Project on a regular basis to BSP.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

The Group accounts for the joint venture arrangement as a joint operation. As at December 31, 2018 and 2017, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 7) in the following accounts:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Land and development costs and parking lots for sale | 7 | **₱498,133** | ₱2,656,792 |
| Investment properties | 11 | **12,220,473** | 11,763,279 |
| | | **₱12,718,606** | ₱14,420,071 |

On September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement. The Supplement expressly enumerates the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots. The Supplement further provides that the BSP Share in Tower 3 shall be determined in another Supplement.

## 5. Cash and Cash Equivalents

This account consists of:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Cash on hand and in banks | **₱106,888** | ₱205,382 |
| Short-term placements | **3,269** | 10,211 |
| | **₱110,157** | ₱215,593 |

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest ranging from 1.05% to 1.5% in 2018, 2017 and 2016.

Sources of interest income recognized by the Group are as follows (see Note 19):

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| In-house financing | 7 | **₱13,280** | ₱7,705 | ₱8,381 |
| Trade and other receivables | 6 | **1,998** | 5,368 | 9,490 |
| Restricted cash | 8 | **951** | 518 | 419 |
| Cash and cash equivalents | | **804** | 4,173 | 1,345 |
| | | **₱17,033** | ₱17,764 | ₱19,635 |

## 6. Trade and Other Receivables

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Trade receivables from: | | | |
| Sale of real estate | | **₱990,218** | ₱1,752,595 |
| Air transport services | | **334,214** | 207,912 |
| Sale of club shares | 10 | **55,145** | 81,690 |
| Tenants | 18 | **88,075** | 33,955 |
| Nontrade | | **60,145** | 8,796 |
| Contract assets | | **217,610** | – |
| Others | | **58,246** | 20,402 |
| | | **1,803,653** | 2,105,350 |
| Less allowance for impairment losses | | **(29,725)** | (111,846) |
| | | **₱1,773,928** | ₱1,993,504 |

Receivables from sale of real estate and club shares have terms ranging from one to three years. Noncurrent portion of these receivables are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13). Amortization of interest on these receivables amounting to ₱2.0 million, ₱5.4 million and ₱9.5 million in 2018, 2017 and 2016, respectively (see Note 5).

The Group entered into memorandum of agreement with BDO whereby the Group assigns, with recourse, its installment contract receivables from the sale of Baguio log homes covered by CTS. The Group retains the balance of assigned receivables and records the proceeds from these assignments as bank loans. As at December 31, 2018, trade receivables and contract assets assigned amounted to ₱528.8 million and ₱39.2 million, respectively (see Note 15).

Receivable from air transport services are unsecured, noninterest-bearing and are due and demandable.

Receivables from tenants are noninterest-bearing and are generally on a 30-day term.

Contract assets are reclassified to trade receivables upon completion of the performance obligation.

Nontrade receivables mainly pertain to receivables from related companies, officers and employees. Advances to related companies are unsecured, noninterest-bearing and are due and demandable (see Note 17). Advances to officers and employees are noninterest-bearing and are subject to liquidation.

Other receivables mainly consist of SSS claims and other receivables.

Allowance for impairment losses pertain to receivables from several lessees of ASTI and unit buyers of AMPI that are at least 90 days past due.

Movements of allowance for impairment losses are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| Balance at beginning of year | **₱111,846** | ₱39,906 | ₱5,852 |
| Reversal of impairment loss | **(104,609)** | – | – |
| Changes on initial application of PFRS 9 | **17,993** | – | – |
| Provisions | **4,495** | 71,940 | 34,054 |
| Balance at end of year | **₱29,725** | ₱111,846 | ₱39,906 |

Reversal of impairment loss in 2018 pertains to forfeited sales of AMPI condominium unit, parking lots and AFS financial assets with related costs amounting to ₱171.5 million, ₱13.4 million and ₱2.8 million, respectively (see Notes 7 and 10). As a result of the forfeiture, the Group recognized loss on forfeited sales amounting to ₱104.6 million (see Note 7).

In addition to the above write-off of allowance for impairment losses, the Group wrote-off trade and other receivables amounting to ₱6.9 million in 2016 (see Note 20).

## 7. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Land and development costs: | | |
| Alphaland Baguio Mountain Lodges | **₱2,143,236** | ₱1,050,767 |
| Balesin Private Villa | **438,771** | 234,816 |
| Alphaland Makati Place | **225,988** | 2,521,042 |
| Parking lots for sale | **272,145** | 135,750 |
| | **₱3,080,140** | ₱3,942,375 |

**Alphaland Baguio Mountain Lodges**

Movements in land and development costs pertaining to the Alphaland Baguio Mountain Lodges Project are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Balance at beginning of year | | **₱1,050,767** | ₱480,743 |
| Transfers | 11 | **653,310** | 220,311 |
| Additions: | | | |
| Development costs | | **615,277** | 788,563 |
| Capitalized borrowing costs | 15 | **122,644** | 49,868 |
| Cost of real estate sold | 20 | **(298,762)** | (488,718) |
| Balance at end of year | | **₱2,143,236** | ₱1,050,767 |

The Alphaland Baguio Mountain Lodges Project pertains to 16.8 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

In 2016, due to management’s decision to develop the property as horizontal condominium for sale, 13.1 hectares of the property, was reclassified from “Investment properties” to “Land and development costs.” In 2018 and 2017, additional 7.7 hectares and 3.7 hectares, respectively, were reclassified to this account (see Note 11).

As at December 31, 2018, capitalized depreciation expense included as part of development costs amounted to ₱4.8 million (see Note 12).

On October 25, 2018, the Housing and Land Use Regulatory Board(HLURB) issued alicense to sell for AlphalandBaguio Mountain Lodges project which is valid not later than October 2019, the completion of the approved development plan.

In November 2018, ABMLHI started to sell log homes under in-house financing arrangement at 30% down payment, payable monthly over a maximum of 5 years with interest rate at 9% per annum. As at December 31, 2018, ABMLHI sold 27 log homes. Interest earned from real estate sales under in-house financing amounting to ₱11.7 million (see Note 5).

**Balesin Private Villa**
Movements in land and development costs pertaining to the Balesin Private Villa project are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Balance at beginning of year | | **₱234,816** | ₱– |
| Additions: | | | |
| Development costs | | **305,228** | 194,380 |
| Cancelled sale | | **57,222** | – |
| Capitalized borrowing costs | 15 | **23,313** | 5,242 |
| Cost of real estate sold | 20 | **(181,808)** | (71,814) |
| Transfers | 11 | **–** | 107,008 |
| Balance at end of year | | **₱438,771** | ₱234,816 |

The Balesin Private Villa pertains to 4.4 hectares of land situated in Balesin Island that is currently being developed as properties for sale.

In 2017, due to the commencement of development on the property with a view to sell, the property was reclassified from "Investment properties" to "Land and development costs" (see Note 11).

In 2018, the Group cancelled a sale with related cost amounting to ₱57.2 million and a loss on cancellation amounting to ₱92.8 million was recognized in the consolidated statements of comprehensive income under "Other gains (losses)" account.

**Alphaland Makati Place**
Movements in land and development costs pertaining to the Alphaland Makati Place project are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Balance at beginning of year | | **₱2,521,042** | ₱4,803,547 |
| Transfers to: | | | |
| Property and equipment | 12 | **(2,115,863)** | – |
| Investment properties | 11 | **–** | (2,425,353) |
| Cost of real estate sold | 20 | **(350,734)** | (257,833) |
| Additions: | | | |
| Forfeited sales | 6 | **171,543** | – |
| Development costs | | **–** | 388,754 |
| Capitalized borrowing costs | 15 | **–** | 11,927 |
| Balance at end of year | | **₱225,988** | ₱2,521,042 |

The Alphaland Makati Place Project, which is a joint venture with BSP (see Note 4), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 11). Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

Project cost classified as land and development costs pertains to the Group's proportionate interest in the three residential towers of Alphaland Makati Place that are intended for sale. In 2017, the Group changed its intention to lease Tower 3 to third parties instead of selling it as a condominium unit. Accordingly, cost of Tower 3 was reclassified to "Investment properties" (see Note 11).

In May 2018, AMPI started its serviced residences operation under "The Alpha Suites." A number of condominium units of AMPI were utilized for its serviced residences. Accordingly, the costs of these units were transferred to "Property and equipment" account (see Note 12).

The Group started the pre-selling of condominium units in October 2011 for Tower 1 and in November 2013 for Tower 2. The terms and conditions of the CTS involve the sale of one condominium unit and one City Club share, i.e., a preferred share of TCCAMPI, in which ownership of the condominium unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

The Housing and Land Use Regulatory Board issued the permanent License to Sell (LTS) to AMPI for the sale of condominium units in Tower 1 of Alphaland Makati Place on October 9, 2012 and for the sale of condominium units in Tower 2 on May 27, 2014.

As discussed in Note 4, on September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement enumerating the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots.

AMPI received deposits from the sale of real estate. As at December 31, 2018 and 2017, the current portion amounting to ₱13.0 million and ₱91.4 million, respectively, were presented under "Trade and other payables" account (see Note 14) and the noncurrent portion amounting to ₱7.1 million as at December 31, 2018 and 2017 were presented under "Other noncurrent liabilities" account in the consolidated statements of financial position.

In 2018, the Group forfeited a sale with related cost amounting to ₱171.5 million and a loss on forfeiture amounting to ₱104.6 million was recognized in the consolidated statements of comprehensive income (see Note 6).

**Parking Lots for Sale**

Movements in parking lots for sale are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Balance at beginning of year | | **₱135,750** | ₱151,725 |
| Purchases | | **150,998** | – |
| Cost of real estate sold | 20 | **(28,050)** | (15,975) |
| Additions due to forfeited sales | 6 | **13,447** | – |
| Balance at end of year | | **₱272,145** | ₱135,750 |

In May 2016, AMPI started to sell condominium units and parking lots under in-house financing arrangement at 5% down payment, payable monthly over a maximum of 10 years with interest rate at 8% per annum.

As at December 31, 2018, AMPI sold 209 and 226 condominium units and parking lots, respectively. Interest earned from real estate sales under in-house financing amounting to ₱1.6 million, ₱7.7 million and ₱8.4 million in 2018, 2017 and 2016, respectively (see Note 5).

## 8. Other Current Assets

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Input VAT | | **₱832,114** | ₱941,752 |
| Advances to contractors and suppliers | 26 | **558,461** | 611,165 |
| Restricted cash | | **382,944** | 1,183 |
| CWT | | **248,641** | 127,837 |
| Supplies | | **71,416** | 52,263 |
| Prepayments | | **52,832** | 28,326 |
| Deferred rent | | **43,046** | 29,319 |
| | | **₱2,189,454** | ₱1,791,845 |

**Input VAT**

Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects.

**Advances to Contractors and Suppliers**

Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱1.8 million and ₱138.4 million as at December 31, 2018 and 2017, respectively, are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13).

**Prepayments**

Prepayments include prepaid rent, insurance and commissioning fees.

**Restricted Cash**

Details of restricted cash are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Debt service reserve account (DSRA) | **₱378,834** | ₱– |
| Escrow - license to sell | **2,917** | – |
| Escrow - environmental funds | **1,193** | 1,183 |
| | **₱382,944** | ₱1,183 |

Escrow - license to sell represents cash deposited with Sterling Bank of Asia, Inc., pursuant to the license to sell issued by HLURB to ABMLHI in relation to the completion of Alphaland Baguio Mountain Lodges project (see Note 7).

Escrow - environmental funds represent cash deposited with Philippine Bank of Communications (PBCom), pursuant to the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually or whenever the amount goes below 50% of the initial deposit.

Under the OLSA, ASTI, AMPI, ABIRC (collectively, the Borrowers) are required to maintain a DSRA for the security of interest and/or principal repayments to the lenders. The Borrowers are required to deposit cash to the DSRA equivalent to the upcoming interest and/or principal repayment (see Note 15). As discussed in Note 1, the OLSA with the lenders was preterminated and refinanced through BDO to finance new projects and working capital requirements of the Group.

Interest income earned from restricted cash amounted to ₱1.0 million, ₱0.5 million and ₱0.4 million in 2018, 2017 and 2016, respectively (see Note 5).

## 9. Investment in and Advances to an Associate

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Investment in an associate | | **₱11,326** | ₱11,326 |
| Advances to an associate | 17 | **1,023** | 1,023 |
| | | **₱12,349** | ₱12,349 |

Details of investment in an associate are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Acquisition costs: | | |
| Balance at beginning of year | **₱50,000** | ₱58,000 |
| Reclassification | **–** | (8,000) |
| Balance at end of year | **50,000** | 50,000 |
| Accumulated equity in net loss: | | |
| Balance at beginning of year | **(38,674)** | (38,043) |
| Equity in net income during the year | **–** | 1,381 |
| Reclassification | **–** | (2,012) |
| Balance at end of year | **(38,674)** | (38,674) |
| | **₱11,326** | ₱11,326 |

Investment in an associate comprises of a 50% interest in AHEC whose principal activity involves sale and lease of heavy equipment as at December 31, 2018 and 2017.

**AHEC**

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2018, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

**ASAI**

ALPHA initially subscribed to 79,999 common shares of ASAI representing 40% of its outstanding shares in March 2011, which was then accounted for as an associate. In October 2017, ALPHA purchased additional 79,999 from an existing shareholder for ₱11.2 million increasing ALPHA's ownership to 80%.

Condensed financial information of the associate prepared on the historical basis of accounting are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Current assets | **₱46,532** | ₱46,532 |
| Current liabilities | **23,888** | 23,888 |
| Net equity | **22,644** | 22,644 |

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017* | 2016 |
| Revenue | **₱–** | ₱12,042 | ₱12,547 |
| Costs and expenses | **–** | (7,266) | (15,371) |
| Net income (loss) | **₱–** | ₱4,776 | (₱2,824) |

**Including ASAI up to October 2017.*

The Group has not incurred any contingent liabilities in relation to its investment in AHEC nor does the associate itself has any contingent liabilities for which the Group is contingently liable as at December 31, 2018 and 2017.

The Group has not entered into any capital commitments in relation to its investment in AHEC and did not receive any dividends from the associate in 2018, 2017 and 2016.

10. **Equity Securities Designated as FVOCI (Formerly Classified as AFS Financial Assets)**

This account consists of:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Unquoted Clubs' preferred shares: | | |
| ABICI | **₱25,379,585** | ₱24,481,268 |
| TCCAMPI | **5,656,500** | 5,583,000 |
| | **₱31,036,085** | ₱30,064,268 |

The rollforward analysis of the account are as follows:

| | Note | 2018 (In Thousands) | 2017 |
|---|---|---|---|
| Balance at beginning of year | | **₱30,064,268** | ₱30,257,222 |
| Fair value adjustments | | **1,084,338** | 58,146 |
| Sale of equity securities designated as FVOCI (formerly classified as AFS financial assets) | | **(218,711)** | (251,500) |
| Additional subscriptions | | **103,400** | 400 |
| Additions due to forfeited sales | 6 | **2,790** | – |
| Balance at end of year | | **₱31,036,085** | ₱30,064,268 |
| | | | |
| Current | | **₱1,065,311** | ₱985,811 |
| Noncurrent | | **29,970,774** | 29,078,457 |
| | | **₱31,036,085** | ₱30,064,268 |

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one nominee per share to become a member and avail of the amenities and facilities of the Clubs, unless as otherwise required by applicable laws. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issuer's common shares in the distribution of assets in case of dissolution and liquidation.

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost incurred and to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred.

On February 24, 2011, the Philippine SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000, which is still subject for approval by the SEC as at December 31, 2018.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

On January 5, 2017, the SEC approved the increase in authorized capital stock of ABICI from ₱2.1 million divided into 14,000 common shares with par value ₱100 per share, and 10,090 Class "B" preferred shares divided further into 3,910 Class "B-1" preferred shares with par value of ₱100 a share and 6,180 Class "B-2" preferred shares with par value of ₱50 a share to ₱3.0 million divided into 20,000 common shares with par value of ₱100 per share, and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share.

On May 31, 2017, ABIRC subscribed to additional 2,000 Class "B-2" preferred shares and 1,000 Class "B-3" (Tranche 3) preferred shares at a subscription price of ₱100 per share and ₱200 per share, respectively, or an aggregate amount of ₱0.4 million.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2018 and 2017 (see Note 17). In 2015, ABICI already financed its own construction in the Island Club.

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holder for 14 and 7 free villa night stay in the Island Club, respectively.

The fair values of unsold shares as at December 31, 2018 and 2017 are as follows:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount*** | Number of Shares | Amount* |
| Tranche 1 | **711** | **₱3,199,500** | 754 | ₱3,016,000 |
| Tranche 2 | **11,966** | **22,179,885** | 12,000 | 21,465,068 |
| Tranche 3 | **1,000** | **200** | 1,000 | 200 |
| | | **₱25,379,585** | | ₱24,481,268 |

**Amounts in thousands.*

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved TCCAMPI's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, comprising of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The City Club was fully completed in January 2014.

AMPI's AFS financial assets are marked to market using the fair value of ₱1.5 million per share as at December 31, 2018 and 2017. There are 3,771 and 3,722 unsold shares as at December 31, 2018 and 2017, respectively. As at December 31, 2018 and 2017, the fair value of unsold shares amounted to ₱5,656.5 million and ₱5,583.0 million, respectively.

**Unrealized Valuation Gain on AFS Financial Assets**

The Group's AFS financial assets is marked to market using the fair value equivalent to the cash selling price of a recent sale to the public for the unquoted preferred shares.

Movements in the unrealized gain on AFS financial assets, net of related tax effect, are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Balance at beginning of year | **₱23,432,497** | ₱23,574,600 |
| Effect of change in tax rate | **(1,301,805)** | – |
| Unrealized valuation gain | **921,687** | 52,331 |
| Reclassification adjustments | **(160,701)** | (194,434) |
| Balance at end of year | **₱22,891,678** | ₱23,432,497 |

On December 19, 2017, a new tax reform law, Tax Reform for Acceleration and Inclusion (TRAIN), was approved which provides amendments to several provisions of National Internal Revenue Code of 1997 (NIRC of 1997). This will be effective beginning January 1, 2018. Capital gains tax (CGT) from sale of shares of stock not traded in local stock exchange is amended from 5% on the first ₱0.1 million and 10% in excess thereof based on NIRC of 1997 to a flat rate of 15% on TRAIN.

On various dates in 2018, AMPI and ABIRC sold 33 and 51 shares, respectively, with fair values aggregating ₱218.7 million at respective dates of disposal in response to liquidity requirements. The cumulative net gain on disposal amounting to ₱189.1 million, gross of tax effect, was directly reclassified to retained earnings in 2018. Gain on sale of AFS financial assets amounting to ₱123.2 million and ₱108.5 million in 2017 and 2016, respectively, were presented in profit or loss.

Receivable arising from the sale of AFS financial assets amounted to ₱62.7 million and ₱89.2 million as at December 31, 2018 and 2017, respectively (see Notes 6 and 13). No dividends were recognized in 2018, 2017 and 2016.

As at December 31, 2018 and 2017, deposits received from buyers of club shares amounting to ₱380.3 million and ₱239.2 million, respectively, were presented under "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

## 11. **Investment Properties**

Movements in this account are as follows:

| | Note | (In Thousands) 2018 | 2017 |
|---|---|---|---|
| Balance at beginning of year | | **₱40,664,073** | ₱27,297,299 |
| Fair value change | | **7,453,516** | 11,471,819 |
| Additions: | | | |
| Capital expenditures | | **177,096** | 12,634 |
| Purchases | | **31,681** | 20,825 |
| Capitalized borrowing costs | 15 | **–** | 4,212 |
| Transfers from (to): | | | |
| Land and development cost | 7 | **(653,310)** | 2,098,034 |
| Property and equipment | 12 | **(2,244)** | (19,471) |
| Rescission of: | | | |
| Disposal | | **5,000** | – |
| Sale | | **–** | (216,279) |
| Disposals | | **–** | (5,000) |
| Balance at end of year | | **₱47,675,812** | ₱40,664,073 |

Investments carried at fair value consist of the following:

| | (In Thousands) 2018 | 2017 |
|---|---|---|
| Alphaland Southgate Tower | **₱11,463,356** | ₱10,114,716 |
| Alphaland Balesin Island Property | **9,566,450** | 8,355,753 |
| Alphaland Makati Place: | | |
| Tower 3 | **8,672,092** | 8,214,898 |
| Podium | **3,548,381** | 3,548,381 |
| Patnangunan Property | **5,286,260** | 1,772,458 |
| Baguio Property | **4,744,557** | 4,443,152 |
| Silang Property | **4,380,012** | 4,200,011 |
| Atimonan Property | **14,704** | 14,704 |
| | **₱47,675,812** | ₱40,664,073 |

**Alphaland Southgate Tower**

In January 2008, ASTI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008.

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱779.8 million, ₱740.3 million and ₱624.6 million in 2018, 2017 and 2016, respectively. Direct costs related to rent income amounted to ₱186.7 million, ₱179.1 million and ₱111.3 million in 2018, 2017 and 2016, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

The property currently secures the long-term loan facility of ALPHA under OLSA with BDO (see Note 15). The same property was used to secure the long-term debt of ASTI which was settled in 2017.

As discussed in Note 1, ASTI is currently in negotiations with a third party for the sale of Alphaland Southgate Tower. However, as at January 29 2019, there is no definitive agreement regarding the sale. The sale is conditioned on obtaining relevant regulatory clearances.

**Alphaland Balesin Island Property**

ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to 406 hectares. Of this total, approximately 98 hectares in 2017 and 2016 were committed for transfer to ABICI (see Note 10). The transfer of certificates of title is currently being processed.

Certain lots and improvements in Balesin Island currently secure the long-term loan facility of ALPHA under OLSA with BDO. The same lots secure the loans payable obtained by ABIRC on May 21, 2013 and March 29, 2012 which were settled in 2017 (see Note 15).

In 2017, ABIRC started the development of certain portions of its land for sale. Accordingly, these portions were reclassified to “Land and development costs” account (see Note 7).

**Alphaland Makati Place**

This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties (see Notes 4 and 7). In 2017, the Group reclassified Tower 3 from “Land and development costs” to “Investment property” account due to change in intention over the property from condominium units for sale to a property held for leasing. The change in management’s intention was evidenced by actual change in the use of property (see Note 7).

Rent income earned from Alphaland Makati Place amounted to ₱393.9 million, ₱94.5 million and ₱71.4 million in 2018, 2017 and 2016, respectively. Direct costs related to rent income amounted to ₱42.5 million, ₱13.7 million and ₱10.3 million in 2018, 2017 and 2016, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

The property currently secures the long-term loan facility of ALPHA under OLSA with BDO (see Note 15). The property, including the project cost classified as land and development costs (see Note 7), used to secure the long-term debt obtained by AMPI which was settled in 2017 (see Note 15).

**Patnanungan Property**

In 2016 and 2015, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon. This brings the total land ownership to 711.0 hectares, more or less, which is reserved for future development.

In December 2017, the Group sold 2.0 hectares to Red Sun Capital Holdings Corporation for ₱8.0 million, resulting to a gain amounting to ₱2.1 million. In 2018, the contract to sell was rescinded resulting to a loss amounting to ₱2.1 million.

In December 2018, the Group acquired 42.2 hectares with a carrying amount of ₱31.7 million. This brings the total land ownership to 753.2 hectares.

**Baguio Property**
This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The fair value of the property based on an independent appraiser's report dated October 22, 2018, November 10, 2017 and December 2, 2016 is at ₱9,000 per square meter or a total of ₱4.7 billion, ₱7,353 per square meter or a total of ₱4.4 billion and ₱5,900 per square meter or a total of ₱3.6 billion, respectively.

The Group acquired the property in 2015 at its zonal value, or a total acquisition cost of ₱106.0 million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at its zonal value, RVO shall have a 15% interest, to be finalized upon conclusion of the project, without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

In 2016, due to management's decision to develop the property as a horizontal condominium for sale, 13.1 hectare of the property was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs in 2018 and 2017, respectively (see Note 7).

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares. The total land area of the property approximates 77.5 hectares as at December 31, 2018 and 2017.

**Silang Property**
ASTI's three parcels of land in Silang, Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development. The property currently secures the long-term loan facility of ALPHA under OLSA with BDO (see Note 15).

**Atimonan Property**
ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,005 square meters, more or less, is reserved for future development.

The fair value of the investment properties as at December 31, 2015 is based on valuations performed by accredited independent appraisers. As at December 31, 2018 and 2017, the management evaluated that the carrying value of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between those dates.

**PAGCOR City Property**
In December 2015, the Group (through a wholly-owned subsidiary) acquired PAGCOR City Property at its zonal value of ₱50,000 per square meter or a total of ₱198.9 million. However, on January 11, 2017, the parties agreed to rescind the purchase whereby the Group returned and delivered to the Seller the titles to, and all other rights over the property. In turn, the Seller returned the full Purchase Price of the Property and other costs to the Group.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

**Income Capitalization Approach**

| | Stabilized net operating income (NOI)* | | Capitalization rate | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Alphaland Southgate Tower | **₱576,169** | ₱542,479 | **5.00%** | 5.39% |
| Alphaland Makati Place: | | | | |
| Tower 3** | **509,911** | 458,026 | **5.00%** | 5.00% |
| Podium | **67,968** | 67,968 | **2.00%** | 2.00% |

**In thousands.*
***Reclassified from "Land and development costs" account in 2017.*

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

- *Stabilized NOI:* calculation used to identify performance of an investment property that produces stable income.

- *Capitalization rate:* rate used to estimate the potential return of the investment property.

Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated it through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

**Market Data Approach**

| | | | Range | |
|---|---|---|---|---|
| Project | Class of Property | Significant Unobservable Inputs | **2018** | 2017 |
| Alphaland Balesin Island | Land | Price per square meter | **₱1,500-₱9,615** | ₱950-₱7,000 |
| | | Value adjustments (for development) | **189%-339%** | 190%-272% |
| Atimonan | Land | Price per square meter | **₱1,200-₱3,600** | ₱1,200-₱3,600 |
| | | Value adjustments | **40%-80%** | 40%-80% |
| Patnanungan | Land | Price per square meter | **₱1,000** | ₱400-₱950 |
| | | Value adjustments | **30%** | 5%-35% |

The significant unobservable inputs to fair valuation are as follows:

*Price per square meter:* estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value adjustments:* adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/ terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and its allied development)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

**Land Development Approach**

| | **December 31, 2018** | |
|---|---|---|
| **Significant Unobservable Input** | **Baguio** | **Silang** |
| Period of land development and selling program | **5 years** | **5 - 6 years** |
| Administrative/marketing cost | **7% of gross sales** | **12% of gross sales** |
| Interest rate selected for discounting | **14%** | **12%** |
| Developer’s profit | **20% of development cost** | **20% of development cost** |
| Proposed selling price | **₱45,000 - ₱55,000** | **₱18,000 - ₱26,400** |
| Calculated no. of subdivision lot | **320 lots** | **175 - 486 lots** |
| Land value/annual increment of land value | **25%** | **10%-20%** |

| | December 31, 2017 | |
|---|---|---|
| Significant Unobservable Input | Baguio | Silang |
| Period of land development and selling program | 5 years | 5 - 6 years |
| Administrative/marketing cost | 7% of gross sales | 12% of gross sales |
| Interest rate selected for discounting | 14% | 12% |
| Developer’s profit | 20% of development cost | 20% of development cost |
| Proposed selling price | ₱40,000 - ₱50,000 | ₱18,000 - ₱26,400 |
| Calculated no. of subdivision lot | 320 lots | 175 - 486 lots |
| Land value/annual increment of land value | 25% | 10%-20% |

Using the land development approach, the properties are treated as mixed-used subdivision development and the gross sales that may be expected from the proposed saleable lots are then estimated in accordance with the prevailing prices of comparable development subdivision lots within the immediate vicinity. Overhead and sales expenses, and developer’s profit, the residual sales income is then attributed to the “raw” land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and best use concept (i.e. residential subdivision development) of the land;

- Establishment of total revenue or proceeds of sales of subdivision lots on the basis of what ready-to-build sites in similar subdivisions are selling;

- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor’s profit and overhead expenses;

- Estimation of overhead and sales expenses such as broker’s commissions, promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

*Sensitivity Analysis.* Significant increase (decrease) in land value, proposed selling price and calculated no. of lots would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in administrative and marketing costs and developer’s profit would result in a lower (higher) fair value measurement.

12. **Property and Equipment**

The composition and movements of this account are presented below (in thousands):

| | Note | 2018<br>Serviced Residences* | Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Balance at beginning of year | | **₱–** | **₱1,733,573** | **₱128,270** | **₱51,830** | **₱294,964** | **₱106,135** | **₱40,034** | **₱19,471** | **₱12,851** | **₱2,387,128** |
| Additions | | **1,948,836** | **101,982** | **3,466** | **38,229** | **49,429** | **24,075** | **23,610** | **–** | **3,780** | **2,193,407** |
| Revaluation increase | | **4,245,034** | **120,114** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **4,365,148** |
| Transfers from: | | | | | | | | | | | |
| Land and development costs | 7 | **2,115,863** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2,115,863** |
| Investment properties | 11 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2,244** | **–** | **2,244** |
| Disposal | | **(35,417)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(35,417)** |
| Reclassifications | | **–** | **–** | **1,544** | **–** | **–** | **–** | **11,303** | **–** | **(12,847)** | **–** |
| Balance at end of year | | **8,274,316** | **1,955,669** | **133,280** | **90,059** | **344,393** | **130,210** | **74,947** | **21,715** | **3,784** | **11,028,373** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | |
| Balance at beginning of year | | **–** | **198,863** | **17,057** | **34,010** | **222,779** | **62,931** | **19,140** | **–** | **–** | **554,780** |
| Depreciation and amortization | | **124,464** | **120,347** | **4,171** | **8,029** | **11,757** | **15,788** | **14,225** | **–** | **–** | **298,781** |
| Balance at end of year | | **124,464** | **319,210** | **21,228** | **42,039** | **234,536** | **78,719** | **33,365** | **–** | **–** | **853,561** |
| **Net Carrying Amount** | | **₱8,149,852** | **₱1,636,459** | **₱112,052** | **₱48,020** | **₱109,857** | **₱51,491** | **₱41,582** | **₱21,715** | **₱3,784** | **₱10,174,812** |

**At revalued amounts.*

| | Note | 2017 Aircrafts* | Buildings | Transportation Equipment | Machinery, Equipment and Tools | Office Furniture, and Equipment | Leasehold Improvements | Land | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| Balance at beginning of year | | ₱1,382,709 | ₱129,480 | ₱29,150 | ₱295,148 | ₱70,578 | ₱33,228 | ₱– | ₱15,844 | ₱1,956,137 |
| Additions | | 341,349 | 31,538 | 22,680 | – | 18,839 | 6,324 | – | 14,280 | 435,010 |
| Disposal | | – | (32,748) | – | (184) | (73) | – | – | – | (33,005) |
| Revaluation increase | | 9,515 | – | – | – | – | – | – | – | 9,515 |
| Reclassifications | | – | – | – | – | 16,791 | 482 | – | (17,273) | – |
| Transfers from investment properties | 11 | – | – | – | – | – | – | 19,471 | – | 19,471 |
| Balance at end of year | | 1,733,573 | 128,270 | 51,830 | 294,964 | 106,135 | 40,034 | 19,471 | 12,851 | 2,387,128 |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | |
| Balance at beginning of year | | 139,381 | 12,220 | 25,284 | 216,682 | 54,682 | 15,053 | – | – | 463,302 |
| Depreciation and amortization | | 59,482 | 37,585 | 8,726 | 6,281 | 8,322 | 4,087 | – | – | 124,483 |
| Disposal | | – | (32,748) | – | (184) | (73) | – | – | – | (33,005) |
| Balance at end of year | | 198,863 | 17,057 | 34,010 | 222,779 | 62,931 | 19,140 | – | – | 554,780 |
| **Net Carrying Amount** | | ₱1,534,710 | ₱111,213 | ₱17,820 | ₱72,185 | ₱43,204 | ₱20,894 | ₱19,471 | ₱12,851 | ₱1,832,348 |

**At revalued amounts.*

In May 2018, the Group reclassified a number of condominium units of AMPI from "Land and development costs" to "Property and equipment" account due to change in intention over the property from condominium units for sale to a property operated as serviced residences. The change in management's intention was evidenced by an actual change in use of the property (see Note 7).

**Fair Value Measurement**
In 2018, the Group adopted the revaluation model for the measurement of its serviced residences. The fair value of the Group's serviced residences as determined by an independent appraiser on October 19, 2018 using the Income Capitalization Approach amounted to ₱8,229.0 million. The difference between the fair value and the carrying amount of the serviced residences amounting to ₱4,245.0 million was recognized as revaluation increase. The fair value measurement for serviced residences has been categorized as Level 3 (significant unobservable inputs).

In 2016, the Group adopted the revaluation model for the subsequent measurement of its aircrafts. The fair value of the Group's aircrafts as determined by an independent appraiser on December 12, 2018 and November 7, 2017 using Market Data Approach amounted to ₱1,446.1 million and ₱558.5 million, respectively. The difference between the fair value and the carrying amount of the aircrafts amounting to ₱120.1 million and ₱9.5 million was recognized as revaluation increase in 2018 and 2017, respectively. The fair value measurement for the Group's aircraft has been categorized as Level 3 (significant unobservable inputs).

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,103.6 million and ₱75.9 million as at December 31, 2018 and 2017, respectively.

The carrying amount of property and equipment measured at revalued amount had they been recognized at cost are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Serviced residences | **₱3,952,533** | ₱– |
| Aircrafts | **974,581** | 1,424,611 |
| | **₱4,927,114** | ₱1,424,611 |

**Income Capitalization Approach**
As at December 31, 2018, the stabilized NOI and capitalization rate used for the fair valuation of serviced residences amounted to ₱411.4 million and 5.0%, respectively.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's serviced residences are:

- *Stabilized NOI:* calculation used to identify performance of a property that produces stable income.
- *Capitalization rate:* rate used to estimate the potential return of the property.

Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated it through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

*Sensitivity Analysis.* Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of serviced residences. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of serviced residences. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

**Market Data Approach**
In determining the fair value of aircrafts, cost data were gathered from original import commercial invoices and as well as the comparable sources of similar machinery and equipment and used of prices and other relevant information generated by market transaction involving similar asset. The fair value was determined by reference to the replacement cost translated at the current foreign exchange rate.

*Sensitivity Analysis.* Significant increase (decrease) in replacement cost and exchange rate would result in a significantly higher (lower) fair value measurement.

Further information about the assumptions made in measuring fair values is included in Note 25.

Depreciation and amortization is recognized under the following accounts:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| Property and equipment | | **₱298,781** | ₱124,483 | ₱121,737 |
| Software | 13 | **2,126** | 84 | 123 |
| | | **₱300,907** | ₱124,567 | ₱121,860 |

Depreciation and amortization are allocated as follows:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| Cost of services | 20 | **₱250,454** | ₱75,211 | ₱38,784 |
| General and administrative expenses | 20 | **45,646** | 49,356 | 83,076 |
| Land and development costs | 7 | **4,807** | – | – |
| | | **₱300,907** | ₱124,567 | ₱121,860 |

**Other Noncurrent Assets**

This account consists of:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| Input VAT | | **₱95,321** | ₱60,464 |
| Refundable deposits | | **36,229** | 48,258 |
| Prepayments | | **15,761** | – |
| Receivables from sale of: | | | |
| Club shares | 10 | **7,556** | 7,556 |
| Real estate | 6 | **4,868** | 41,532 |
| Software - net | | **3,747** | 77 |
| Advances to contractors and suppliers - net of current portion | 8 | **1,769** | 138,352 |
| Others | | **25,333** | 25,333 |
| | | **₱190,584** | ₱321,572 |

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movements in software are as follows:

| | | (In Thousands) | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| **Cost** | | | |
| Balance at beginning of year | | **₱8,040** | ₱8,040 |
| Additions | | **5,796** | – |
| Balance at end of year | | **13,836** | 8,040 |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | **7,963** | 7,879 |
| Amortization | 12 | **2,126** | 84 |
| Balance at end of year | | **10,089** | 7,963 |
| **Net Carrying Amount** | | **₱3,747** | ₱77 |

14. **Trade and Other Payables**

This account consists of:

| | Note | (In Thousands) 2018 | 2017 |
|---|---|---|---|
| Trade | | **₱1,777,061** | ₱1,030,804 |
| Nontrade | | **560,247** | – |
| Retention payable | 26 | **409,037** | 407,514 |
| Deposits from sale of: | | | |
| Preferred shares | 10 | **380,252** | 239,165 |
| Real estate | 7 | **13,005** | 91,416 |
| Accrued expenses: | | | |
| Interest | | **188,291** | 15,376 |
| Construction costs | | **186,773** | 873,676 |
| Others | | **18,495** | 16,369 |
| Unearned income | | **105,065** | 98,256 |
| Others | | **257,836** | 36,007 |
| | | **₱3,896,062** | ₱2,808,583 |

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Nontrade payables are noninterest-bearing and are due and demandable. These pertain to purchases of assets.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses. Other payables consist of government payables. Accrued expenses and other payables are generally settled within one year.

Unearned income pertains to unearned rental.

15. **Long-term Debt**

Presented below are the details of this account:

| | (In Thousands) 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| Borrower | **Current** | **Noncurrent** | **Total** | Current | Noncurrent | Total |
| ALPHA | **₱1,053,655** | **₱4,467,365** | **₱5,521,020** | ₱973,389 | ₱5,227,985 | ₱6,201,374 |
| AAPI | **48,765** | **118,973** | **167,738** | 45,270 | 167,742 | 213,012 |
| AAI | **55,310** | **74,831** | **130,141** | 52,915 | 129,319 | 182,234 |
| ABMLHI | **66,232** | **313,800** | **380,032** | – | – | – |
| | **₱1,223,962** | **₱4,974,969** | **₱6,198,931** | ₱1,071,574 | ₱5,525,046 | ₱6,596,620 |

**ALPHA**

*Omnibus Loan and Security Agreement with BDO*

On February 15, 2017, ALPHA entered into an OLSA with BDO for a loan facility of ₱5,500.0 million to refinance the existing loans and to finance new projects and working capital requirements of the Group. The loan has a term of seven years, payable in 25 quarterly principal amortizations commencing one year after initial drawdown date. This loan facility was subsequently increased to ₱6,726.0 million in the last quarter of 2017. Loan drawdowns aggregated ₱400.0 million and ₱6,286.0 million in 2018 and 2017. ALPHA had undrawn borrowing facility available amounting to ₱40.0 million as at December 31, 2018.

Interest, which is based on the sum of the Fixed Tranche Interest Rate and the Floating Tranche Interest Rate, is payable quarterly. Fixed Tranche Interest Rate is the sum of the prevailing seven-year PDST-R2 rate plus 2.75% spread per annum. Floating Tranche Interest Rate is the higher of the sum of the prevailing three-month PDST-R2 rate plus 2.75% spread per annum or the sum of the prevailing deposit facility rate adopted by the Bangko Sentral ng Pilipinas for deposit facilities with a term of 28 days plus 1.25% spread per annum.

Effective interest rates of the long-term debt range from 5.0% to 9.1% and 4.8% to 8.1% per annum in 2018 and 2017, respectively. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱292.3 million and ₱268.2 million in 2018 and 2017.

The OLSA with BDO is secured by: a) real estate mortgage over the lots and improvements in Balesin Island, properties in Alphaland Southgate Tower, Alphaland Makati Place and Silang Property with an aggregate amount of ₱39,600.0 million and ₱38,428.0 million as at December 31, 2018 and 2017, respectively (see Notes 11 and 12); b) Continuing Surety Agreement with ALPHA, ABICI, ABIRC, AMPI and ASTI; and c) Share Mortgage in Alphaland Property Management Corporation, ABIRC and ABICI.

The long-term loan with BDO under the OLSA dated February 15, 2017, with outstanding amounting to ₱5,653.2 million inclusive of interest and adjustments as of January 23, 2019, was assigned effective on the same date by BDO to Philippine Bank of Communications - Trust and Wealth Management Group pursuant to an Assignment Agreement dated January 23, 2019 between the parties.

The scheduled maturities of ALPHA's outstanding loans as at December 31, 2018 are as follows (in thousands):

| | |
|---|---|
| 2019 | ₱1,065,725 |
| 2020 | 1,065,725 |
| 2021 and onwards | 3,463,609 |
| | 5,595,059 |
| Less deferred financing cost | (74,039) |
| | ₱5,521,020 |

The details of the loans refinanced in 2017 through the OLSA with BDO are as follows (in thousands):

| Borrower | Bank | Purpose of the Loan | Carrying Amount on the Date of Refinancing (inclusive of interest) | Interest Rates |
|---|---|---|---|---|
| ASTI | PBCom | Refinancing existing OLSA with BDO Unibank and for financing of general corporate business | ₱2,477,166 | 4.7% to 5.6% |
| ABIRC | BOC | Partially refinancing the loan facility and partially funding the capital expenditures and other general corporate expenses of ABIRC | 1,009,606 | 5.9% |
| ABMLHI | PNB | Partially financing the construction and development of Alphaland Baguio Mountain Lodges Project | 723,335 | 5.8% |
| AMPI | DBP, LBP, BOC and MayBank | Partially financing the development, construction and operation of the Phase I of Alphaland Makati Place | 351,270 | 5.0% to 6.0% |
| | | | ₱4,561,377 | |

The refinanced loans are secured by (a) Alphaland Southgate Tower; (b) real estate mortgage over lots in Balesin Island; (c) continuing suretyship agreement with ALPHA; (d) deed of pledge covering 1,000 ABICI preferred shares held by ABIRC; (e) corporate guarantee of ASTI; (f) properties located in Parañaque City; (g) Alphaland Makati Place; and (h) Silang property. Total carrying value of the collateral amounted to ₱83,013.5 million as at December 31, 2016.

Interest expense pertaining to the refinanced loans amounted to ₱45.9 million and ₱223.3 million in 2017 and 2016, respectively.

*Loan Facility with PBCom*

On February 11, 2016, ALPHA entered into an OLSA with PBCom for a loan facility of ₱480.0 million for the purpose of financing the general corporate purpose of ALPHA. On February 11, 2016 and May 11, 2016, ALPHA made the first and second drawdown amounting to ₱400.0 million and ₱80.0 million, respectively.

The loan has a term of seven years from initial drawdown date, inclusive of a grace period of one year reckoned from the initial drawdown date, payable in 24 quarterly principal amortizations after the lapse of the grace period. Interest, which is based on floating rate of the higher of the three-month Benchmark Rate plus spread of 3% per annum and BSP Overnight Borrowing Rate plus spread of 1.25% per annum, is payable quarterly.

The loan was fully settled in 2017.

Capitalized interest and other financing costs on the loans are as follows:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| Land and development costs | 7 | **₱145,957** | ₱67,037 | ₱36,440 |
| Investment properties | 11 | **–** | 4,212 | – |
| | | **₱145,957** | ₱71,249 | ₱36,440 |

The rate used to determine the amount of borrowing cost eligible for capitalization was 6.5% and 7.1%, as at December 31, 2018 and 2017, respectively.

**AAPI**

On February 3, 2017, AAPI entered into an ACL agreement with BDOLFI for a loan facility of ₱245.0 million for the purpose of financing the acquisition of an ATR72 Turboprop Aircraft, MSN 678. AAPI made its initial drawdown amounting to ₱205.7 million on February 14, 2017 at a fixed interest rate of 7.0% per annum.

On October 5, 2017, the loan facility was increased to ₱265.2 million to accommodate the financing of a replacement engine for the said aircraft. AAPI made its second drawdown amounting to ₱38.4 million on November 16, 2017 at a fixed interest rate of 8.0% per annum.

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱16.4 million and ₱12.8 million in 2018 and 2017. The principal and interest of the loan is payable within 60 months from the date of initial borrowing.

The ACL is secured by the: (a) deed of chattel mortgage over the subject aircraft with a carrying amount of ₱374.4 million as at December 31, 2018; and (b) continuing surety of ALPHA, AAI, ASTI and ABIRC.

The scheduled maturities of AAPI's outstanding loans as at December 31, 2018 are as follows (in thousands):

| | |
|---|---|
| 2019 | ₱49,083 |
| 2020 | 52,746 |
| 2021 and onwards | 66,535 |
| | 168,364 |
| Less deferred financing cost | (626) |
| | ₱167,738 |

**AAI**

On March 4, 2016, AAI entered into an ACL agreement with BDOLFI for a loan facility of ₱309.0 million for the purpose of financing the acquisition of ATR72 Turboprop Aircraft, MSN 666. On March 4, 2016, AAI made its drawdown amounting to ₱266.8 million.

Loan interest rate is the prevailing market rate on actual booking date up to January 1, 2017. A subsequent agreement changed the fixed interest rate into a floating interest rate that is repriced quarterly based on the sum of the prevailing three-month PDST-R2 rate and 2.75% per annum effective January 2, 2017. The principal and interest of the loan is payable within five years from the date of initial borrowing. Monthly amortization amounts to ₱5.3 million.

Interest rate of the long-term debt ranges from 5.82% to 7.04% in 2018 and 5.06% to 7.25% per annum in 2017 and 2016. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱10.2 million, ₱13.0 million and ₱15.4 million in 2018, 2017 and 2016, respectively.

The ACL is secured by the following: (a) deed of chattel mortgage over the subject aircraft with a carrying amount of ₱449.3 million as at December 31, 2018; and (b) continuing surety of ASTI and ABIRC.

The scheduled maturities of AAI's outstanding loans as at December 31, 2018 are as follows (in thousands):

| | |
|---|---|
| 2019 | ₱55,596 |
| 2020 | 59,467 |
| 2021 and onwards | 15,503 |
| | 130,566 |
| Less deferred financing cost | (425) |
| | ₱130,141 |

Pursuant to the terms of the loan agreements, the Group is restricted from performing certain corporate acts without written consent from the creditor bank and is required to comply with certain financial covenants.

The agreements also contain cross default provisions triggered by failure of the Group to comply with any term, obligation or covenant contained in any loan agreement.

**ABMLHI**

On November 16, 2018, ABMLHI entered into a memorandum of agreement with BDO Unibank, Inc. for a CTS receivable purchase facility of ₱500.0 million to refinance the existing CTS receivables.

The notes payable represents liability from the assigned receivables with recourse of ABMLHI which bears an effective rate of 7% and has a term of 5 years payable in equal monthly amortization inclusive of principal and interest. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱1.1 million in 2018.

Summarized below are the details of the notes payable:

| | |
|---|---|
| Availments | ₱382,737 |
| Payments | (2,705) |
| | ₱380,032 |

As at December 31, 2018, trade receivables and contract assets assigned amounted to ₱528.8 million and ₱39.2 million, respectively (see Note 6).

Interest expense and other finance charges recognized in the consolidated statements of comprehensive income are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| Long-term debt | **₱320,038** | ₱333,248 | ₱291,488 |
| Finance charges | **1,307** | 29,218 | – |
| Others | **–** | 3,261 | 3,261 |
| | **₱321,345** | ₱365,727 | ₱294,749 |

16. **Equity**

**Capital Stock**

The composition of ALPHA's capital stock consisting of all common shares are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of Shares | Amount* | Number of Shares | Amount* |
| Authorized - ₱0.1 Par Value and ₱1 Par Value in 2018 and 2017, respectively | 50,000,000,000 | ₱5,000,000 | 5,000,000,000 | ₱5,000,000 |
| **Issued** | | | | |
| Beginning of year | 2,654,707,417 | ₱2,655,707 | 2,654,707,417 | ₱2,655,707 |
| Additions | 186,466,424 | 186,467 | – | – |
| Effect of stock split | 25,570,564,569 | – | – | – |
| End of year | 28,411,738,410 | 2,842,174 | 2,654,707,417 | 2,655,707 |
| **Parent Company's shares held by a subsidiary** | | | | |
| Beginning of year | (1,383,427,479) | (16,881,220) | (1,379,210,978) | (16,817,972) |
| Effect of stock split | (12,450,847,311) | – | – | – |
| Additions | – | – | (4,216,501) | (63,248) |
| End of year | (13,834,274,790) | (16,881,220) | (1,383,427,479) | (16,881,220) |
| **Treasury** | | | | |
| Beginning of year | (423,900) | (1,214) | (1,523,900) | (12,214) |
| Effect of stock split | (3,815,100) | – | – | – |
| Reissuance | – | – | 1,100,000 | 11,000 |
| End of year | (4,239,000) | (1,214) | (423,900) | (1,214) |
| | 14,573,224,620 | | 1,270,856,038 | |

**In thousands.*

The total number of shareholders, which includes PCD Nominee Corporation, is 88 and 57 as at December 31, 2018 and 2017, respectively.

**Parent Company's Shares Held by a Subsidiary**

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Masrickstar Corporation (MC) on one hand, and another group affiliated with RVO including ALPHA and ASTI (collectively, the "RVO Group") entered into a MOA to settle a shareholder dispute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, ASTI acquired the shares of stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Credit Suisse), another shareholder, and received ₱2,500.0 million in cash in exchange for assets and liabilities mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); 100% ownership of Alphaland Marina Corporation (AMC) including AMC's investment in preferred shares of Alphaland Marina Club, Inc. (AMCI); 50% ownership of ABCC, the joint venture company formed by ASTI and a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) (the Wenceslao Group or "WG"); and 60% interest in the unincorporated joint venture between the Group and Akean Resorts Corporation and the additional parcels of land acquired by the Group with total area of approximately 10.81 hectares.

On October 17, 2014, these assets owned by the Group were transferred to Bedfordbury Development Corporation (BDC), a newly incorporated company owned by AH and MC. AH, MC and BDC will be collectively referred to as the "AH Group."

The Group's joint venture with WG is subject to litigation because of WG's actions in causing a delay in ASTI and AMC's construction and development of the Marina Club Project. With BDC's takeover of AMC and AMCI, BDC assumed the responsibility of handling the litigation with WG.

Pursuant to the implementation of the MOA discussed above, ASTI acquired shares of stock of ALPHA owned by AH, MC and Credit Suisse amounting to ₱16,818.0 million.

In 2017, ASTI acquired additional shares of stock of ALPHA owned by a minority shareholder amounting to ₱63.2 million.

**Stock Split**

On January 19, 2018, ALPHA filed a 10-for-1 stock split with the SEC. On December 10, 2018, the SEC approved the application for the stock split, whereby its capital stock would be divided into ₱50.0 billion common shares with a par value ₱0.10 each share. The stock split has no dilutive effect on the proportionate percentage ownership of the shareholders.

The resulting shareholder structure of ALPHA, after the transactions mentioned above, net of treasury shares and shares held by a subsidiary, is as follows:

| Shareholders | Number of Shares |
|---|---|
| RVO Capital Ventures Corporation | 8,426,567,460 |
| Boerstar Corporation | 1,677,884,300 |
| Red Epoch Group Ltd. | 961,134,130 |
| Fine Land Limited | 890,000,000 |
| Azurestar Corporation | 280,626,360 |
| Loustar Corporation | 222,570,970 |
| Powerventures, Inc. | 219,604,500 |
| Galaxyhouse, Inc. | 190,304,900 |
| Crystal Ventures, Inc. | 188,796,760 |
| Towermill Capital Ventures Corporation | 188,454,140 |
| Gemsplace Resources, Inc. | 187,512,680 |
| Summer Wind Capital Ventures Corporation | 167,169,230 |
| Noble Care Management Corporation | 145,916,470 |
| Mega Access Capital Ventures, Inc. | 100,825,370 |
| Globalcentric Corporation | 100,473,660 |
| Earthlight, Inc. | 100,247,230 |
| Regentstar Holdings Corporation | 100,138,190 |
| Citadel Investments Limited | 100,000,000 |
| Derek Arculli | 100,000,000 |
| Redcrest Holdings Corporation | 98,566,520 |
| Major Holdings Corporation | 90,118,820 |
| Other minority | 36,312,930 |
| | 14,573,224,620 |

**Retained Earnings**

Accumulated equity in net income of an associate and subsidiaries not available for dividend declaration amounted to ₱16,531.4 million and ₱24,879.4 million as at December 31, 2018 and 2017, respectively. Significant components of the retained earnings pertain to cumulative gain on fair value changes of investment properties. Further, the Group's existing loans with various banks prohibit the declaration and payment of dividends.

## 17. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related companies. The following tables summarize the transactions with the related companies and outstanding balance arising from these transactions.

| | (In Thousands) | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Purchases** | **Rental** | Purchases | Rental |
| *Associate -* | | | | |
| ASAI | **₱–** | **₱–** | ₱34,273 | ₱195 |
| *Related companies under common key management* | **₱–** | **₱–** | ₱82,412 | ₱955 |

| | | (In Thousands) | | | |
|---|---|---|---|---|---|
| | | **2018** | | 2017 | |
| | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| **Trade** | | | | | |
| *Related companies under common key management* | Air transport services | **₱184,348** | **₱317,380** | ₱23,745 | ₱154,767 |
| | Real estate sales | **202,987** | **301,762** | 176,362 | 138,053 |
| | | | **619,142** | | 292,820 |
| **Nontrade** | | | | | |
| *Related companies under common key management* | Capital expenditures, debt servicing | **215,400** | **55,276** | – | – |
| **Contract assets** | | | | | |
| *Related companies under common key management* | Real estate sales | **286,025** | **150,265** | 452,611 | 351,356 |
| | | | **₱824,683** | | ₱644,176 |
| **Trade and other payables** | | | | | |
| **Trade** | | | | | |
| *Related companies under common key management* | Acquisition of properties | **₱2,216,117** | **₱647,301** | ₱– | ₱– |
| | Purchases | **24,699** | **1,143** | 82,412 | 52 |
| *Associate -* | | | | | |
| ASAI | Security services | **–** | **–** | 34,273 | – |
| | | | **₱648,444** | | ₱52 |
| **Advances to** | | | | | |
| *Associate -* | | | | | |
| AHEC | Reimbursement of expenses | **₱–** | **₱1,023** | ₱– | ₱1,023 |
| *Related companies under common key management* | Reimbursement of expenses | **₱647,126** | **₱3,119,379** | ₱368,325 | ₱2,777,048 |
| **Advances from** | | | | | |
| *Related companies under common key management* | Purchase of assets and reimbursement of expenses | **₱163,488** | **₱245,252** | ₱77,091 | ₱81,764 |

Other transactions of the Group with its related companies are as follows:

- As discussed in Note 11, RVO is the beneficial owner of the investment properties (e.i. Baguio Property) acquired by the Group during 2015.

- In 2016, the Group entered into lease agreements with TCCAMPI and ABICI for the rental space of AWCI. In January 2017, ABICI and TCCAMPI rescinded the lease agreement and started to assume the rental charges at no cost to AWCI. Rent expense amounted to ₱23.2 million in 2016 (see Note 18).

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2018 and 2017 is due and demandable (see Note 10).

- On August 5, 2012, ALPHA, ASTI and ABICI executed a Letter Agreement whereby ASTI, as the development arm of the Alphaland Group and on behalf of ALPHA, undertakes to perform ALPHA's obligations under the DA (as supplemented) entered into by ALPHA with ABIRC and ABICI over the Island Club, specifically to provide a subsidy to the Island Club's operations during ABICI's construction period.

**Terms and Conditions of Transactions with Related Companies**

Outstanding balances as of year-end are unsecured, noninterest-bearing and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related companies.

**Compensation of Key Management Personnel**

The details of compensation of key management personnel, which include its senior vice presidents, follow:

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| Short-term employee benefits | **₱92,254** | ₱83,868 | ₱36,326 |
| Post-employment benefits | **29,478** | 28,638 | 9,687 |
| | **₱121,732** | ₱112,506 | ₱46,013 |

**Stock Option Plan**

On November 27, 2017 and December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group. The Stock Option Plan was approved by the BOD of ALPHA on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of ALPHA during the annual meeting held on December 3, 2014. The Stock Option Plan is still subject for approval by the SEC as at December 31, 2018 and will not be effective until approved.

18. **Operating Lease Commitments**

**Operating Lease - Group as a Lessor**

ASTI and AMPI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower and Alphaland Makati Place for a period of one to ten years and two to ten years, respectively, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Commencement of the lease term started upon completion of construction of the mall and tower in November 2013 and November 2017, respectively.

Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher. The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5% to 10% starting on the second year and annually thereafter for ASTI; and 5% to 7% escalation rate starting on the third year of the lease term for AMPI.

Rent income and common utilities, services and maintenance charges from Alphaland Southgate Tower and Alphaland Makati Place aggregated to ₱1,173.7 million, ₱834.8 million and ₱696.0 million in 2018, 2017 and 2016, respectively (see Note 11). Direct costs related to rent income aggregated to ₱229.2 million, ₱192.8 million and ₱121.6 million in 2018, 2017 and 2016, respectively, which mainly comprised of utilities and commissary costs (see Note 11).

As at December 31, 2018, the estimated minimum future rental receivables under the lease agreements are as follows (in thousands):

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Within one year | **₱834,358** | ₱106,464 |
| After one year but not more than five years | **2,114,798** | 368,768 |
| | **₱2,949,156** | ₱475,232 |

As at December 31, 2018 and 2017, the Group's receivable from tenants amounting to ₱88.1 million and ₱34.0 million, respectively, were presented under "Trade and other receivables" account in the consolidated statements of financial position (see Note 6).

The Group's customers' deposits on lease contracts are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Current | **₱3,592** | ₱73,504 |
| Noncurrent | **266,111** | 97,605 |
| | **₱269,703** | ₱171,109 |

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years' operating lease agreements.

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱0.1 million and ₱0.4 million as at December 31, 2018 and 2017, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position. Interest on the deposit is accounted for using the effective interest rate method.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Advance rental amounted to ₱21.0 million and ₱ 17.7 million as at December 31, 2018 and 2017, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

**Operating Lease - Group as a Lessee**

AWCI has entered into a commercial lease for the rental space of wellness centers for an indefinite period until such agreement is terminated. AWCI has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contract as an operating lease. In January 2017, the parties agreed to rescind the agreement on the commercial lease. AWCI recognized rent expense amounting to ₱23.2 million in 2016 (see Note 17).

## 19. **Revenues**

This account consists of:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| Rent | 18 | **₱1,173,732** | ₱834,780 | ₱696,046 |
| Real estate sales of: | | | | |
| Towers 1 and 2 | | **499,936** | 356,834 | 1,417,181 |
| Log homes | | **467,334** | 222,000 | – |
| Private Villa | | **331,250** | 746,556 | – |
| Parking slots | | **48,006** | 41,176 | 4,054 |
| Air transport services | | **226,042** | 200,483 | 174,774 |
| Medical services | | **35,567** | 20,992 | 13,188 |
| Room revenues | | **26,514** | – | – |
| Security services | | **18,715** | 15,499 | – |
| Interest income | 5 | **17,033** | 17,764 | 19,635 |
| Others | | **33,690** | 27,343 | 10,870 |
| | | **₱2,877,819** | ₱2,483,427 | ₱2,335,748 |

Others consist mainly of commission income and income from restaurant operations.

20. **Cost and Expenses**

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

| | Note | (In Thousands) 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Cost of real estate sold: | | | | |
| Land and development cost | 7 | **₱831,304** | ₱818,365 | ₱1,073,691 |
| Parking lots for sale | 7 | **28,050** | 15,975 | 21,166 |
| | | **₱859,354** | ₱834,340 | ₱1,094,857 |
| Cost of services: | | | | |
| Transportation | | **₱305,511** | ₱161,916 | ₱157,044 |
| Utilities | | **233,413** | 192,758 | 121,633 |
| Depreciation and amortization | 12 | **79,125** | – | – |
| Medical services | | **23,345** | 5,794 | 7,207 |
| Others | | **5,195** | – | – |
| | | **₱646,589** | ₱360,468 | ₱285,884 |
| General and administrative: | | | | |
| Salaries and employees' benefits | | **₱263,319** | ₱219,857 | ₱67,328 |
| Taxes and licenses | | **164,894** | 69,110 | 50,001 |
| Utilities and rent | | **140,724** | 109,372 | 87,353 |
| Service and professional fees | | **119,025** | 83,394 | 85,455 |
| Travel and transportation | | **82,401** | 62,944 | 27,915 |
| Repairs and maintenance | | **73,285** | 39,216 | 29,922 |
| Sales and marketing | | **52,644** | 9,496 | 34,416 |
| Insurance | | **46,359** | 33,587 | 6,643 |
| Depreciation and amortization | 12 | **45,646** | 49,356 | 83,076 |
| Representation | | **37,989** | 18,261 | 10,434 |
| Supplies | | **12,963** | 14,073 | 6,606 |
| Communication | | **10,886** | 7,868 | 4,242 |
| Donation | | **–** | 114,132 | – |
| Write-off of trade and other receivables | 6 | **–** | – | 6,850 |
| Others | | **187,195** | 44,118 | 27,815 |
| | | **₱1,237,330** | ₱874,784 | ₱528,056 |

Transportation expense under "Cost of services" account includes depreciation amounting to ₱171.3 million, ₱75.2 million and ₱38.8 million in 2018, 2017 and 2016, respectively (see Note 12).

In December 2017, ASTI donated to Ateneo de Manila, Inc. (Ateneo), a non-stock, non-profit educational institution, various real and personal property in support of the mission of Ateneo to be an educational institution with the highest level of professional competence and service in order to provide the best possible quality of formation and education to its students.

21. **Retirement Liability**

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement liability is determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and retirement liability recognized in the consolidated statements of financial position based on the latest actuarial valuation as at December 31, 2017.

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| Retirement benefit cost: | | | |
| Current service cost | **₱18,137** | ₱10,548 | ₱6,299 |
| Interest cost | **1,794** | 2,173 | 1,195 |
| Past service cost - curtailment | **–** | (6,296) | – |
| | **₱19,931** | ₱6,425 | ₱7,494 |

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Present value of defined benefit obligation: | | |
| Balance at beginning of year | **₱24,451** | ₱31,416 |
| Current service cost | **18,264** | 10,548 |
| Interest cost | **1,794** | 2,173 |
| Remeasurement gain | **–** | (22,504) |
| Additions during the year | **–** | 9,114 |
| Past service cost - curtailment | **–** | (6,296) |
| Balance at end of year | **₱44,509** | ₱24,451 |

The accumulated remeasurement gain on retirement liability, net of deferred income tax, recognized in the equity section of the consolidated statements of financial position amounted to ₱45.4 million as at December 31, 2018 and 2017.

Principal actuarial assumptions used to determine retirement benefit obligations are as follows:

| | **2018** | 2017 |
|---|---|---|
| Discount rate | **5.70%** | 5.70% |
| Salary increase rate | **5.00%** | 5.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | (In Thousands) | |
|---|---|---|
| | Increase (Decrease) | |
| | **2018** | 2017 |
| Discount rate: | | |
| Increase by 14.0% to 15.5% | **(₱986)** | ₱3,545 |
| Decrease by 11.5% to 12.5% | **1,173** | (2,906) |
| Salary increase rate: | | |
| Increase by 12.9% to 14.4% | **1,604** | 3,270 |
| Decrease by 10.8% to 11.9% | **(1,414)** | (2,743) |

Shown below is the maturity analysis of the undiscounted benefit payments as at year ended:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| 2019 | **₱345** | ₱345 |
| 2020 | **1,863** | 1,863 |
| 2021 | **3,804** | 3,804 |
| 2022 | **2,605** | 2,605 |
| 2023 to 2027 | **28,310** | 28,310 |

The average duration of the defined benefit obligation at the end of the period is 12.8 years to 14.0 years in 2018 and 2017.

## 22. **Income Taxes**

The provision for current income tax represents MCIT for ALPHA, ABMLHI and ABIRC in 2018, ALPHA, ASTI and ABIRC in 2017 and ABIRC in 2016 and RCIT for other companies within the Group.

For income tax purposes, full recognition is applied when more than 25% of the selling price of condominium units has been collected in the year of sale. Otherwise, the installment method is applied.

The following are the components of the Group's net deferred tax liabilities:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| **Deferred tax liabilities:** | | |
| Gain on fair value change of investment properties | **₱12,845,181** | ₱10,662,606 |
| Unrealized valuation gain on AFS financial assets | **4,039,709** | 2,603,611 |
| Revaluation surplus | **1,316,947** | 32,506 |
| Accumulated depreciation for tax purposes | **190,837** | 145,294 |
| Capitalized borrowing costs | **92,861** | 55,085 |
| Excess of book basis over tax basis of accounting for real estate transactions | **50,233** | 55,117 |
| Excess rent income under operating lease computed on a straight-line basis | **11,952** | 8,795 |
| Unrealized foreign exchange gain | **191** | – |
| | **18,547,911** | 13,563,014 |
| **Deferred tax assets:** | | |
| MCIT | **3,734** | 2,843 |
| Retirement liability | **2,931** | 1,747 |
| NOLCO | **–** | 75,512 |
| Allowance for impairment losses | **–** | 31,383 |
| | **6,665** | 111,485 |
| | **₱18,541,246** | ₱13,451,529 |

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| NOLCO | **₱240,485** | ₱176,707 |
| Unearned income | **31,550** | 29,577 |
| MCIT | **18,930** | 3,751 |
| Allowance for impairment loss on receivables | **8,923** | 2,171 |
| Retirement liability | **7,036** | 4,666 |
| Unrealized foreign exchange losses | **3** | 353 |
| | **₱306,927** | ₱217,225 |

The details of NOLCO, which can be claimed as deduction from future taxable income, within three years from the year the NOLCO was incurred, is shown below (in thousands).

| Year Incurred | Beginning Balance | Incurred | Applied/ Expired | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2018 | ₱– | ₱371,947 | ₱– | ₱371,947 | 2021 |
| 2017 | 632,621 | – | (202,951) | 429,670 | 2020 |
| 2016 | 101,940 | – | (101,940) | – | 2019 |
| 2015 | 41,076 | – | (41,076) | – | 2018 |
| | ₱775,637 | ₱371,947 | (₱345,967) | ₱801,617 | |

The details of MCIT which can be claimed as deduction from income tax due are as follows:

| Year Incurred | Beginning Balance | Incurred | Applied | Ending Balance | Valid Until |
|---|---|---|---|---|---|
| 2018 | ₱– | ₱16,426 | ₱– | ₱16,426 | 2021 |
| 2017 | 5,941 | – | – | 5,941 | 2020 |
| 2016 | 297 | – | – | 297 | 2019 |
| 2015 | 356 | – | (356) | – | 2018 |
| | ₱6,594 | ₱16,426 | (₱356) | ₱22,664 | |

The reconciliation of income tax computed at statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| Income tax computed at statutory tax rate | **₱2,180,080** | ₱3,471,421 | ₱3,063,206 |
| Applied and expired NOLCO | **103,790** | 25,790 | 16,530 |
| Change in unrecognized deferred tax assets | **89,702** | (118,254) | 15,205 |
| Expired MCIT | **356** | – | – |
| Additions to (reductions in) income tax resulting from: | | | |
| Nondeductible expenses and others | **64,156** | 61,767 | 72,053 |
| Interest income subjected to final tax | **(527)** | (1,407) | (529) |
| Income subjected to CGT | **–** | (36,946) | (32,552) |
| Others | **–** | – | (51) |
| | **₱2,437,557** | ₱3,402,371 | ₱3,133,862 |

## 23. Total Comprehensive Income Per Share and Book Value Per Share Computation

Total comprehensive income per share is computed as follows:

| | **2018** | 2017 | 2016 |
|---|---|---|---|
| (a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands) | **₱8,726,791** | ₱8,054,768 | ₱7,702,670 |
| (b) Weighted average number of shares outstanding before the effect of stock split | **1,364,089,250** | 1,272,964,289 | 1,274,374,956 |
| Basic/diluted earnings per share (a/b) | **₱6.398** | ₱6.328 | ₱6.044 |

Book value per share is computed as follows:

| | **2018** | 2017 |
|---|---|---|
| (a) Total equity (in thousands) | **₱70,070,138** | ₱60,415,514 |
| (b) Total number of shares outstanding at end of year before the effect of stock split | **1,457,322,462** | 1,270,856,038 |
| Book value per share (a/b) | **₱48.081** | ₱47.539 |

The information presented above are intended as additional information for management reporting purposes only.

24. **Risk Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), refundable deposits (presented under "Other noncurrent assets" account), advances to an associate, equity securities designated as FVOCI (formerly classified as AFS financial assets), trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), long-term debt, customers' deposits and advances from related companies. The main purpose of these financial instruments is to provide funds for the Group's operations.

The BOD has 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 manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

**Credit Risk**

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, 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.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade and standard grade.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

The table below shows the credit quality of the Group's financial assets as at year end:

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2018 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Financial Assets at Amortized Cost** | | | | | | |
| Cash and cash equivalents* | **₱107,816** | **₱107,816** | **₱–** | **₱107,816** | **₱–** | **₱–** |
| Trade and other receivables** | **1,811,208** | **1,405,306** | **368,917** | **1,774,223** | **7,260** | **29,725** |
| Advances to an associate and related companies | **3,120,402** | **3,120,402** | **–** | **3,120,402** | **–** | **–** |
| Restricted cash | **382,944** | **382,944** | **–** | **382,944** | **–** | **–** |
| Refundable deposits | **36,229** | **36,229** | **–** | **36,229** | **–** | **–** |
| | **5,458,599** | **5,052,697** | **368,917** | **5,421,614** | **7,260** | **29,725** |
| **Financial Assets at FVOCI** | | | | | | |
| Unquoted Clubs' preferred shares | **31,036,085** | **31,036,085** | **–** | **31,036,085** | **–** | **–** |
| | **₱36,494,684** | **₱36,088,782** | **₱368,917** | **₱36,457,699** | **₱7,260** | **₱29,725** |

**Excluding cash on hand amounting to ₱2,341.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱4,869 and ₱12,424, respectively.*

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2017 | | | | | |
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Loans and Receivables** | | | | | | |
| Cash and cash equivalents* | ₱214,265 | ₱214,265 | ₱– | ₱214,265 | ₱– | ₱– |
| Trade and other receivables** | 2,145,642 | 1,288,228 | 659,302 | 1,947,530 | 86,266 | 111,846 |
| Advances to an associate and related companies | 2,778,071 | 2,778,071 | – | 2,778,071 | – | – |
| Restricted cash | 1,183 | 1,183 | – | 1,183 | – | – |
| Refundable deposits | 48,258 | 48,258 | – | 48,258 | – | – |
| | 5,187,419 | 4,330,005 | 659,302 | 4,989,307 | 86,266 | 111,846 |
| **AFS Financial Assets** | | | | | | |
| Unquoted Clubs' preferred shares | 30,064,268 | 30,064,268 | – | 30,064,268 | – | – |
| | ₱35,251,687 | ₱34,394,273 | ₱659,302 | ₱35,053,575 | ₱86,266 | ₱111,846 |

**Excluding cash on hand amounting to ₱1,328.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱8,796 and ₱49,088, respectively.*

The following are the aging analyses of financial assets as at year end:

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2018 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | And Impaired |
| **Financial Assets at Amortized Cost** | | | | | | | |
| Cash and cash equivalents* | **₱107,816** | **₱107,816** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** |
| Trade and other receivables** | **1,811,208** | **1,774,223** | **7,260** | **–** | **–** | **–** | **29,725** |
| Advances to an associate and related companies | **3,120,402** | **3,120,402** | **–** | **–** | **–** | **–** | **–** |
| Restricted cash | **382,944** | **382,944** | **–** | **–** | **–** | **–** | **–** |
| Refundable deposits | **36,229** | **36,229** | **–** | **–** | **–** | **–** | **–** |
| | **5,458,599** | **5,421,614** | **7,260** | **–** | **–** | **–** | **29,725** |
| **Financial Assets at FVOCI** | | | | | | | |
| Unquoted Clubs' preferred shares | **31,036,085** | **1,065,311** | **–** | **–** | **–** | **29,970,774** | **–** |
| | **₱36,494,684** | **₱6,486,925** | **₱7,260** | **₱–** | **₱–** | **₱29,970,774** | **₱29,725** |

**Excluding cash on hand amounting to ₱2,341.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱4,869 and ₱12,424, respectively.*

| | (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2017 | | | | | | |
| | | | Past Due But Not Impaired | | | | Past Due |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | And Impaired |
| **Loans and Receivables** | | | | | | | |
| Cash and cash equivalents* | ₱214,265 | ₱214,265 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables** | 2,145,642 | 1,947,530 | 11,562 | 8,344 | 4,078 | 62,282 | 111,846 |
| Advances to an associate and related companies | 2,778,071 | 2,778,071 | – | – | – | – | – |
| Restricted cash | 1,183 | 1,183 | – | – | – | – | – |
| Refundable deposits | 48,258 | 48,258 | – | – | – | – | – |
| | 5,187,419 | 4,989,307 | 11,562 | 8,344 | 4,078 | 62,282 | 111,846 |
| **AFS Financial Assets** | | | | | | | |
| Unquoted Clubs' preferred shares | 30,064,268 | 30,064,268 | – | – | – | – | – |
| | ₱35,251,687 | ₱35,053,575 | ₱11,562 | ₱8,344 | ₱4,078 | ₱62,282 | ₱111,846 |

**Excluding cash on hand amounting to ₱1,328.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱8,796 and ₱49,088, respectively.*

**Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Note 15.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates as discussed in Note 15.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

| | Increase/Decrease in Interest Rate | Effect on Income before Tax | Effect on Equity |
|---|---|---|---|
| **December 31, 2018** | **+1.0%** | **(₱11,735)** | **(₱8,215)** |
| | **–1.0%** | **11,735** | **8,215** |
| December 31, 2017 | +1.0% | (12,565) | (8,796) |
| | –1.0% | 12,565 | 8,796 |
| December 31, 2016 | +1.0% | (26,398) | (18,479) |
| | –1.0% | 26,398 | 18,479 |

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

| | **(In Thousands)** | | | | | |
|---|---|---|---|---|---|---|
| | **December 31, 2018** | | | | | |
| | **On Demand** | **1–30 Days** | **31–60 Days** | **61–90 Days** | **More than 90 Days** | **Total** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | **₱487,746** | **₱2,798,752** | **₱22,330** | **₱–** | **₱–** | **₱3,308,828** |
| Long-term debt | **–** | **8,448** | **8,498** | **274,977** | **5,982,098** | **6,274,021** |
| Customers' deposits | **3,592** | **–** | **–** | **–** | **266,111** | **269,703** |
| Advances from related companies | **245,252** | **–** | **–** | **–** | **–** | **245,252** |
| | **₱736,590** | **₱2,807,200** | **₱30,828** | **₱274,977** | **₱6,248,209** | **₱10,097,804** |

**Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱587,234.*

| | (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2017 | | | | | |
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables* | ₱2,271,656 | ₱14,281 | ₱– | ₱– | ₱53,084 | ₱2,339,021 |
| Long-term debt | – | – | – | 357,819 | 6,325,292 | 6,683,111 |
| Customers' deposits | – | – | 2,877 | 636 | 167,596 | 171,109 |
| Advances from related companies | 81,764 | – | – | – | – | 81,764 |
| | ₱2,353,420 | ₱14,281 | ₱2,877 | ₱358,455 | ₱6,545,972 | ₱9,275,005 |

**Excluding deposits from sale, unearned rent income and statutory payables amounting to ₱469,562.*

**Capital Management**

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2018 and 2017. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements. Certain subsidiaries, however, are required to maintain a debt to equity ratio as provided in the loan agreements.

The components of the Group's capital are as follows:

| | (In Thousands) | |
|---|---|---|
| | **2018** | 2017 |
| Layer I: | | |
| Capital stock | **₱2,842,174** | ₱2,655,707 |
| Additional paid-in capital | **12,769,730** | 10,740,079 |
| | **15,611,904** | 13,395,786 |
| Layer II: | | |
| Retained earnings - operating income | **8,255,826** | 10,757,447 |
| Parent Company's shares held by a subsidiary | **(16,881,220)** | (16,881,220) |
| Treasury shares | **(1,214)** | (1,214) |
| | **(8,626,608)** | (6,124,987) |
| Layer III: | | |
| Unrealized valuation gain on AFS financial assets | **22,891,678** | 23,432,497 |
| Revaluation surplus | **3,103,638** | 75,850 |
| Accumulated remeasurement gain on retirement obligation | **45,350** | 45,350 |
| Retained earnings - gain on fair value change of investment properties | **36,277,781** | 28,824,264 |
| Retained earnings - gain on bargain purchase | **761,887** | 761,887 |
| | **63,080,334** | 53,139,848 |
| Total capital | **₱70,065,630** | ₱60,410,647 |

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed of income from fair value changes of investment properties, gain on bargain purchase and unrealized valuation gain on AFS financial assets.

## 25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2018 | | | | |
| | | | | Fair value measurement using | | |
| | Note | **Carrying Value** | **Fair Value** | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Equity securities designated as FVOCI (formerly classified as AFS financial assets) | 10 | **₱31,036,085** | **₱31,036,085** | **₱–** | **₱31,036,085** | **₱–** |
| Non-financial Asset - | | | | | | |
| Investment properties | 11 | **47,675,812** | **47,675,812** | **–** | **–** | **47,675,812** |
| Serviced residences | 12 | **8,149,852** | **8,149,852** | **–** | **–** | **8,149,852** |
| Aircrafts | 12 | **1,636,459** | **1,636,459** | **–** | **–** | **1,636,459** |
| **Fair Values are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - Noncurrent trade receivables | 13 | **12,424** | **12,424** | **–** | **–** | **12,424** |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | **269,703** | **269,703** | **–** | **–** | **269,703** |

| | | (In Thousands) | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2017 | | | | |
| | | | | Fair value measurement using | | |
| | Note | Carrying Value | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Measured at Fair Value** | | | | | | |
| Financial Assets - | | | | | | |
| Equity securities designated as FVOCI (formerly classified as AFS financial assets) | 10 | ₱30,064,268 | ₱30,064,268 | ₱– | ₱30,064,268 | ₱– |
| Non-financial Asset - | | | | | | |
| Investment properties | 11 | 40,664,073 | 40,664,073 | – | – | 40,664,073 |
| Aircrafts | 12 | 1,534,710 | 1,534,710 | – | – | 1,534,710 |
| **Fair Values are Disclosed** | | | | | | |
| Financial Asset - | | | | | | |
| Loans and receivables - Noncurrent trade receivables | 13 | 49,088 | 49,088 | – | – | 49,088 |
| Financial Liability - | | | | | | |
| Customers' deposits | 18 | 171,109 | 177,954 | – | – | 177,954 |

## 26. Commitments and Contingencies

**Commitments**

The Group entered into various construction contracts for the development of its projects (see Note 8). Total advances to contractors amounted to ₱560.2 million and ₱749.5 million as at December 31, 2018 and 2017, respectively (see Notes 8 and 13).

The significant construction contracts that gave rise to the advances are as follows:

| | (In Thousands) | | |
|---|---|---|---|
| Subsidiary | **2018** | 2017 | Nature |
| AMPI | **₱280,925** | ₱192,412 | Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place |
| ABMLHI | **151,716** | 204,812 | Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project |

**Retention Payable**

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱409.0 million and ₱407.5 million as at December 31, 2018 and 2017, respectively (see Note 14).

Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium. Total retention payable recognized by AMPI as at December 31, 2018 and 2017 related to such contract amounted to ₱329.0 million, and ₱351.4 million, respectively.

**Contingencies**

As a result of the dispute between the Group and with the WG (see Note 16), the cases have been filed against each other. However, the agreement signed by the major shareholders of ALPHA, as discussed in Note 1, includes the transfer of the Group's interest in ABCC, AMC and AMCI including the assumption by BDC of the responsibility of handling all litigation and/or settling all disputes with the WG.

*Deficiency VAT Assessment for ASTI and AMPI.* The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to ASTI and AMPI on June 20, 2016 covering the taxable year 2014 amounting to ₱30.9 million. ASTI and AMPI filed their respective motions for reconsideration, which were subsequently denied by the BIR. ASTI and AMPI elevated the cases to the Court of Tax Appeals (CTA). The decision is still pending with the CTA.

*Other Legal Cases.* There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

27. **Note to Consolidated Statements of Cash Flows**

The Group's noncash activities are presented below:

| | | (In Thousands) | | |
|---|---|---|---|---|
| | Note | **2018** | 2017 | 2016 |
| Transfers from land and development costs to: | 7 | | | |
| Property and equipment | | **₱2,115,863** | ₱– | ₱– |
| Investment properties | | **–** | 2,425,353 | – |
| Transfers from investment properties to: | 11 | | | |
| Land and development costs | | **653,310** | 327,319 | 392,383 |
| Property and equipment | | **2,244** | 19,471 | – |
| Forfeited sales: | | | | |
| Land and development costs | 7 | **171,543** | – | – |
| Parking lots for sale | 7 | **13,447** | – | – |
| AFS financial assets | 10 | **2,790** | – | – |
| Cancelled sale - | | | | |
| Land and development costs | 7 | **57,222** | – | – |

The reconciliation of the Group's liabilities arising from financing activities is presented below:

| | (In Thousands) | | | |
|---|---|---|---|---|
| | **2017** | **Cash Flows** | **Non-cash Flows** | **2018** |
| Long-term debt | **₱6,596,620** | **(₱411,116)** | **₱13,427** | **₱6,198,931** |
| Accrued interest | **15,376** | **(296,078)** | **468,993** | **188,291** |
| Advances from related parties | **81,764** | **163,488** | **–** | **245,252** |
| Other noncurrent liabilities | **20,118** | **9,792** | **–** | **29,910** |
| | **₱6,713,878** | **(₱533,914)** | **₱482,420** | **₱6,662,384** |

| | (In Thousands) | | | |
|---|---|---|---|---|
| | 2016 | Cash Flows | Non-cash Flows | 2017 |
| Long-term debt | ₱5,522,357 | ₱1,211,515 | (₱137,252) | ₱6,596,620 |
| Accrued interest | 47,092 | (605,945) | 574,229 | 15,376 |
| Advances from related parties | 8,693 | 73,071 | – | 81,764 |
| Other noncurrent liabilities | 89,809 | (69,691) | – | 20,118 |
| | ₱5,667,951 | ₱608,950 | ₱436,977 | ₱6,713,878 |



A TYPICAL MODEL HOME AT ALPHALAND BAGUIO MOUNTAIN LODGES

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Reyes Tacandong & Co.

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Banco De Oro Unibank, Inc.
East West Banking Corporation
Maybank Philippines, Inc.
Sterling Bank of Asia
United Coconut Planters Bank
Bank of the Philippine Islands

## Stock Transfer Agent

AB Stock Transfers Corporation

alphaland
CORPORATION

# Annual Report 2018

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