SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE

1. For the fiscal year ended **December 31, 2018**

2. SEC Identification No. **183835** 3.BIR Tax Identification No. **001-746-612**

4. Exact Name of Issuer as specified in its charter **Alphaland Corporation**

5. **Philippines**
Province, Country or other jurisdiction of
Code
Incorporation or organization

6. SEC Use Only
Industry Classification

7. Alphaland Makati Place, 7232 Ayala Avenue corner Malugay St. Makati City 1209
Address of Principal Office Postal Code

8. (02) 337-2031
Issuer's telephone number, including area code

9. N/A
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt/ Liabilities Outstanding
Common	28,407,499,410	₱6,198,930,197

11. Are any of the securities listed on the Philippine Stock Exchange?

Yes ☐ No ☑

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

Yes ☑ No ☐

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

Yes ☑ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the registrant.*

Shares held by Non-affiliates	Book value Per Share as of December 31, 2018	Total Market Value
406,630,742	**P48.081**	**P19,551,212,706.10**

* On December 10, 2018, the Securities and Exchange Commission approved the Amended Articles of Incorporation of the Company, amending Article VII thereof by reducing the par value from PhP1 per share to PhP0.10 per share.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

Alphaland Corporation (ALPHA or the "Company"), formerly Macondray Plastics, Inc. (MPI) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

(1) Business Development

(a) On November, 19, 1990, the Company was incorporated as Agro Plastics, Inc under Securities and Exchange Commission No. 18385 with Pioneer Ventures, Inc. as the controlling shareholder. Until 1994, the Company's sole business was to supply the requirements of the Lapanday Group's banana plantations.

Sometime in March 1995, the Company was sold to Macondray & Co., Inc. ("MCI") and was subsequently renamed Macondray Plastics, Inc. (MPI). In 1997, the Company embarked on a program to reduce its total dependence on the banana industry by further expanding its customer base to commercial/industrial accounts. In November 2000, the Company braved the sluggish stock market and became the first Davao-based, Davao-oriented company to list in the Philippine Stock Exchange ("PSE" or the "Exchange"). The proceeds of the initial public offering were used to expand the Company's production capacity and capabilities. In September 2009, the Company decided to spin off the operations and maintenance of its plastics manufacturing interest to a separate juridical entity. Thus, Macondray Plastics Products, Inc. (MPPI) was then incorporated and registered with the SEC on September 25, 2009 and became a wholly owned subsidiary of the Company. Immediately thereafter, a deed of conveyance was executed on October 13, 2009 where the Company shall transfer all of its assets and liabilities relating to the plastics manufacturing interest to MPPI with effect upon the approval by the SEC of MPPI's application for increase in authorized capital stock (the "Assignment"). Accordingly, MPPI assumed the management of the Company's plastic products manufacturing operations and absorbed all the employees of the Company who were all connected to the plastics manufacturing business at that time.

On October 1, 2009, a Share Purchase Agreement (the "SPA") was executed between RVO Capital Ventures Corporation ("RVO Capital") and MCI. The transaction involves the acquisition by RVO Capital of MCI's 99,444,000 shares in the Company which represents MCI's entire interest in the Company. Since MCI's interest represents approximately 66% of the Company's outstanding capital stock, the acquisition thereof triggered the application of the mandatory tender offer rule of the Securities Regulation Code ("SRC"). After the conduct of the tender offer, RVO Capital acquired a total of 142,656,748 shares representing 95% of the Company's then issued and outstanding capital stock.

On November 18, 2009, the Company and all the stockholders of Alphaland Development, Inc. (ADI) entered into a Share Swap Agreement (SSA) for a share-for-share swap of all of ADI's issued and outstanding shares (as well as existing shareholders' advances/deposits for future stock subscriptions) in exchange for new shares to be issued by ALPHA. Each ADI share was exchanged for approximately 5.08 ALPHA shares, or a total of 1,269,734,041 shares of ALPHA. After the share-for-share swap, ADI became a wholly owned subsidiary of ALPHA thereby allowing the diversification into the property development sector. In view of the foregoing, the Company applied for the amendment of its Articles of Incorporation involving the (a) change in corporate name from "Macondray Plastics, Inc." to "Alphaland Corporation", (b) change in primary purpose from plastics manufacturing to that of a holding company, (c) change in principal place of business from Davao City to Makati City, and (d) increase in its authorized capital stock from P400.0 million to P5.0 billion, among others. These amendments were approved by the SEC on April 7, 2010.

On December 23, 2010, ALPHA signed a Memorandum of Understanding ("MOU") with Macondray Philippines Co., Inc. ("MPCI"), where the latter is offering to buy ALPHA's entire interest in MPPI upon completion of the Assignment and which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment.

On April 29, 2011, the SEC approved the increase in authorized capital stock of MPPI that completed the Assignment and total spinoff of MPPI. It paved the way for the Company's eventual sale of MPPI to MPCI. A Deed of Absolute Sale was executed on October 28, 2011 for a consideration of ₱254.0 million.

(b) For the past three years, the Company does not have any bankruptcy, receivership or similar proceedings.

(c) The Company has likewise not undergone any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business for the past three years.

(2) <u>Business of the Company</u>

(a) <u>Description of Registrant</u>

ALPHA 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.

<u>ALPHA's Significant Legal Subsidiaries as at December 31, 2018 and 2017</u>

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is 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).

b. *Alphaland Southgate Tower, Inc. (ASTI), 100%-owned by ALPHA*, was incorporated in the Philippines and registered with the Philippine SEC on May 29, 2007 as Alphaland Development, Inc. On October 15, 2015, the Philippine SEC approved the change in corporate name from "Alphaland Development, Inc." to "Alphaland Southgate Tower, Inc." 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.

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned by ASTI,* was incorporated in the

Philippines 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 from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc."

AMPI's primary purpose is to acquire by exchange of shares, purchase, lease that 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 Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place. It is a mixed-use property development consisting of three (3) high end residential towers atop an upscale six-storey podium with a shopping center and a City Club.

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

d. *Alphaland Reclamation Corporation, 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

e. *Alphaland Balesin International Gateway, Inc. (ABIGI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on May 19, 2010 as Aklan Boracay Properties Inc. On October 17, 2016, the Philippine SEC approved the change in the Company's corporate name from "Aklan Boracay Properties, Inc." to "Alphaland Balesin Gateway, Inc." On April 10, 2018 the Philippine SEC approved the further change in the Company's corporate name from "Alphaland Balesin Gateway, Inc." to "Alphaland Balesin International Gateway, Inc." ABIGI's primary purpose is to invest in, purchase or otherwise acquire and own, hold use, 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.

f. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on July 31, 2012 and is primarily engaged in the 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.

g. *Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI), 100%-owned by ALPHA,* was incorporated in the Philippines 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 from "Alphaland Holdings Company, Inc." 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.

h. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on September 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation," especially to direct the operations of other corporations through the ownership of stock therein.

i. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ASTI*, was incorporated in the Philippines and registered with the Philippine SEC on March 28, 2011 as Alphaland Ukiyo, Inc. It was renamed as ASRI on June 27, 2013. Its primary purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

j. *Choice Insurance Brokerage, Inc., 100%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities.

k. *Alphaland Aviation-Pampanga, Inc., 100%-owned by AAI,* was incorporated and registered with the Philippine SEC on December 5, 2016 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.

l. *Aegle Wellness Center, Inc. (AWCI), 100%-owned by ALPHA,* incorporated and registered with the Philippine SEC on September 28, 2015 primarily to provide diagnostic, therapheutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

m. *Aegle Drugstore, Inc., 100%-owned by AMPI,* 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.

n. *Alphaforce Security Agency, Inc.* (ASAI), 80%-owned by ALPHA, 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.

   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%.

o. *Alphaland International. Inc.* (AII), 100%-owned by ALPHA, was incorporated and registered with the Philippine SEC on January 29, 2014 primarily to market assets, including club shares and condominium units of the Alphaland Group of Companies outside the Philippine market.

(i) The Group generates funds primarily from sale of condominium units and parking spaces at Alphaland Makati Place, Inc., sale of Baguio Mountain Lodges and Balesin Private Villas; from mall and leasing operations of Alphaland Southgate Tower, Alphaland Makati Place Mall and Corporate Center; and from operation of serviced residences of The Alpha Suites that commenced during the first half of the year 2018. The leasing operations and The Alpha Suites provide recurring cash flows for the Group.

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

(ii) The Group operates their business in the Philippines and has no revenues contributed by foreign sales. Its network of high-end clientele is largely Filipinos.

(iii) **Distribution Methods of Products or Services**

(iv) **New Product or Service**

As of December 31, 2018, the Company has not made public announcements on the launching of any new product or service.

(v) **Competition**

In terms of the property development sector, there are a number of real estate developers, some with greater financial and other resources and more attractive locations, that compete with the Group in seeking properties for acquisition, resources for development, and prospective clients. The Group believes that in an emerging market like the Philippines, a bold, well-capitalized developer is best positioned to acquire and reinvent prime but underdeveloped sites. In less than a year, the Group has built an inventory of incomparable properties.

The Group stands for development done right, with attention to detail and focus on quality for the long term that delights its customers, and gives its shareholders the best return.

Strategy

The Group positions itself as a selective property investor and operator focusing on very few, large, premium projects. Recognizing opportunity in an emerging market, the Group's strategy is to acquire and revitalize prime sites that have languished due to volatile economic cycles. This strategy has proven successful since while being one of the youngest in the industry, the Group can already boast of its major development projects.

(vi) **Sources and Availability of Raw Materials and Name of Principal Suppliers**

This is not relevant to the operations of the Group.

(vii) **Dependence on Customers or a Few Customers**

The Group is not dependent on one or few major customers. ADI leases spaces in its shopping center (Alphaland Southgate Mall) and office building (Alphaland Southgate Tower) to a large number of clients. It also leases parking spaces on an hourly basis to the general public and on a monthly basis to its tenants and their employees. ADI also rents out LED billboard spaces, event spaces at The Alpha Tents and function rooms; ABIRC sells club shares to a targeted customer base of high net worth individuals. AMPI also sells club shares and residential condominium units to a large network of high-end clientele while leasing out mall space to several dining and retail clients.

(viii) **Transactions with and/or Dependence on Related Parties**

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:

- 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.
- 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

- 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.

(ix) Intellectual Property Rights

ALPHA is the owner of the following registered marks:

1. THE ALPHA and logo, with IPO Registration No. 4-2011-002902 dated 7 July 2011
2. THE CITY CLUB and logo, with IPO Registration No. 4-2011-002993 dated 20 October 2011 (re-filed May 13, 2014)
3. A TASTE OF FRANCE and logo, with IPO Registration No. 4-2014-00012033 dated 25 June 2015
4. BALESIN ISLANDER and logo, with IPO Registration No. 4-2014-00012034 dated 25 June 2015
5. COSTA DEL SOL and logo, with IPO Registration No. 4-2014-00012035 dated 1 January 2016

ASTI is the registered owner of the following trademarks:

1. "alphaland", with IPO Registration No. 42008002299 dated 11 August 2008.
2. "alphaland SOUTHGATE" , with IPO Registration No. 4/2012/00009729 dated 16 May 2013
3. THE ALPHA TENTS and logo, with IPO Registration No. 4/2012/00009730 dated 16 May 2013
4. ALPHALAND TOWER and logo, with IPO Registration No. 4/2012/00009731 dated 14 June 2013
5. ALPHALAND MAKATI PLACE and logo, with IPO Registration No. 4/2012/00009732 dated 14 June 2013
6. THE ALPHALAND BALESIN CLUB and logo, with IPO Registration No. 4/2012/00009733 dated 14 June 2013
7. ALPHALAND MARINA CLUB and logo, with IPO Registration No. 4/2012/00009734 dated 14 June 2013
8. MARK'S PRIME RIB and logo, with IPO Registration No. 4-2014-00012036 dated 25 June 2015
9. MARK'S STEAKHOUSE and logo, with IPO Registration No. 4-2018-00005196 dated 20 September 2018
10. TOSCANA RISTORANTE ITALIANO and logo, with IPO Registration No. 4-2014-00012037 dated 16 July 2015

(x) Need for any Government Approval of Principal Products or Services

As the Group is engaged in and operates an environmentally critical project, it must comply with laws prescribed and regulated by the Department of Environment and Natural Resources ("DENR"). Under Presidential Decree No. 1586, any person undertaking or operating any environmentally critical project or area, as may be declared by the President of the Philippines, must first secure an Environmental Compliance Certificate ("ECC") from the DENR. An ECC is a document certifying that the project will not cause significant negative environmental impact and the proponent will undertake preventive, mitigating and enhancement measures to protect and rehabilitate the environment.

As a real estate developer, the Group is required to secure permits and licenses from the different agencies of the national government and local government units. These permits include an environmental compliance certificate, building permits and occupancy permit. The Group incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

(xi) Effect or Probable Governmental Regulations on The Business

The Company is compliant with all government regulatory requirements for the operation of its business. The Company is not aware of any future governmental regulation that could have a material effect on its business.

(xii) Amount Spent on Research and Development

The Group engages in research and development activities focusing on the types of construction of materials, construction methodology, value-engineering, and quality assurance for its projects. The expenses incurred by the Group in connection with these activities are not material.

(xiii) Cost of Compliance with Environmental Laws

As a real estate developer, the Group is required to secure permits and licenses from the different agencies of the national government and local government units. These permits include an environmental compliance certificate, building permits and occupancy permit. The Group incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

(xiv) Employees

ASTI provides the management and administrative support such as legal, finance, marketing, and human resource requirements of the Group. ASTI has a total manpower complement of 225 employees as of December 31, 2018.

ASTI has not experienced any disruptive labor disputes, strikes, or threats of strikes, and ASTI believes that its relationship with its employees in general is satisfactory. ADI's employees are not unionized.

Item 2. Properties

<u>Alphaland Southgate Tower</u>
The property with lot area of 9,497 square meters, more or less, located at the nexus of Metro Manila's two main traffic arteries, EDSA and the South Superhighway is now a fully developed and revenue-generating 20-storey office tower building with a six-storey podium of ample parking and a shopping mall. 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.

Alphaland Makati Place

Alphaland Makati Place consists of three high-end residential towers atop an upscale six-storey podium with a shopping center and a City Club dedicated to urban sports and leisure. Alphaland Makati Place is located on a premium one-hectare property along Ayala Avenue Extension corner Malugay Street, Makati City. Featuring truly "smart homes," Alphaland Makati Place is the first in the country with built-in concierge technology that will enable its residents and tenants to achieve lifestyle objectives on demand.

Comprising of almost 1.6 hectares of sports and leisure facilities, The City Club at Alphaland Makati Place fulfills the wellness, social, sports and business needs of its members. Facilities include a spa, aerobics, dance and yoga rooms, formal and specialty restaurants, cafes, a sports bar, virtual golf, air soft range, screening room, boxing ring, gym, children's activity center, coffee lounges, indoor tennis courts, indoor badminton courts, lap pool and children's pool, private business meeting rooms, and a business center.

Alphaland Balesin Island Property

ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. Additional 10 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to approximately 404 hectares. Of this total, approximately 95 hectares were already conveyed to ABICI. The transfer of certificates of title from ABORC to ABICI is currently being processed.

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.

Alphaland Baguio Mountain Lodges

Alphaland Baguio Mountain Lodges Project covers approximately 68 hectares of rolling terrain in Itogon, Benguet. The Company aims to transform the property into high-end log cabin homes, prefabricated and imported from the United States of America. Each log homes will have a full panoramic view of Baguio or the northern -mountains beyond.

Patnanungan Property

ABIGI acquired approximately 753 hectares of land in the island of Patnanungan, Quezon, more particularly on the tip of Patnanungan Sur.

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.

Item 3. Legal Proceedings

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.

As of December 31, 2018, the Company is a party to the following legal proceedings:

1. *Josephine A. Maclang vs. Alphaland Corporation, et al.,* Hon. Labor Arbiter Adela S. Damasco and 3rd Division of the National Labor Relations Commission, docketed as CA-G.R. SP No. 138666. This is a Petition for Certiorari filed by Petitioner Maclang of the adverse Decision of the NLRC-Third Division dated 23 January 2017 in NLRC NCR Case No. 04-05720-13/NLRC LAC No. 09-002259-14, which DISMISSED Maclang's Complaint for Illegal Dismissal.. The Court of Appeals

DENIED the instant Petition. Maclang's Motion for Reconsideration of the dismissal of her Petition was also denied. On 16 June 2017, respondents received a copy of Petitioner's Petition for Review on Certiorari elevating the case to the Supreme Court. The Supreme Court denied her petition through Resolution dated 31 July 2017. Maclang's filed a Motion for Reconsideration but was also denied with finality on 14 February 2018.

2. *Redentor Y. Agustin vs. Alphaland Corporation*, with the Supreme Court docketed as G.R. No. 218282 with the Supreme Court (2nd Division). This is a complaint for Illegal Dismissal filed by complainant Redentor Y. Agustin ("Agustin") before Labor Arbiter Marita Padolina ("LA Padolina") docketed as NLRC-NCR No. 00-1116616-2011. LA Padolina issued a Decision declaring that complainant Agustin was illegally dismissed and ordering the Corporation to pay him the total amount of P336,875.00. This was affirmed by the National Labor Relations Commission (4th Division) and the Court of Appeals ("CA"). Since the CA denied the Corporation's application for the issuance of a restraining order, it was constrained to pay the said judgment award, inclusive of execution fees. Both parties elevated the Decision of the CA to the Supreme Court in separate Petitions for Review. The Petition for Review filed by the Corporation was docketed as SC G.R. No. 217946, which was denied with finality, while the one filed by complainant Agustin, which is this case, is submitted for resolution as the parties had already filed their respective Memoranda.

3. *Jose Edwin G. Esico vs. Alphaland Corporation and Alphaland Development, Inc.*, with the Supreme Court docketed as G.R. No. 134512 (1st Division). This case arose from the consolidated cases of: a. Illegal Dismissal filed by complainant Jose Edwin G. Esico ("Esico"); and, b. wrongful resignation, training reimbursement amounting to P977,720.00 and damages filed by Alphaland Development, Inc. (now Alphaland Southgate Tower, Inc.) ("ADI") before Labor Arbiter Lilia S. Savari ("LA Savari"). LA Savari dismissed the complaint for illegal dismissal and ordered the reimbursement of training expenses amounting to P997,700.00. This was reversed by the NLRC (1st Division), and awarded complainant Esico P2,205,000.00 as full backwages, P690,000.00 as separation pay, P 3,680,000.00 as unpaid salaries and 10 % of all monetary awards as Attorney's fees, and affirmed the award of P45,450.00 as proportionate 13th month pay. The Corporation and ADI elevated the case before the Court of Appeals, which reversed the NLRC decision and reinstated the ruling of Labor Arbiter Savari with modification as to the amount of training expenses from P997,700.00 to P977,720.00. Complainant Esico elevated the case to the Supreme Court by way of a Petition for Review on Certiorari, which petition is presently pending resolution.

Item 4. Submission of Matters to a Vote of Security Holders

During the last Annual Stockholders' Meeting on June 20, 2018, the security holders, present and represented, approved the appointment of Reyes Tacandong & Co. as the Company's external auditor. The foregoing matter was approved by the security holders present and entitled to vote during the said meeting.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

(a) On September 8, 2014, the PSE issued a resolution delisting the Company and mandated the Company to hold a tender offer to buy all the shares of its retail/non-strategic shareholders. On October 17, 2014, the Company completed its tender offer to 2,672,789 Company shares, reacquired through ASTI, equivalent to P24.2 million. The PSE also prohibited the Company from applying for relisting within a period of five years from the effective date of delisting. October 2019 marks the end of the five-year recess, thereby allowing the Company to relist with the PSE.

(2) Holders

(a) The total number of shareholders of common shares, as of December 31, 2018, is 88 and shares outstanding are 28,407,499,410 (exclusive of 4,239,000 in treasury).

The top 20 registered stockholders of the Company as of December 31, 2018 are as follows:

		Citizenship	No. of Shares	%
1.	Alphaland Development, Inc.	Filipino	13,792,109,780	48.55%
2.	RVO Capital Ventures Corporation	Filipino	8,426,567,460	29.66%
3.	Boerstar Corporation	Filipino	1,677,884,300	5.91%
4.	Red Epoch Group Ltd.	Hongkong	961,134,130	3.38%
5.	Fine Land Limited	Filipino	890,000,000	3.13%
6.	Azurestar Corporation	Filipino	280,626,360	0.99%
7.	Loustar Corporation	Filipino	222,570,970	0.78%
8.	Powerventures, Inc.	Filipino	219,604,500	0.77%
9.	Galaxyhouse, Inc.	Filipino	190,304,900	0.67%
10.	Crystalventures, Inc.	Filipino	188,796,760	0.66%
11.	Towermill Capital Ventures Corporation	Filipino	188,454,140	0.66%
12.	Gemsplace Resources, Inc.	Filipino	187,512,680	0.66%
13.	Summer Wind Capital Ventures Corporation	Filipino	167,169,230	0.59%
14.	Noble Care Management Corporation	Filipino	145,916,470	0.51%
15.	Mega Access Capital Ventures, Inc.	Filipino	100,825,370	0.35%
16.	Globalcentric Corporation	Filipino	100,473,660	0.35%
17.	Earthlight, Inc.	Filipino	100,247,230	0.35%
18.	Regentstar Holdings Corporation	Filipino	100,138,190	0.35%
19.	Arculli, Derek	Filipino	100,000,000	0.35%
20.	Citadel Investments Limited	Filipino	100,000,000	0.35%

(3) Dividends

(a) There has been no proposed action or resolution relating to the declaration of dividends for the ensuing year. The Company has not declared dividends in the past three calendar years.

(b) There are no restrictions on the Corporation that limit the payment of dividends on common shares. The Company has re-invested its retained earnings for working capital requirements as well as the expansion of its operations and facilities.

(4) Recent Sale of Unregistered or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction

As at December 31, 2018, the Company entered into the following share subscription agreements:

Date of Subscription	*Subscriber*	*Number of Shares Subscribed*	*Total Subscription Price (in PhP)*
June 11, 2018	Crystalventures, Inc.	18,879,676	224,479,349
June 11, 2018	Earthlight, Inc.	10,024,723	119,294,209
June 11, 2018	Galaxyhouse, Inc.	19,030,490	226,082,227
June 11, 2018	Gemsplace Resources, Inc.	18,751,268	222,765,069

June 11, 2018	Globalcentric Corporation	10,047,366	119,463,179
June 11, 2018	Loustar Corporation	22,257,097	264,414,318
June 11, 2018	Mega Access Capital Ventures, Inc.	10,082,537	119,982,187
June 11, 2018	Powerventures, Inc.	21,960,450	260,890,144
June 11, 2018	Redcrest Holdings Corporation	9,856,652	117,097,022
June 11, 2018	Regenstar Holdings Corporation	10,013,819	P119,164,443
June 11, 2018	Summer Wind Capital Ventures Corporation	16,716,923	198,597,048
June 11, 2018	Towermill Capital Ventures Corporation	18,845,414	223,883,517

Other than the foregoing, there were no recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt Transaction.

Item 6. Management Discussion and Analysis or Plan of Operations

Management's Discussion and Analysis

Results of Operations (in thousands)

	Years Ended December 31		Variance	
	2018	2017	Amount	%
REVENUES	**₱2,877,819**	₱2,483,427	₱394,392	16%
COSTS AND EXPENSES				
Cost of real estate sold	**859,354**	834,340	25,014	3%
Cost of services	**646,589**	360,468	286,121	79%
General and administrative	**1,237,330**	874,784	362,546	41%
	2,743,273	2,069,592	673,681	33%
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	**7,453,516**	11,471,819	(4,018,303)	-35%
Interest expense and other finance charges	**(321,345)**	(365,727)	44,382	-12%
Other gains (losses) – net	**(100,857)**	51,476	(152,333)	-296%
	7,031,314	11,157,568	(4,126,254)	-37%
INCOME BEFORE INCOME TAX	**7,165,860**	11,571,403	(4,405,543)	-38%
PROVISION FOR INCOME TAX				
Current	**68,380**	58,161	10,219	18%
Deferred	**2,369,177**	3,344,210	(975,033)	-29%
	2,437,557	3,402,371	(964,814)	-28%
NET INCOME	**4,728,303**	8,169,032	(3,440,729)	-42%
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	**4,365,148**	9,515	4,355,633	45776%
Income tax effect	**(1,287,956)**	(2,854)	(1,285,102)	45028%
	3,077,192	6,661	3,070,531	46097%
Unrealized valuation gain on equity securities designated as FVOCI	**1,084,338**	–	1,084,338	0%
Income tax effect	**(162,651)**	–	(162,651)	0%
	921,687	–	921,687	0%
Remeasurement gain (loss) on retirement liability	–	22,504	(22,504)	-100%
To be reclassified to profit or loss in subsequent years:				
Reclassification adjustments on disposal of AFS financial assets	–	(216,038)	216,038	-100%
Unrealized valuation gain on AFS financial assets	–	58,146	(58,146)	-100%
Income tax effect	–	15,789	(15,789)	-100%
	–	(142,103)	142,103	-100%
	3,998,879	(112,938)	4,111,817	-3641%
TOTAL COMPREHENSIVE INCOME	**₱8,727,182**	₱8,056,094	₱671,088	8%
Net income attributable to:				
Equity holders of the Parent Company	**₱4,727,912**	₱8,167,662	(₱3,439,750)	-42%
Noncontrolling interests	**391**	1,370	(979)	-71%
	₱4,728,303	₱8,169,032	(₱3,440,729)	-42%
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**₱8,726,791**	₱8,054,768	₱672,023	8%
Noncontrolling interests	**391**	1,326	(935)	-71%
	₱8,727,182	₱8,056,094	₱671,088	8%

The Group's consolidated net income in 2018 and 2017 amounted to ₱4,728.3 million and ₱8,169.0 million, respectively. Total comprehensive income of the Group is ₱8,727.2 million in 2018 and ₱8,056.1 million in 2017.

16% Increase in Revenues

The Group showed consolidated total revenues amounting to ₱2,877.8 million and ₱2,483.4 million for the years ended December 31, 2018 and 2017, respectively. The increase is mainly attributed to combined effects of AMPI's additional rent income from Corporate Tower and increased number of new lease agreements of AMPI and ASTI during 2018. Furthermore, there is an increasing trend in revenues from transport services provided by AAI to ABICI.

33% increase in Costs and Expenses

Increase from ₱2,069.6 million in prior period to ₱2,743.7 million in current period mainly represents cost of units and transportation service, corresponding to increased number of units sold and number of flights, respectively.

37% Decrease in Other Income (Expenses)

Other income (expense) decreased by ₱4,126.3 million from ₱11,157.6 million in 2017 to ₱7,031.3 million in 2018. The significant decrease is attributable to lower gain on fair value changes of investment properties recognized in 2018 as compared to 2017 (Southgate Tower and Mall, Silang, Makati Place, Baguio and Balesin properties).

	Years Ended December 31		Variance	
	2017	2016	Amount	%
REVENUES	₱2,483,428	₱2,335,748	₱147,680	6%
COSTS AND EXPENSES				
Cost of real estate sold			-	
Cost of services	834,340	1,094,857	(260,517)	-24%
General and administrative	360,468	285,884	74,584	26%
	946,723	562,110	384,613	68%
	2,141,531	1,942,851	198,680	10%
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	11,471,819	10,007,052	1,464,767	15%
Interest expense and other finance charges	(365,727)	(294,749)	(70,978)	24%
Other gains (losses) – net	123,414	105,486	17,928	73%
	11,229,506	9,817,789	1,411,717	14%
INCOME BEFORE INCOME TAX	11,571,403	10,210,685	1,360,718	13%
PROVISION FOR INCOME TAX				
Current	58,161	87,084	(28,923)	-33%
Deferred	3,344,210	3,046,778	297,432	10%
	3,402,371	3,133,862	268,509	9%
NET INCOME	8,169,032	7,076,823	1,092,209	15%
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	9,515	103,828	(94,313)	-91%
Income tax effect	(2,854)	(31,148)	28,294	-91%
	6,661	72,680	(66,019)	-91%
Remeasurement gain (loss) on retirement liability	22,504	(1,346)	23,850	-1772%
To be reclassified to profit or loss in subsequent years:				
Reclassification adjustments on disposal of AFS financial assets	(216,038)	(108,495)	(107,543)	99%
Unrealized valuation gain on AFS financial assets	58,146	725,090	(666,944)	-92%
Income tax effect	15,789	(61,665)	77,454	-126%
	(142,103)	554,930	(697,033)	-126%
	(112,938)	626,264	(739,202)	-118%
TOTAL COMPREHENSIVE INCOME	₱8,056,094	₱7,703,087	₱353,007	5%
Net income attributable to:				
Equity holders of the Parent Company	₱8,167,662	₱7,076,406	₱1,091,256	15%
Noncontrolling interests	1,370	417	953	229%
	₱8,169,032	₱7,076,823	₱1,092,209	15%
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱8,054,768	₱7,702,670	₱352,098	5%
Noncontrolling interests	1,326	417	909	218%
	₱8,056,094	₱7,703,087	₱353,007	5%

The Group's consolidated net income in 2017 and 2016 amounted to ₱8,169.0 million and ₱7,076.8 million, respectively. Total comprehensive income of the Group is ₱8,056.1 million in 2017 and ₱7,703.1 million in 2016.

6% Increase in Revenues

The Group showed consolidated total revenues amounting to ₱2,483.4 million and ₱2,335.7 million for the years ended December 31, 2017 and 2016, respectively. The increase is mainly attributable to increase in rent income of ASTI due to higher occupancy rate in 2017 for the Southgate Mall and for the higher leasable area for the Southgate Tower compared to 2016. It was complemented by increase in transport services due to additional aircraft bought by AAI, which lead to more Balesin members and guests accommodated to and from Balesin Island.

10% Increase in Costs and Expenses

Increase from ₱1,942.9 million in 2016 to ₱2,141.5 million in 2017 is due to the increase in salaries and employees' benefits due to the increase in the basic pay of some of the key management personnel of the Group and the recognition of donation of ASTI to Ateneo de Manila, Inc., a non-stock, non-profit educational institution. The increase was partially offset by the decrease in cost of real estate sold of AMPI.

14% Increase in Other Income (Expense)

Other income (expense) increased by ₱1,411.7 million from ₱9,817.8 million in 2016 to ₱11,229.5 million in 2017. The significant increase is attributable to the increase in gain on fair value change of Silang and recognition of gain on fair value change for Alphaland Corporate Tower, which was partially offset by the decrease in gain on fair value changes of Southgate Tower, Baguio, and Balesin properties.

	Years Ended December 31		Variance	
	2016	2015	Amount	%
REVENUES	₱2,335,748	₱2,187,274	₱148,474	7%
COSTS AND EXPENSES				
Cost of real estate sold	1,094,857	1,207,386	(112,529)	-9%
Cost of services	285,884	202,884	83,000	41
General and administrative	562,110	559,725	2,385	0%
	1,942,851	1,969,995	(27,144)	-1%
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	10,007,052	8,578,761	1,428,291	17%
Interest expense and other finance charges	(294,749)	(251,303)	(43,446)	17%
Other gains (losses) – net	105,486	272,398	(166,912)	-61%
	9,817,789	8,599,856	1,217,933	14%
INCOME BEFORE INCOME TAX	10,210,685	8,817,135	1,393,550	16%
PROVISION FOR INCOME TAX				
Current	87,084	63,901	23,183	36%
Deferred	3,046,778	2,635,457	411,321	16%
	3,133,862	2,699,358	434,504	16%
NET INCOME	7,076,823	6,117,777	959,046	16%
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	103,828	–	103,828	0%
Income tax effect	(31,148)	–	(31,148)	0%
	72,680	–	72,680	0%
Remeasurement gain (loss) on retirement liability	(1,346)	9,044	(10,390)	-115%
To be reclassified to profit or loss in subsequent years:				
Reclassification adjustments on disposal of AFS financial assets	(108,495)	–	(108,495)	0%
Unrealized valuation gain on AFS financial assets	725,090	1,155,623	(430,533)	-37%
Income tax effect	(61,665)	(115,562)	53,897	-47%
	554,930	1,040,061	(485,131)	-47%
	626,264	1,049,105	(422,841)	-40%
TOTAL COMPREHENSIVE INCOME	₱7,703,087	₱7,166,882	₱536,205	7%
Net income attributable to:				
Equity holders of the Parent Company	₱7,076,406	₱6,118,500	₱957,906	16%
Noncontrolling interests	417	(723)	1,140	-158%
	₱7,076,823	₱6,117,777	₱959,046	16%
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱7,702,670	₱7,167,605	₱535,065	7%
Noncontrolling interests	417	(723)	1,140	-158%
	₱7,703,087	₱7,166,882	₱536,205	7%

The Group's consolidated net income in 2016 and 2015 amounted to ₱7,076.8 million and ₱6,117.8 million, respectively. Total comprehensive income of the Group is ₱7,703.1 million in 2016 and ₱7,166.9 million in 2015.

7% Increase in Revenues

The Group showed consolidated total revenues amounting to ₱2,335.7 million and ₱2,187.3 million for the year ended December 31, 2016 and 2015, respectively. The increase is mainly attributable to increase in rent income of ASTI due to higher occupancy rate in 2016 compared to 2015. It was complemented by increase in transport services due to additional aircraft bought by AAI, which lead to more Balesin members and guests accommodated to and from Balesin Island. There was an increase in interest income from installment sale of AMPI's condominium units.

1% decrease in Costs and Expenses

Decrease from ₱1,970.0 million in 2015 to ₱1,942.9 million in 2016 is due to the decrease in cost of real estate sold of AMPI which was partially offset by the increase in AAI's cost of transport services due to more flights in 2016.

14% Increase in Other Income (Expense)

Other income (expense) increased by ₱1,217.9 million from ₱8,599.9 million in 2015 to ₱9,817.8 million in 2016. The significant increase is attributable to the increase in gain on fair value changes of Southgate Tower and Mall, Silang, Baguio, Patnanungan and Balesin properties. The increase was slightly offset by the decrease in interest expenses and other financing charges due to the decrease in long-term debt balance as of December 31, 2016 and decrease in gain on sale of AFS financial assets due to lower number of sold shares in year 2016.

Financial Condition (in thousands)

	As of December 31		Variance	
ASSETS	**2018**	2017	Amount	%
Current Assets				
Cash and cash equivalents	**₱110,157**	₱215,593	(₱105,436)	-49%
Trade and other receivables	**1,773,928**	1,993,504	(219,576)	-11%
Land and development costs and parking lots for sale	**3,080,140**	3,942,375	(862,235)	-22%
Advances to related companies	**3,119,379**	2,777,048	342,331	12%
Equity securities designated as fair value through other comprehensive income [FVOCI] [formerly classified as available-for-sale (AFS) financial assets]	**1,065,311**	985,811	79,500	8%
Other current assets	**2,189,454**	1,791,845	397,609	22%
Total Current Assets	**11,338,369**	11,706,176	(367,807)	-3%
Noncurrent Assets				
Investment in and advances to an associate	**12,349**	12,349	–	0%
Equity securities designated as FVOCI (formerly classified as AFS financial assets) - net of current portion	**29,970,774**	29,078,457	892,317	3%
Investment properties	**47,675,812**	40,664,073	7,011,739	17%
Property and equipment	**10,174,812**	1,832,348	8,342,464	455%
Other noncurrent assets	**190,584**	321,572	(130,988)	-41%
Total Noncurrent Assets	**88,024,331**	71,908,799	16,115,532	22%
	₱99,362,700	₱83,614,975	₱15,747,725	19%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**₱3,896,062**	₱2,808,583	₱1,087,479	39%
Current portion of:				
Long-term debt	**1,223,962**	1,071,574	152,388	14%
Customers' deposits	**3,592**	73,504	(69,912)	-95%
Advances from related companies	**245,252**	81,764	163,488	200%
Income tax payable	**66,949**	45,287	21,662	48%
Total Current Liabilities	**5,435,817**	4,080,712	1,355,105	33%
Noncurrent Liabilities				
Long-term debt - net of current portion	**4,974,969**	5,525,046	(550,077)	-10%
Customers' deposits - net of current portion	**266,111**	97,605	168,506	173%
Retirement liability	**44,509**	24,451	20,058	82%
Net deferred tax liabilities	**18,541,246**	13,451,529	5,089,717	38%
Other noncurrent liabilities	**29,910**	20,118	9,792	49%
Total Noncurrent Liabilities	**23,856,745**	19,118,749	4,737,996	25%
Total Liabilities	**29,292,562**	23,199,461	6,093,101	26%
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	**₱2,842,174**	2,655,707	186,467	7%
Additional paid-in capital	**12,769,730**	10,740,079	2,029,651	19%
Retained earnings	**45,295,494**	40,343,598	4,951,896	12%
Other comprehensive income:				
Cumulative unrealized valuation gain on equity securities designated as FVOCI	**22,891,678**	23,432,497	(540,819)	-2%
Revaluation surplus	**3,103,638**	75,850	3,027,788	3992%
Accumulated remeasurement gain on retirement liability	**45,350**	45,350	–	0%
	86,948,064	77,293,081	9,654,983	12%
Less:				0%
Parent Company's shares held by a subsidiary	**16,881,220**	16,881,220	–	0%
Cost of treasury shares	**1,214**	1,214	–	0%
	70,065,630	60,410,647	9,654,983	16%
Noncontrolling interests	**4,508**	4,867	(359)	-7%
Total Equity	**70,070,138**	60,415,514	9,654,624	16%
	₱99,362,700	₱83,614,975	₱15,747,725	19%

Total assets of the Group increased by ₱15,747.8 million or 19% from ₱83,615.0 million as of December 31, 2017 to ₱99,362.7 million as of December 31, 2018.

49% Decrease in Cash and Cash Equivalents

Decrease from ₱215.6 million to ₱110.2 million was mainly caused by debt service and project development expenditures.

11% Decrease in Trade and Other Receivables

Decrease from ₱1,993.5 million to ₱1,773.9 million mainly pertains to the forfeiture of sales of condominium units, parking slots and city club shares of AMPI amounting to ₱147.5 million, net of allowance. Collection of prior year's receivables of ABMLHI and AMPI also caused the decrease.

22% Decrease in Land and Development and Parking lots for sale

Decrease in land and development and parking lots for sale is attributable to the cost of real estate sold and to the reclassification of AMPI's condominium units from "Land and development costs" to "Property and equipment" account due to change in use, from condominium units for sale to serviced residences called, The Alpha Suites.

12% Increase in Advances to Related Parties

Increase in advances to related parties is attributable to funding mainly made to Clubs to support its operations.

22% Increase in Other Current Assets

Increase is primarily due to establishment of a Debt Service Reserve Account (DSRA) required under the Omnibus Loan and Service Agreement with BDO Unibank, Inc., and increased creditable withholding taxes due on sale of real properties and services.

8% Increase in Current Portion of Equity Securities designated as FVOCI and 3% Increase in Equity securities designated as FVOCI – Net of Current Portion

Net increase in equity securities designated as FVOCI is primarily due to appreciation of fair market values of shares of Balesin Island Club. The Group establishes the fair value of the preferred shares in inventory using the recent arm's length market transactions, which is the Group's transacted selling price to third parties.

17% Increase in Investment Properties

This account represents both completed properties and properties under construction held to earn rentals or for capital appreciation, or both. Increase represents fair value appreciation of Southgate Tower and Mall, Silang, Makati Place, Baguio, Patnanungan and Balesin properties.

455% Increase in Property and Equipment

The movement of the accounts mainly pertains to the transfer of AMPI's condominium units for sale from "land and development costs and parking lots for sale" to "Property and equipment" account due to change in use, from inventory to serviced residences called "The Alpha Suites". Revaluation adjustments of The Alpha Suites and the Group's aircrafts also caused the increase.

41% Decrease in Other Noncurrent Assets

Decrease is attributable to the application of advances to contractors to the payment of progress billings for the construction of Balesin private villas, Baguio log homes and Makati place projects.

Total liabilities of the Group amounted to ₱29,292.6 million and ₱23,199.5 million as of December 31, 2018 and 2017, respectively.

39% Increase in Trade and Other Payables
Increase is primarily due to the acquisition of AMPI's condominium units, parking slots and shares from various unit owners in 2018.

200% Increase in Advances from Related Parties
Movement in advances from related parties is attributable to advances made for working capital purposes.

14% Increase in Current Portion of Long-term Debt and 10% Decrease in Long-term Debt- Net of Current Portion
Movement in long-term debt pertains to the principal loan repayments of AC, AAI and AAPI, and availment of Contract to Sell (CTS) Financing by ABMLHI.

95% Decrease in Current Portion of Customers' Deposits and 173% increase in Customers' Deposits - Net of Current Portion
Net increase is attributable to the deposits received mainly for the lease of Corporate Tower and from new and renewed lease agreements of AMPI and ASTI.

38% Increase in Net Deferred Tax Liabilities
The increase is attributable to the recognition of deferred tax liability on the gain on fair value change of investment properties.

49% Increase in Other Noncurrent Liabilities
Increase is attributable to the advance rentals from new lease agreements of ASTI and AMPI (mainly from Corporate Tower tenants).

Total equity of the Group jumped by 16% or by ₱9,654.6 million, from ₱60,415.5 million as of December 31, 2017 to ₱70,070.1 million as of December 31, 2018.

7% Increase in Capital Stock and 19% Increase in Additional Paid-in Capital Stock
The significant increase is attributable to the subscription of 186,466,416 AC shares in 2018 by various companies at P11.88 per share.

2% Increase in Retained Earnings
The increase is brought about by the net income of the Group during the current period.

2% Decrease in Cumulative unrealized valuation gain on equity securities designated as FVOCI
The decrease is mainly the effect of adjustment in tax rate on the sale of shares of stock not traded in local stock exchange, from 5-10% to 15%, under the TRAIN law effective January 1, 2018 .

3992% Increase in Revaluation Surplus
The significant increase pertains to valuation adjustments of AMPI's Alpha Suites and AAI's and AAPI's aircrafts.

7% Decrease in Noncontrolling interests
The decrease is attributable to the remaining 3% interest in Choice Insurance Brokerage, Inc. fully acquired by the Group in 2018

	As of December 31		Variance	
ASSETS	2017	2016	Amount	%
Current Assets				
Cash and cash equivalents	₱215,593	₱256,146	(₱40,553)	-16%
Trade and other receivables	1,993,504	1,254,521	738,983	59%
Land and development costs and parking lots for sale	3,942,375	5,436,015	(1,493,640)	-27%
Advances to related companies	2,777,048	2,412,742	364,306	15%
Equity securities designated as fair value through other comprehensive income [FVOCI] [formerly classified as available-for-sale (AFS) financial assets]	985,811	985,811	–	0%
Other current assets	1,791,845	2,126,563	(334,718)	-16%
Total Current Assets	11,706,176	12,471,798	(765,622)	-6%
Noncurrent Assets				0%
Investment in and advances to an associate	12,349	22,669	(10,320)	-46%
Equity securities designated as FVOCI (formerly classified as AFS financial assets) - net of current portion	29,078,457	29,271,411	(192,954)	-1%
Investment properties	40,664,073	27,297,299	13,366,774	49%
Property and equipment	1,832,348	1,492,835	339,513	23%
Other noncurrent assets	321,572	306,986	14,586	5%
Total Noncurrent Assets	71,908,799	58,391,200	13,517,599	23%
	₱83,614,975	₱70,862,998	₱12,751,977	18%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱2,808,583	₱2,519,537	₱289,046	11%
Current portion of:				
Long-term debt	1,071,574	1,480,479	(408,905)	-28%
Customers' deposits	73,504	22,932	50,572	221%
Advances from related companies	81,764	8,693	73,071	841%
Income tax payable	45,287	4,993	40,294	807%
Total Current Liabilities	4,080,712	4,036,634	44,078	1%
Noncurrent Liabilities				
Long-term debt - net of current portion	5,525,046	4,041,878	1,483,168	37%
Customers' deposits - net of current portion	97,605	127,034	(29,429)	-23%
Retirement liability	24,451	31,416	(6,965)	-22%
Net deferred tax liabilities	13,451,529	10,124,487	3,327,042	33%
Other noncurrent liabilities	20,118	89,809	(69,691)	-78%
Total Noncurrent Liabilities	19,118,749	14,414,624	4,704,125	33%
Total Liabilities	23,199,461	18,451,258	4,748,203	26%
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	2,655,707	2,655,707	–	0%
Additional paid-in capital	10,740,079	10,739,040	1,039	0%
Retained earnings	40,343,598	32,172,445	8,171,153	25%
Other comprehensive income:				
Cumulative unrealized valuation gain on equity securities designated as FVOCI	23,432,497	23,574,599	(142,102)	-1%
Revaluation surplus	75,850	72,680	3,170	4%
Accumulated remeasurement gain on retirement liability	45,350	22,846	22,504	99%
	77,293,081	69,237,317	8,055,764	12%
Less:				
Parent Company's shares held by a subsidiary	16,881,220	16,817,972	63,248	0%
Cost of treasury shares	1,214	12,214	(11,000)	-90%
	60,410,647	52,407,131	8,003,516	15%
Noncontrolling interests	4,867	4,609	258	6%
Total Equity	60,415,514	52,411,740	8,003,774	15%
	₱83,614,975	₱70,862,998	₱12,751,977	18%

Total assets of the Group increased by ₱12,752.0 million or 18%, from ₱70,863.0 million as of December 31, 2016 to ₱83,615.0 million as of December 31, 2017.

16% Decrease in Cash and Cash Equivalents

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 last quarter of 2017. On various dates in 2017, ALPHA made its drawdowns amounting to ₱6,286.0 million. Despite of the drawdowns made, cash and cash equivalents decreased from ₱256.1 million to ₱215.6 million due to the major outlays to support the completion of Alphaland Corporate Tower and first phase of Alphaland Baguio Mountain Log Homes Project and day-to-day operational activities of the Group.

59% Increase in Trade and Other Receivables
Increase from ₱1,254.5 million to ₱1,993.5 million is due to recognition of receivables from sale of Baguio log cabins and Balesin Private Villas in 2017.

27% Decrease in Land and Development and Parking lots for sale
Decrease from ₱5,436.0 million to ₱3,942.4 million is on account of the transfer of Alphaland Corporate Tower from land and development account to investment property account amounting to ₱ 2,425.4 and the recognition of cost of real estate sold for the Baguio log cabins, Balesin Private Villas and Alphaland Makati Place condominium units..

16% Decrease in Other current assets
Under the old OLSA, ASTI, ABIRC, AMPI and ABMLHI (collectively the Borrowers) were required to maintain a Debt Service Reserve Account for the security of interest and/or principal repayments to the lenders. The old OLSA was preterminated and refinanced through BDO during the first quarter of 2017. In August 2017, ALPHA requested to BDO the waiver of the Debt Service Reserve Account and Debt Service Payment Account maintaining balance requirements for a period of one year from the initial borrowing date. BDO assented to the request which lead to the postponement of the maintaining balance requirements until the first quarter of year 2018.

15% Increase in Advances to Related Parties
Increase in advances to related parties is attributable to funding made to Clubs to support its operations.

46% Decrease in Investments in and Advances to Associates
The decrease in this account was brought about by ALPHA's additional common share subscription in ASAI increasing ALPHA's ownership to 80%. ASAI has become ALPHA's subsidiary in 2017.

49% Increase in Investment Properties
This account represents both completed properties and properties under construction held to earn rentals or for capital appreciation, or both. Increase from ₱27,297.3 million to ₱40,664.1 million represents fair value appreciation of Silang and Alphaland Corporate Tower.

23% Increase in Property and Equipment
The movement of this account pertains to the newly acquired aircraft of Alphaland Aviation Pampanga, Inc. on February 2017 for its commercial operations.

Total liabilities of the Group amounted to ₱23,199. million and ₱18,451.3 million as of December 31, 2017 and 2016, respectively.

11% Increase in Trade and Other Payables
Increase is primarily due to increased trade payables pertaining to construction project of Alphaland Baguio Mountain Log Homes, Inc. and increase in deposits received by ABIRC from sale of gold shares.

841% Increase in Advances from Related Parties
The increase is primarily due to the advances received by AMPI from a related party.

807% Increase in Income Tax Payable
The increase is primarily due to the computed income tax due of ABMLHI related to the sale of Baguio log cabins

19% Increase in Long-term Debt - net of deferred financing costs
The increase pertains to loan drawdowns of ALPHA, AAI and AAPI for year 2017 in total amount of ₱6,683.2 million. The loan drawdowns were partially offset by principal loan repayments of AAI, AAPI, ASTI, AMPI, ABMLHI and ABIRC in total amount of ₱5,072.1 million.

14% Increase in Customers Deposits
The increase is attributable to the security deposits received by ASTI from its new tenants in 2017.

33% Increase in Deferred tax liabilities
The increase is attributable to the recognition of deferred tax liability on the gain on fair value change of Alphaland Corporate Tower, Southgate Tower and Mall, Silang, Baguio, Patnanungan and Balesin properties.

Total equity of the Group jumped by 15% or by ₱8,003.5 million, from ₱52,411.7 million as of December 31, 2016 to ₱60,415.5 million as of December 31, 2017.

1% Decrease in Unrealized Gains on AFS Financial Assets
The decrease is brought about by the realization of the gain on sale of AFS financial assets related to the sold shares for year 2017.

25% Increase in Retained Earnings
The increase is brought about by the net income of the Group during the current period.

ASSETS	As of December 31 2016	2015	Variance Amount	%
Current Assets				
Cash and cash equivalents	₱256,146	₱453,724	(₱197,578)	-44%
Trade and other receivables	1,254,521	793,395	461,126	58%
Land and development costs and parking lots for sale	5,436,015	4,533,017	902,998	20%
Advances to related companies	2,412,742	1,994,185	418,557	21%
Equity securities designated as fair value through other comprehensive income [FVOCI] [formerly classified as available-for-sale (AFS) financial assets]	985,811	985,811	-	0%
Other current assets	2,126,563	2,177,642	(51,079)	-2%
Total Current Assets	12,471,798	10,937,774	1,534,024	14%
Noncurrent Assets				
Investment in and advances to an associate	22,669	23,108	(439)	-2%
Equity securities designated as FVOCI (formerly classified as AFS financial assets) - net of current portion	29,271,411	28,684,133	587,278	2%
Investment properties	27,297,299	17,544,311	9,752,988	56%
Property and equipment	1,492,835	904,420	588,415	65%
Other noncurrent assets	306,986	359,472	(52,486)	-15%
Total Noncurrent Assets	58,391,200	47,515,444	10,875,756	23%
	₱70,862,998	₱58,453,218	₱12,409,780	21%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱2,519,537	₱1,435,111	₱1,084,426	76%
Current portion of:				
Long-term debt	1,480,479	1,592,525	(112,046)	-7%
Customers' deposits	22,932	56,557	(33,625)	-59%
Advances from related companies	8,693	2,856	5,837	204%
Income tax payable	4,993	–	4,993	0%
Total Current Liabilities	4,036,634	3,087,049	949,585	31%
Noncurrent Liabilities				
Long-term debt - net of current portion	4,041,878	3,480,426	561,452	16%
Customers' deposits - net of current portion	127,034	67,419	59,615	88%
Retirement liability	31,416	22,576	8,840	39%
Net deferred tax liabilities	10,124,487	6,984,896	3,139,591	45%
Other noncurrent liabilities	89,809	91,939	(2,130)	-2%
Total Noncurrent Liabilities	14,414,624	10,647,256	3,767,368	35%
Total Liabilities	18,451,258	13,734,305	4,716,953	34%
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	2,655,707	2,655,707	–	0%
Additional paid-in capital	10,739,040	10,739,040	–	0%
Retained earnings	32,172,445	25,095,300	7,077,145	28%
Other comprehensive income:				
Cumulative unrealized valuation gain on equity securities designated as FVOCI	23,574,599	23,019,669	554,930	2%
Revaluation surplus	72,680	–	72,680	0%
Accumulated remeasurement gain on retirement liability	22,846	24,191	(1,345)	-6%
	69,237,317	61,533,907	7,703,410	13%
Less:				
Parent Company's shares held by a subsidiary	16,817,972	16,817,972	–	0%
Cost of treasury shares	12,214	1,214	11,000	906%
	52,407,131	44,714,721	7,692,410	17%
Noncontrolling interests	4,609	4,192	417	10%
Total Equity	52,411,740	44,718,913	7,692,827	17%
	₱70,862,998	₱58,453,218	₱12,409,780	21%

Total assets of the Group increased by ₱12,409.8 million or 21%, from ₱58,453.2 million as of December 31, 2015 to ₱70,863.0 million as of December 31, 2016.

44% Decrease in Cash and Cash Equivalents

Decrease from ₱453.7 million to ₱256.1 million was caused by major outlays to support the completion of first phase of Alphaland Baguio Mountain Log Homes Project and day-to-day operational activities of the Group.

58% Increase in Trade and Other Receivables
Increase from ₱793.4 million to ₱1,254.5 million is due to increase in receivable from condominium unit sales of AMPI towers 1 and 2 because of the increase in percentage of completion.

20% Increase in Land and Development and Parking lots for sale
Increase from ₱4,533.0 million to ₱5,436.0 million is on account of substantial progress in the construction and completion of tower 3 of Alphaland Makati Place Project and Alphaland Baguio Mountain Log Homes Project.

21% Increase in Advances to Related Parties
Increase in advances to related parties is attributable to funding made to Clubs to support its operations.

56% Increase in Investment Properties
This account represents both completed properties and properties under construction held to earn rentals or for capital appreciation, or both. Increase from ₱17,544.3 million to ₱27,297.3 million represents fair value appreciation of Southgate Tower and Mall, Silang, Baguio, Patnanungan and Balesin properties.

The significant increase is attributable to the increase in gain on fair value changes of Southgate Tower and Mall, Silang, Baguio, Patnanungan and Balesin properties. The increase was slightly offset by the decrease in interest expenses and other financing charges due to the decrease in long-term debt balance as of December 31, 2016 and decrease in gain on sale of AFS financial assets due to lower number of sold shares in year 2016.

56% Increase in Property and Equipment
The movement of this account pertains to the newly acquired aircraft of AAI on January 2016 for its commercial operations. The increase was also affected by AAI's adoption of the revaluation model for the subsequent measurement of its aircraft under transportation equipment.

Total liabilities of the Group amounted to ₱18,451.3 million and ₱13,734.3 million as of December 31, 2016 and 2015, respectively.

43% Increase in Trade and Other Payables
Increase is primarily due to increased trade and accrued payables pertaining to construction project of AMPI.

11% Increase in Long-term Debt - net of deferred financing costs
The increase pertains to loan drawdowns of ASTI, AC, AAI and ABMLHI for year 2016 in total amount of ₱2,157.8 million. These loan drawdowns were partially offset by principal loan repayments of ASTI, AMPI, AAI and ABIRC in total amount of ₱1,713.5 million.

21% Increase in Customers Deposits
The increase is attributable to the security deposits received by ASTI from its new tenants in 2016.

45% Increase in Deferred tax liabilities
The increase is attributable to the recognition of deferred tax liability on the gain on fair value change of Southgate Tower and Mall, Silang, Baguio, Patnanungan and Balesin properties.

Total equity of the Group jumped by 17% or by ₱7,692.8 million, from ₱44,718.9 million as of December 31, 2015 to ₱52,411.7 million as of December 31, 2016.

2% Increase in Unrealized Gains on AFS Financial Assets
The significant increase is brought about by the increase in fair market value of the ABICI tranche 2 preferred shares that are currently for sale in the international market. The revaluation adjustment is on account of higher dollar to peso exchange rate as of December 31, 2016 versus December 31, 2015.

100% Increase in Revaluation Surplus
The revaluation surplus recognized in year 2016 is due to AAI's adoption of the revaluation model for the subsequent measurement of its aircraft under transportation equipment.

28% Increase in Retained Earnings
The increase is brought about by the net income of the Group during the current period.

Commitments

a. Corporate Guaranty

AMPI, a wholly owned subsidiary through ASTI, entered into a Joint Venture Agreement with BSP to develop the Alphaland Makati Place Project. Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

b. Construction Contracts

The Group entered into various construction contracts for the development of its projects. Total advances to contractors amounted to ₱560.2 million and ₱749.5 million as at December 31, 2018 and 2017, respectively.

The significant construction contracts that gave rise to the advances are as follows:

Subsidiary	(In Thousands) 2018	2017	Nature
AMPI	**₱280,925**	₱192,412	Civil, structural, masonry works and supply and installation of materials forAlphaland 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.

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

While cases were filed between the Group and WG, the agreement signed by the major shareholders of the ALPHA includes the transfer of the Group's interest in ABCC and the settlement of the said 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.

Below are the comparative key performance indicators of the Group:

Comparative Key Performance Indicators

	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
(a) Total equity (in thousands)	**₱70,070,138**	₱60,415,514	₱52,411,740
(b) Total number of shares outstanding at end of year before the effect of stock split	**1,457,322,462**	1,273,972,539	1,270,856,038
Book value per share (a/b)	**₱48.081**	₱47.539	₱41.140
(a) Total long-term debt (in thousands)	**₱6,198,931**	₱6,596,620	₱5,522,357
(b) Total equity (in thousands)	**70,070,138**	60,415,514	52,411,741
Debt-to-equity ratio (a/b)	**₱0.088**	₱0.109	₱0.105
(a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands)	**₱8,726,791**	₱8,054,768	₱7,702,670
(b) Average total equity (in thousands)	**65,242,826**	56,413,627	48,565,327
Return on equity (a/b)	**₱0.134**	₱0.143	₱0.159

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities were created during the year.

As of December 31, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's results of operations; and
- Material changes in the financial statements of the Group for the year ended December 31, 2018.

Plan of Operation

The Group generates funds primarily from sale of condominium units and parking spaces at Alphaland Makati Place, Inc., sale of Baguio Mountain Lodges and Balesin Private Villas; from mall and leasing operations of Alphaland Southgate Tower, Alphaland Makati Place Mall and Corporate Center; and from operation of serviced residences of The Alpha Suites that commenced during the first half of the year 2018. The leasing operations and The Alpha Suites provide recurring cash flows for the Group.

The Group also generates funds through secondary sale of membership shares of the completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place. Early in the year 2017, Banco De Oro Unibank, Inc. (BDO), the country's largest bank approved a P=5.5 billion loan facility for Alphaland, which was used mainly to refinance most of the Group's existing debts, with the balance used to fund working capital requirements. This loan was subsequently increased to P=6.726 billion on November 2, 2017.

At the beginning of the year 2019, BDO assigned the Alphaland loan to the PBCOM Trust and Wealth Management Group. Sometime in March 2019, upon receipt of clearance from the Philippine Competition Commission, Alphaland Southgate Tower and Mall was sold to League One, Inc. resulting in the Group having prepaid the PBCOM Trust and Wealth Management Group loan. While the Group will forego the annual rental income from Alphaland Southgate, the Group will be able to eliminate about PhP1 billion in debt service, which will have a dramatic positive impact on the Group's financial performance for 2019 and beyond.

The Alphaland Baguio Mountain Lodges, a master-planned development of authentic log homes spread out over 69 hectares of rolling mountains and terrain just 15 minutes away from Baguio City proper continued to progress. There will be five designs and floor plans to choose from, and the homes will be sited to maximize the views of the surrounding pine-forested mountains. The entire property will be secured by a perimeter fence. The 5 model units and clubhouse, along with the first 21 single-family homes, has been completed. The quadruplex multi-family lodges of 2 and 3 bedrooms, which consist of some 15 structures for a total of 60 home units, will be sold for about half the price of the single family units and is already generating brisk market interest.

The most significant project that broke ground in December 2018 is the Alphaland Balesin International Gateway on Patnanungan Island in Quezon. Alphaland has acquired more than 700 hectares of land in Patnanungan Island for the purpose of building a full international airport facility which will accommodate even Boeing 747s. With the establishment of Balesin Gateway International Airport, international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hongkong, Bangkok, Singapore, Jakarta and Sydney, all cities that will be the target of Alphaland's aggressive international marketing of Balesin Island Club in 2017. Along with the plan for full international airport, Alphaland plans to build an 18-hole championship golf course and a 300-room hotel, as well as 500 beachfront and golf course homes. The entire project will take 3 to 4 years to complete.

A project that the Group launched in October 2018 is Top of the Alpha, a top-of-the-line chic night spot that occupies the entire Penthouse floor of the Alphaland Corporate Center.

The Group is bullish for 2019 because it has made fundamentally sound financial and operating decisions in the year 2018.

Item 7. Financial Statements

The audited financial statements of the Group as of and for the year ended December 31, 2018 are filed as part of this Form 17-A.

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

In 2018, the Company engaged Reyes Tacandong & Co. as its external auditor for the year. There were no changes in or disagreements with accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past calendar year.

Duly authorized representatives of Reyes Tacandong & Co. are expected to be present at the meeting where they will have the opportunity to respond to appropriate questions.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Board of Directors and Executive Officers

The names of the Directors and Executive Officers of the Corporation as of March 31, 2019, and their respective ages, positions held, and periods of service are as follows:

Name	Age	Position	Period During Which the Individual has Served as Such
Roberto V. Ongpin	82	Chairman of the Board, Chief Executive Officer and Director	As Director, Chairman& CEO: November 11, 2009 to present
Anna Bettina Ongpin	54	President and Director	As Director: March 19, 2014 to present As President: 31 May 2016 to present
Eric O. Recto	55	Vice Chairman and Director	As Vice Chairman and Director: June 20, 2018
Lorenzo V. Tan	57	Vice Chairman and Director	As Vice Chairman and Director June 20, 2018
Dennis O. Valdes	57	Director	November 11, 2009 to present
Mario A. Oreta	72	Director	As Director: November 11, 2009 to present
Dennis A. Uy	45	Director	As Director: June 20, 2018
Francisco Ed. Lim	64	Director	As Director: June 20, 2018
Juan Edgardo M. Angara	47	Director	As Director: June 20, 2018
Margarito B. Teves	75	Independent Director	August 31, 2011 to present
Jose Ramon T. Villarin	59	Independent Director	June 20, 2018
Gilberto Eduardo Gerardo C. Teodoro, Jr.	54	Independent Director	June 20, 2018
Florentino M. Herrera III	67	Independent Director	June 20, 2018
Gregorio T. Yu	59	Independent Director	June 20, 2018
Gregorio Ma. G. Araneta	70	Independent Director	3 December 2014 to present
Michael Angelo Patrick M. Asperin	60	Chief Operation Officer	May 31, 2016
Jason J. Alba	45	Corporate Secretary	June 2017
Cristina B. Zapanta	55	Treasurer and Senior Vice President for Finance	As Treasurer: May 17, 2016 As SVP for Finance: June 1, 2017
Jonamel G. Israel-Orbe	46	Corporate Information Officer and Assistant Corporate Secretary	As Corporate Information Officer: March 12, 2014 to present As Assistant Corporate Secretary: May 2016 to present

Names of Directors and Executive Officers

The following are the names, ages, citizenships and periods of service of the incumbent directors (as well as that of the new nominees) and executive officers of the Company, together with a brief description of their business experience during the past five (5) years:

BOARD OF DIRECTORS

ROBERTO V. ONGPIN, *Chairman of the Board and Chief Executive Officer*
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. (AB) and Alphaland Balesin Island Club, Inc., and former Director of San Miguel Corporation (SMC), PAL Holdings, Inc. (PAL) and Petron Corporation (PCOR). 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 in 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 as Vice-Chairman on 31 May 2016. She is also the Vice-Chairman of Alphaland Balesin Island Club, Inc. and the Vice Chairman and President of The City Club at Alphaland Makati Place, Inc. 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 and Director*
Mr. Recto, Filipino, 55 years old, is also presently the Vice-Chairman and President of Atok-Big Wedge Co., Inc. He is also the Chairman and CEO of ISM Communications Corporation (ISM); the Chairman of Philippine Bank of Communications (PBC); a Member of the Board of Supervisors of Acentic GmbH; and a Director of Petron Corporation (PCOR). 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.

LORENZO V. TAN, *Vice Chairman and Director*
Mr. Tan, Filipino, 57 years old, was elected Vice Chairman and Director on June 20, 2018. He is also a director of Atok-Big Wedge Company, Inc. He is a prominent banker who served as the President and Chief Executive Officer of Rizal Commercial Banking Corporation from 2007 to 2016; President of the Bankers Association of the Philippines from 2013 to 2016; and Chairman of the Philippine Dealing System Holdings Corp. until April 8, 2016. Mr. Tan is a member of the Board of Directors of Smart Communications, Inc.; an Independent Director of Philippine Realty and Holdings Corporation (RLT) since July 13, 2016; a director of EEI Corporation (EEI) since June 16, 2017. 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 of Management degree from the J.L. Kellog Graduate School of Management in Evanston, Northwestern University.

DENNIS A. UY, *Director*
Mr. Uy, Filipino, 45 years old, was elected Director on June 20, 2018. He is also the Chairman and President of Udenna Corporation; Chief Executive Officer and President of Phoenix Petroleum Philippines, Inc. (PNX) since 2002, Comstech Integration Alliance, Inc., Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation, Value Leases Inc., and Udenna Foundation, Inc.; Chairman of 2Go Group, Inc. (2GO), Chelsea

Logistics Holdings Corp. (CLC), Oilink Mindanao Distribution, Mindanao Media Dynamics, Le Don Printers and Bohemian Promotions and Training Center, Phoenix Petroleum Holdings, Inc. F2 Logistics, PH Resorts Group Holdings, Inc. (PHR), and Phoenix Philippines Foundation, Inc. He is also an Independent Director of Apex Mining Company, Inc. (APX) and a Director of First Oriental Packaging, Señorita Farms, Aquamines Philippines, Bulbscor Minerals Corporation and Blucor Minerals Corporation. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He holds a Bachelor of Science Degree in Business Management at the De La Salle University in Manila.

FRANCISCO ED. LIM, *Director*

Atty. Lim, Filipino, 64 years old, is presently the 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 also a trustee of the CIBI Foundation, Inc. and the Judicial Reform Initiative, Inc. and a Fellow of the Institute of Corporate Directors. He is also a member of the American Bar Association, FINEX Research Foundation, Inc., International Insolvency Institute ("III"), Advisory Committee for the Asian Principles of Business Restructuring Project of the III and the Asian Business Law Institute. Atty. Lim is a columnist of The Philippine Daily Inquirer and a law professor in the Ateneo de Manila University, San Beda Graduate School of Law and a professorial lecturer and the Vice-Chair of the Commercial Law Department of the Philippine Judicial Academy. He is a director of several public companies, among which are the Union Bank of the Philippines, Energy Development Corporation, The Insular Life Assurance Co., Ltd., and Producers Savings Bank Corporation. He is also director of private corporations like the Financial Executives Institute of the Philippines and Camerton Holdings. He is a member of both the Philippine Bar and the New York State Bar.

JUAN EDGARDO M. ANGARA, *Director*

Mr. Angara, Filipino, 47 years old, was elected Director on June 20, 2018. He was elected to the Senate of the Philippines in 2013 were he placed 6th. Prior to joining the company, he worked as a trainee at the Metopolitan Bank and Trust Company in 1991, as news reporter for The Philippine Star in 1992. He served as an apprentice and member of the delegation in the Philippine Mission to the United Nations in New York in 1994. He worked as an associate attorney at the Angara Abello Concepcion Regala and Cruz (ACCRA) law firm from 2001 to 2003. He finished his law degree at the University of the Philippines College of Law, and earned his Master of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States.

MARIO A. ORETA

Mr. Oreta, Filipino, 72 years old, was elected Director on November 11, 2009. He served as President of the Company from 2009 to 2017. He is also the Chairman of The City Club at Alphaland Makati Place, Inc. He graduated with honors from the Ateneo De Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako after graduating from law school. He is one of the managing partner of The Law Firm of Tanjuatco Oreta and Partners.

DENNIS O. VALDES

Mr. Valdes, Filipino, 57 years old, was elected director of the Company since 2011. He is presently the President and director of Philweb Corporation (WEB). He is also a director of Atok-Big Wedge Co., Inc. (AB). His previous work experience includes 10 years with the Inquirer Group of Companies, as a Director of the newspaper, and he was also in charge of expanding their Internet, printing, and ink-making operations. Prior to that, he spent six years with The NutraSweet Company developing its businesses in Asia.. 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.

MARGARITO B. TEVES *(Independent)*
Mr. Teves, Filipino, 75 years old, was elected Independent Director on August 31, 2011. He is also an Independent Director of AB, 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 Advisers of Bank of Commerce. 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.

GREGORIO MA. ARANETA III *(Independent)*
Mr. Araneta III, Filipino, 70 years old, was elected Independent Director of the Company on 3 December 2014. He is presently the Chairman of the Board of Directors of Philweb Corporation (WEB). He is also an Independent Director of Atok-Big Wedge Co., Inc. (AB), Alphaland Balesin Island Club, Inc. and The City Club at Alphaland Makati Place, Inc. He is the Chairman and Chief Executive Officer of Araneta Properties, Inc. since 2010. He is Chairman and President of ARAZA Resources Corporation and Carmel Development Corporation; Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Properties, 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.

JOSE RAMON T. VILLARIN, SJ *(Independent)*
Mr. Villarin, Filipino, 59 years old, is presently the President of 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. Mr. 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. Mr. Villarin has a degree in Physics from the Ateneo de Manila University and graduated Magna Cum Laude, Class Valedictorian and Physics Departmental Award of the Ateneo de Manila University.

FLORENTINO M. HERERRA III *(Independent)*
Mr. Herrera, Filipino, 67 years old, is presently the founding partner of Herrera Teehankee & Cabrera Law Offices. He is also a director of Philippine Airlines, Inc., Rizal Commercial Banking Corporation (RCBC) and Lufthansa Technik Philippines, Inc. Mr. Herrera is the Corporate Secretary of MacroAsia Corporation and Allianz PNB Life Insurance, Inc.

GREGORIO T. YU *(Independent)*
Mr. Yu, Filipino, 59 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 and the Chairman and President of Lucky Star Network Communications, Inc. Mr. Yu is also a director of various private institutions, among which are, PAL Holdings, Inc., Philippine Bank of Communications, Philippine Airlines, Inc., Philequity Management, Inc. and CATS Asian Cars, Inc. He is a board member of Ballet Philippines and Manila Symphony Orchestra and an independent director of IRemit, Inc. and E-Business Services, Inc.

GILBERTO EDUARDO GERARDO C. TEODORO, JR., *(Independent)*
Mr. Teodoro, Filipino, 54 years old, was elected Independent Director for the company on June 20, 2018. He is also a Director of Canlubang Sugar Estate from 1991 to present and Philippine Geothermal Production Co., Inc. from 2012 to present. He is currently the Chairman and President of Bolam Holdings, Inc., Branko Holdings, Inc. and WIPSIAE Holdings, Inc. He studied law at the

University of the Philippines and finished at the top of his class. He obtained his Masters of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States and passed the State Bar of New York.

OFFICERS

MICHAEL ANGELO PATRICK M. ASPERIN, *Chief Operating Officer*
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. (ABICI) He handles various matters for the Alphaland Group of Companies including the development of the Balesin Island Club project, as well as the operations of the aviation and security divisions of the Group. Prior to joining ALPHA, he served as Senior Vice President for Security for Philweb Corporation (WEB) from 2009 to 2012. He graduated from the Philippine Military Academy in 1981.

CRISTINA B. ZAPANTA, *Treasurer and Senior Vice President for Finance*
Ms. Zapanta, Filipino, 55, was appointed Treasurer and Vice President for Finance on May 17, 2016 and Senior Vice President for Finance on June 1, 2017. She is also the Senior Vice President for Finance of Atok-Big Wedge Co., Inc., Alphaland Balesin Island Club, Inc, Alphaland Makati Place, Inc., Alphaland Southgate Tower, Inc. and Alphaland Balesin Island Resort Corporation. She has more than 30 years solid experience in Finance, of which over half is in the real estate industry. She is a Certified Public Accountant.

JASON J. ALBA, *Corporate Secretary*
Mr. Alba, Filipino, 45 years old, is also the Corporate Secretary and General Counsel of the Company and its subsidiaries. He obtained his Business Administration and Law degrees from the University of the Philippines and was admitted to the Philippine Bar in 2002. Prior to joining Alphaland, Mr. Alba was an Associate at Romulo Mabanta Buenaventura Sayoc & Delos Angeles, thereafter, he served as Vice President of Standard Chartered Bank and First Vice President of the Philippine Bank of Communications.

JONAMEL G. ISRAEL-ORBE, *Corporate Information Officer and Assistant Corporate Secretary*
Ms. Israel-Orbe, Filipino, 46 years old, was appointed as Corporate Information Officer of the Company since March 12, 2014 to present, and as Assistant Corporate Secretary of the Company since May 2016 to present. She is a member of the Philippine Bar.

<u>Directorships in Other Reporting Companies</u>

Mr. Roberto V. Ongpin is also a director and the Chairman of Atok-Big Wedge Co. Inc. (AB).

Mr. Mario A. Oreta is also a director of The City Club at Alphaland Makati Place, Inc. and a director of Atok-Big Wedge Co. Inc. (AB).

Mr. Dennis O. Valdes is also a director and the President of Philweb Corporation (WEB) and a director of Atok-Big Wedge Co., Inc. (AB).

Mr. Eric O. Recto is also a director and the Chairman of PBC; director and the Chairman and CEO of ISM, director and the President of AB.

Atty. Lim is also director of Union Bank of the Philippines, Inc. (UBP) and Energy Development Corporation (EDC).

Mr. Herrera is also a director of Rizal Commercial Banking Corporation (RCB).

Mr. Yu is also director of PAL Holdings, Inc. (PAL), and Philippine Bank of Communications (PBC), and an independent director of I-Remit, Inc. (I).

Mr. Dennis A. Uy is also a director of Phoenix Petroleum Philippines, Inc. (PNX), 2GO Group, Inc. (2GO), PH Resorts Group Holdings, Inc. (PHR), and Chelsea Logistics Holdings Corp. (CLC), and an Independent Director of Apex Mining Company, Inc. (APX).

Shares of AB, ISM, PBC, UBP, EDC, RCB, PAL, PNX, 2GO, CLC, PHR, APX and I are listed in the Philippine Stock Exchange, Inc. Shares of The City Club at Alphaland Makati Place, Inc. and Alphaland Balesin Island Club, Inc. are covered by Registration Statements filed with the SEC.

(2) Significant Employees

The Company considers its entire manpower complement (including that of its subsidiaries) as significant employees, expected to contribute positively to the Company's goals and objectives in line with the Company's mission, vision and objectives through the implementation of its core and foundational values.

(3) Family Relationships

Messrs. Dennis O. Valdes and Eric O. Recto are nephews of Mr. Roberto V. Ongpin. Ms. Anna Bettina Ongpin is the daughter of Mr. Ongpin. Ms. Ongpin, Messr. Recto, and Messr. Valdes are first cousins. Other than the foregoing, the persons nominated or chosen by the Company to become Directors or Executive Officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

(4) Involvement in Certain Legal Proceedings

1. *Atty. Zenaida Ongkiko-Acorda, as attorney-in-fact of Atty. Mario E. Ongkiko and in behalf of Philex Mining Corporation vs. Roberto V. Ongpin, et al., SEC Case No. 11-166, Branch 158, Regional Trial Court of Pasig*. This involves a "derivative suit" filed on behalf of Philex against RVO and other companies beneficially owned by RVO in connection with Section 23.2 of the Securities Regulation Code and in order to recover the "short-swing profits" which were allegedly realized from supposed transactions involving Philex shares. This case is in the discovery stage. A related Petition for Review on Certiorari is also pending before the Supreme Court in G.R. No. 204166, entitled *Roberto V. Ongpin, et al. vs. Acorda, et al*. There are also two Petitions for Certiorari which are related to this case pending with the Court of Appeals docketed as CA-G.R. SP No. 152806 (entitled Atty. Zenaida Ongkiko-Acorda, as Attorney-in-Fact of Atty. Mario E. Ongkiko, and in behalf of Philex Mining Corporation vs. Judge Elma M. Rafallo-Lingan, in her capacity as Presiding Judge of the Regional Trial Court, Branch 159, Pasig City, et al.) and CA-G.R. SP No. 159604 (entitled Roberto V. Ongpin, et al. vs. Honorable Elma M. Rafallo-Lingan, in her capacity as the presiding Judge of Branch 159 of the Regional Trial Court of Pasig City, et al.).

2. *People vs. Roberto V. Ongpin, et al., S.B.-13-CRM-0105 and S.B.-13-CRIM-0106, Sandiganbayan (Third Division)*. This case was filed against RVO and others in connection with two loans obtained by Deltaventure Resources, Inc. (DVRI) from DBP. The Informations in both cases, respectively, for violations of Section 3 (e) of R.A. No. 3019 were filed on 10 January 2013. In a Resolution promulgated on 28 May 2014, the Third Division of the Sandiganbayan granted the Accused's Motions to Quash and DISMISSED Criminal Case Nos. S.B.-13-CRM-0105 and S.B.-13-CRIM-0106. A related Petition for Review on Certiorari is pending before the

Supreme Court in G.R. Nos. 217417 and 217914, entitled "People of the Philippines v. Reynaldo G. David, et al."

3. *In the matter of: Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves,et al., SEC-EIPD Case No. 14-3039.*This concerns the findings of the Enforcement ad Investigation Protection Department on the liability of respondents for violation of Section 26(3) of the Securities Regulation Code (SRC) in connection with the issuance of shares of Alphaland Corporation in a capital call, stock rights offering and property for share swap which were approved and ratified by respondents as officers and members of the Board of Alphaland Corporation. On August 24, 2015, Respondents elevated the matter through notice of appeal to the SEC En Banc, where the matter is presently pending resolution. The appeal is docketed as SEC En Banc Case No. 08-15-384, entitled "Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves, et al. vs. Enforcement and Investor Protection Department.

4. In the Matter of: Philex Mining Corporation, SEC-EIPD Case No. 14-3044. This concerns the findings of the Enforcement and Investor Protection Department against Mr. Roberto V. Ongpin for allegedly committing Insider Trading when he purchased Philex shares at Php19.25 to Php 19.50 per share from the open market in the morning of 02 December 2009 without disclosing to the public that the group of Mr. Manuel V. Pangilinan had agreed to purchase the said shares from him at P21.00 per share. RVO appealed the case to the SEC En Banc but the latter affirmed the findings of the EIPD. Mr. Ongpin elevated the case to the Court of Appeals by way of a Petition for Review docketed as CA-G.R. SP. No. 146704, entitled "Roberto V. Ongpin v. Enforcement and Investor Protection Department". On December 1, 2017, the Court of Appeals issued a decision in favor of RVO, reversing the SEC and finding that RVO did not commit insider trading. EIPD filed a Motion for Reconsideration, which was denied by the Court of Appeals on July 2, 2018. EIPD elevated the case to the Supreme Court by way of a Petition for Review, which petition is presently pending resolution.

5. *People of the Philippines vs. Dennis Ang Uy, John Does and/or Jane Does* - Regional Trial Court-Branch 14, Davao City, Criminal Case Nos. 75, 834-13 to 75, 845-13 and 76, 076-13. On August 27, 2013, The Department of Justice (DOJ) filed twelve (12) Informations before the Regional Trial Court of Davao against Mr. Dennis A. Uy and several John Does and/or Jane Does for alleged violations of Section 3602, in relation to Sections 3601, 2530 (l)(1), (3), (4), and (5), Sections 1801, 1802 of the Tariff and Customs Code of the Philippines. These provisions all pertains to unlawful importation of goods allegedly committed by Mr. Uy for the importation of petroleum products in the Philippines. On September 11, 2013, additional ten (10) criminal informations were filed by the DOJ, pertaining to additional instances of the violations under the TCCP. These additional informations all pertain to the alleged unlawful importation of petroleum products. On October 4, 2013, the RTC dismissed all the cases, for lack of probable cause, against Mr. Uy. People of the Philippines filed a Motion for Reconsideration, which was denied by the RTC on August 18, 2014. On October 27, 2014, the petitioner People of the Philippines filed a Petition for Certiorari with the Court of Appeals, which was denied by the latter on October 12, 2016. On November 7, 2016, the People of the Philippines filed a Motion for Reconsideration of the Decision dated October 12, 2016. To date, the Court of Appeals has not acted on the Motion for Reconsideration dated November 7, 2016 and thus the case remains pending.

6. *Dennis A. Uy vs. Hon. Secretary of the Department of Justice Leila M. De Lima and the Bureau of Customs*, CA-G.R. SP No. 131702, Court of Appeals, Manila, Special Former Special Tenth Division – Dennis A. Uy filed a Petition for Certiorari with the Court of Appeals on September 4, 2013 in connection to the resolution of the DOJ to file criminal cases against him for the alleged violations of the TCCP. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari of Mr. Uy and declaring the Resolutions of the DOJ dated April 24, 2013 and August 13, 2013 nullified and set aside and directing that the Information filed against Dennis Uy withdrawn and/or dismissed for lack of probable cause. The DOJ and the Bureau of Customs thereafter filed a Motion for Reconsideration, which was denied by the Court of Appeals on July

23, 2015. Subsequently, the DOJ and Bureau of Customs filed a Petition for Review on Certiorari with the Supreme Court. The Supreme Court required the parties to file their respective Memoranda, which the parties complied with. On December 12, 2016, the Supreme Court issued its Notice of Resolution dated November 16, 2016 noting the parties Memoranda. As of the date, the Supreme Court has not yet issued any decision.

Other than as stated above, the Company is not aware of any other legal proceeding including without limitation any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, during the last five (5) years up to the date of the filing of this Statement, to which any of its Directors and Executive Officers is a party and which is material to an evaluation of their ability or integrity to act as such.

Item 10. Executive Compensation

The aggregate compensation (including bonuses) paid or accrued during the last two years and the ensuing year to the Company's Chief Executive Officers (CEO) and the key officers named below, as a group are:

Name and Principal Position	Year	Salary (PhP)	Bonus (PhP)	Other Compensation	Aggregate Compensation (PhP)
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, EVP 3. Michael A. P. M. Asperin, EVP 4. Cristina B. Zapanta 5. Enrico M. Sison	2017	94,205,596.90	0	0	94,205,596.90
All Directors and Officers as a Group Unnamed	2017	95,771,596.90	0	0	95,771,596.90
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, President 3. Michael A. P. M. Asperin, EVP 4. Enrico Sison, SVP 5. Yu, Christene, SVP	2018	126,315,086.21	0	0	126,315,086.21

All Directors and Officers as a Group Unnamed	2018	127,515,086.21			127,515,086.21
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, President 3. Michael A. P. M. Asperin, EVP 4. Enrico Sison, SVP 5. Mark Biddle, Executive Chef	2019	127,400,000.00*	0	0	127,400,000.00*
All Directors and Officers as a Group Unnamed	2019	129,800,000.00*	0	0	*129,800,000.00

**Estimated aggregate compensation for whole year 2019*

The above executive officers, aside from their compensation and bonus, are entitled to reimburse certain expenses which they incur as part of the ordinary course of business (i.e. gasoline, representation and travel expenses). There are no special terms or compensatory plans or arrangements with respect to the resignation, termination of employment of such executive officers between the Company and any of its executive officers. Likewise, there are no warrants or options held by the Company's officers or directors either singly or collectively.

The non-executive members of the Board of Directors do not receive any direct compensation from the Company. None of these directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director. The BOD, upon attendance at each Board Meeting, is authorized under the Company's By-laws to receive a per diem of not more than 10% of the net income before tax of the Corporation during the preceding year.

The Company is being managed by the management team of its wholly-owned subsidiary, ASTI.

Item 11. Security Ownership of Certain Record and Beneficial Owners – as of December 31, 2018

(1) **Security Ownership of Certain Record and Beneficial Owners**

There are no delinquent stocks and the direct and indirect record of beneficial owners of more than five percent (5%) of common shares of the Company are:

Title of Class	*Name and Address of Record Owner and relationship with Issuer*	*Name of Beneficial Owner and relationship with Record Owner*	*Citizenship*	*No. of Shares*	*% Held*
Common	Alphaland Southgate Tower, Inc. (formerly Alphaland Development, Inc.) The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue Extension corner EDSA, Makati City Wholly-owned subsidiary	-	Filipino	13,792,109,780	48.55%
Common	RVO Capital Ventures Corporation 17/F Tower 1, Enterprise Center, 6766 Ayala Avenue, Makati City Stockholder	Roberto V. Ongpin –Beneficial Owner	Filipino	8,426,567,460	29.66%
Common	Boerstar Corporation Alphaland Southgate Tower, don Chino Roces Avenue corner EDSA, Makati City	Roberto V. Ongpin – Beneficial Owner	Filipino	1,677,884,300	5.91%

Except as stated above, the BOD and Management of the Company have no knowledge of any person who, as at December 31, 2018, was indirectly or directly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than five percent of the outstanding shares of common stock. There are no persons holding more than 5% of the Company's common stocks that are under a voting trust or similar agreement.

(2) Security Ownership of Management

The following are the number of shares of common stock owned of record and beneficially by the directors and executive officers of the Company and the percentage of shareholdings of each, as at December 31, 2018:

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*		*Citizenship*	*Percent*
Common	Roberto V. Ongpin	Direct	10	Filipino	0%
Common		Indirect	10, 385, 078,120		36.56%
Common	Eric O. Recto	Direct	10	Filipino	0.00%
Common	Anna Bettina Ongpin	Direct	1,000	Filipino	0.00%
Common	Mario A. Oreta	Direct	10	Filipino	0.00%
		Indirect	164,000,000		0.62%
Common	Dennis O. Valdes	Direct	1000	Filipino	0.00%
Common	Michael Angelo Patrick M. Asperin	Direct	1000	Filipino	0.00%
Common	Cliburn Anthony A. Orbe	Direct	10	Filipino	0.00%
Common	Margarito B. Teves	Direct	1000	Filipino	0.00%
Common	Gregorio Ma. Araneta III	Direct	10	Filipino	0.00%
Common	Juan Edgardo M. Angara	Direct	10	Filipino	0.00%
Common	Florentino M. Herrera III	Direct	10	Filipino	0.00%
Common	Francisco Ed. Lim	Direct	10	Filipino	0.00%
Common	Gilberto Eduardo Gerardo C. Teodoro, Jr.	Direct	10	Filipino	0.00%
Common	Dennis A. Uy	Direct	10	Filipino	0.00%
Common	Jose Ramon T. Villarin	Direct	10	Filipino	0.00%
Common	Gregorio T. Yu	Direct	10	Filipino	0.00%
Common	Cristina B. Zapanta	Direct/Indirect	0	Filipino	0.00%
Common	Jason J. Alba	Direct/Indirect	0	Filipino	0.00%
Common	Jonamel G. Israel-Orbe	Direct/Indirect	0	Filipino	0.00%

(3) Voting Trust Holders of 5% or More

Except as disclosed above, the Company has not received from any of the directors or executive officers of the Company any statement of ownership, whether of record or beneficially, of more than 5% of the Company's outstanding shares of common stock. As known by the Company, the aggregate number of common shares owned directly by all key officers and directors as a group as December 31, 2018 was 10,549,082,210 common shares.

(4) Changes in Control

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

The Company is not aware of any transaction in the last two (2) years, or proposed transaction to which the registrant is a party, in which the following persons have direct or indirect material interest, that were out of the ordinary course of business:

1. any director or executive officer
2. any nominee for election as director
3. any security holder named above
4. any member of the immediate family of the above-named persons

Except as disclosed in the Company's notes to financial statements contained in the Company's audited financial statements, there has been no material transaction to which the Company was or is to be a party in which any of the incumbent directors or nominee director or executive officer of the Company or owners of more than ten percent of the Company's voting shares has or is to have a direct or indirect material interest. In the ordinary course of business, the Company has transactions with other companies in which some of such persons may have an interest. Such transactions are negotiated on an arm's length basis comparable or better than that which can be provided by independent third parties.

The transactions with related parties/affiliates are carried out under commercial terms and conditions. Pricing for the sales of products are market driven. For purchases and other services, the Company's practice is to solicit competitive quotes from third parties. Transactions from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases and services are usually awarded on the basis of lowest cost provider. The Company also receives/grants cash advances and other financial support from/to affiliated companies and stockholders. These cash advances to and from affiliates bear interest rate based on current bank rates and with no definite repayment period.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

PART IV. - CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors and Management of the Company recognize that good corporate governance is key to achieving the Company's objective of maximizing shareholder value. The institution of the Code on Corporate Governance seeks to provide the process and structure by which the business and affairs of the Company are directed and managed, in order to enhance long-term shareholder value through the enhancement of corporate performance and accountability.

Compliance with the Code of Corporate Governance is ensured by the Corporate Compliance Officer in coordination with the Chairman and President of the Company. Regular meetings are made between Management and the Board of Directors, to review and evaluate the Company's performance and address key policy matters. The Board is provided with timely and complete information for each meeting. Each director has direct access to the advice and services of management and the corporate secretary, and in appropriate circumstances, seek independent professional advice concerning the Company's affairs.

All directors are required to submit themselves for re-election every year. In consideration for their re-election, the nomination committee reviews and presents attendance and participation in meetings of the Company.

All directors are briefed by Management on the Company's business operations as well as a regular tour of the Company's manufacturing operations.

The audit committee first reviews the Company's audited financials, who then recommends approval from the board of directors before they are presented to the stockholders of the Company. It is also the audit committee which ensures independence and objectivity of the external auditors.

The Company is continually seeking measures of improving its corporate governance to further enhance corporate performance and accountability. The Directors and Management have been encouraged to regularly attend corporate governance seminars and corporate governance consultants on methods by which it can enhance its corporate performance and accountability.

No deviation from the Company's Manual Code of Corporate Governance has been noted. The Company's Manual on Corporate Governance was amended on February 21, 2011.

PART V. - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Current Reports under Section 17 of the Securities Regulation Code

(a) Exhibits

See Accompanying Index to Financial Statements and Supplementary Schedules.

(b) Reports on SEC Form 17-C

During the period covered by this report, the following material events and changes in the Company were reported by the Company on SEC Form 17-C:

9 May 2018

Notice of Annual Stockholders' Meeting and disclosure of the proposed Agenda and Record Date.

14 May 2018

Notice of the passing of Senator Edgardo J. Angara, an Independent Director of the Company since December 3, 2014.

20 June 2018

Result of the Annual Stockholders' Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 1 5 2019

ANNA BETTINA ONGPIN
President

CRISTINA B. ZAPANTA
Senior Vice President for Finance

JASON J. ALBA
Corporate Secretary

SUBSCRIBED AND SWORN to before me on APR 1 5 2019 at Makati City, affiants exhibited to me their Identification Documents/Community Tax Certificate Nos. as follows

Name	I.D.	Date & Placed Issued
Anna Bettina Ongpin	TIN 440-293-686	
Cristina B. Zapanta	TIN 102-116-723	
Jason J. Alba	TIN 127-577-540	

Doc No. 100
Page No. 101
Book No VI
Series of 2019.

BENIGNO S. BACSA, JR.
Appointment No. M-25
Notary Public for Makati City
Until December 31, 2019
5th Floor, The City Club at Alphaland Makati Place
7232 Ayala Ave. Ext. cor. Malugay St. Makati City
Roll of Attorneys No. 68034
IBP No. 066622/01.10.2019/ Cagayan
PTR No. 7348332/01.10.2019/ Makati City
Admitted to the Bar in 2017 / TIN No. 408-296-439
Telephone No (02) 337-2031

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 Directorsis 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

9th Floor, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City, Philippines 1231
T: +632.337.2031 | F: +632.338.1231 | E: info@alphaland.com.ph | www.alphaland.com.ph

SUBSCRIBED AND SWORN to before me this MAR 2 5 2019 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

NAME	PASSPORT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto V. Ongpin	P0300707A	September 17, 2016	DFA Manila
Anna Bettina Ongpin	EC2050134	September 9, 2014	DFA Manila
Cristina B. Zapanta	P3451062A	June 22, 2017	DFA NCR East

Doc. No. 381
Page No. 78
Book No. 4
Series of 2019

BENIGNO S. BACSA, JR.
Appointment No. M-25
Notary Public for Makati City
Until December 31, 2019
5th Floor, The City Club at Alphaland Makati Place
7232 Ayala Ave. Ext. cor. Malugay St. Makati City
Roll of Attorneys No. 68034
IBP No. 066622/01.10.2019/ Cagayan
PTR No. 7348332/01.10.2019/ Makati City
Admitted to the Bar in 2017 / TIN No. 408-296-439
Telephone No.(02) 337-2031

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

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)

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱110,157	₱215,593
Trade and other receivables	6	2,500,276	1,993,504
Land and development costs and parking lots for sale	7	3,080,140	3,942,375
Advances to related companies	17	2,609,147	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		11,554,485	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
		₱99,578,816	₱83,614,975
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14	₱4,112,178	₱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		5,651,933	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		29,508,678	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
		₱99,578,816	₱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 purpose only.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except for Earnings per Share)

	Note	2018	2017	2016
		Years Ended December 31		
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		**568,140**	360,468	285,884
General and administrative		**1,315,779**	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)

		Years Ended December 31		
	Note	**2018**	2017	2016
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)

	Note	2018	2017	2016
		Years Ended December 31		
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	Years Ended December 31 2018	2017	2016
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)

	Note	Years Ended December 31 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		**(959,224)**	(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		**493,499**	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		**(2,484)**	(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		**(37,309)**	(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		**167,901**	(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		**(1,364,986)**	(460,826)	(1,092,247)

(Forward)

	Note	Years Ended December 31 2018	2017	2016
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

Changes in Group Structure during 2018 and 2017

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 Transactions* – 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 cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended 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 future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, software is measured at cost less accumulated amortization and any impairment loss.

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

The amortization period and method are reviewed periodically to ensure that these are consistent 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 indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by 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 loss 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:

	Note	(In Thousands) 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).

Estimates and Assumptions

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 ₱5,110.4 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 ₱310.4 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
Cash and cash equivalents		**₱12,491**	₱4,173	₱1,345
Trade and other receivables	6	**1,998**	5,368	9,490
In-house financing	7	**1,593**	7,705	8,381
Restricted cash	8	**951**	518	419
		₱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		**797,728**	8,796
Contract assets		**217,610**	–
Others		**47,011**	20,402
		2,530,001	2,105,350
Less allowance for impairment losses		**(29,725)**	(111,846)
		₱2,500,276	₱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 advances to third parties, officers and employees. Advances to third parties are unsecured, noninterest-bearing and are generally collectible within one year. 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 a license to sell for Alphaland Baguio Mountain Lodges project which is valid not later than October 2019, the completion of the approved development plan.

Balesin Private Villa

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

	Note	(In Thousands) 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:

	Note	(In Thousands) 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:

	Note	(In Thousands) 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	2017
		(In Thousands)	
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. The contract to sell was rescinded in 2018.

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 in 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):

		2018									
	Note	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	**₱172,005**	₱75,211	₱38,784
General and administrative expenses	20	**124,095**	49,356	83,076
Land and development costs	7	**4,807**	–	–
		₱300,907	₱124,567	₱121,860

13. Other Noncurrent Assets

This account consists of:

	Note	(In Thousands) 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:

	Note	(In Thousands) 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		**₱1,993,176**	₱1,030,804
Nontrade		**600,564**	–
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		**217,520**	36,007
		₱4,112,178	₱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.

<u>ABMLHI</u>
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.

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

(Forward)

		(In Thousands)			
		2018		2017	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Nontrade					
Related companies under common key management	Capital expenditures, debt servicing	**₱2,230,196**	**₱797,728**	₱–	₱–
Contract assets					
Related companies under common key management	Real estate sales	**286,025**	**150,265**	452,611	351,356
			₱1,567,135		₱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	**₱81,616**	**₱2,609,147**	₱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:

	Note	(In Thousands) 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		**₱227,062**	₱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**	–	–
		₱568,140	₱360,468	₱285,884

	Note	2018	2017	2016
		(In Thousands)		
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
Depreciation and amortization	12	**124,095**	49,356	83,076
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
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
		₱1,315,779	₱874,784	₱528,056

Transportation expense under "Cost of services" account includes depreciation amounting to ₱92.9 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.

	2018	2017	2016
	(In Thousands)		
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	**₱243,991**	₱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
	₱310,433	₱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	₱–	₱383,634	₱–	₱383,634	2021
2017	632,621	–	(202,951)	429,670	2020
2016	101,940	–	(101,940)	–	2019
2015	41,076	–	(41,076)	–	2018
	₱775,637	₱383,634	(₱345,967)	₱813,304	

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	**92,878**	(118,254)	15,205
Expired MCIT	**356**	–	–
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses and others	**64,429**	61,767	72,053
Interest income subjected to final tax	**(3,976)**	(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				
	Total	High Grade	Standard Grade	Total	Past Due but not Impaired	Past Due and Impaired
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱231,960**	**₱231,960**	**₱–**	**₱231,960**	**₱–**	**₱–**
Trade and other receivables**	**2,537,556**	**2,131,654**	**368,917**	**2,376,427**	**7,260**	**29,725**
Advances to an associate and related companies	**2,610,170**	**2,610,170**	**–**	**2,610,170**	**–**	**–**
Restricted cash	**382,944**	**382,944**	**–**	**382,944**	**–**	**–**
Refundable deposits	**36,229**	**36,229**	**–**	**36,229**	**–**	**–**
	5,798,859	**5,392,957**	**368,917**	**5,637,730**	**7,260**	**29,725**
Financial Assets at FVOCI						
Unquoted Clubs' preferred shares	**31,036,085**	**31,036,085**	**–**	**31,036,085**	**–**	**–**
	₱36,834,944	**₱36,429,042**	**₱368,917**	**₱36,673,815**	**₱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				
	Total	High Grade	Standard Grade	Total	Past Due but not Impaired	Past Due 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				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Past Due And Impaired
Financial Assets at Amortized Cost							
Cash and cash equivalents*	₱231,960	₱231,960	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	2,537,556	2,500,571	7,260	–	–	–	29,725
Advances to an associate and related companies	2,610,170	2,610,170	–	–	–	–	–
Restricted cash	382,944	382,944	–	–	–	–	–
Refundable deposits	36,229	36,229	–	–	–	–	–
	5,798,859	5,761,874	7,260	–	–	–	29,725
Financial Assets at FVOCI							
Unquoted Clubs' preferred shares	31,036,085	1,065,311	–	–	–	29,970,774	–
	₱36,834,944	₱6,827,185	₱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				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Past Due 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*	₱3,495,413	₱2,798,752	₱22,330	₱–	₱–	₱3,524,944
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
	₱3,744,257	₱2,807,200	₱30,828	₱274,977	₱6,248,209	₱10,313,920

**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	–	–	–	273,193	6,323,427	6,596,620
Customers' deposits	–	–	2,877	636	167,596	171,109
Advances from related companies	81,764	–	–	–	–	81,764
	₱2,353,420	₱14,281	₱2,877	₱273,829	₱6,544,107	₱9,188,514

**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 -						
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 -						
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:

	Note	(In Thousands) 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	89,808	(69,691)	–	20,118
	₱5,667,950	₱608,950	₱436,977	₱6,713,878

alphaland
CORPORATION

January 29, 2019

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS"

The management of **Alphaland Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statementsincluding 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 financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directorsis responsible in overseeing the Company's financial reporting process.

The Board of Directorsreviews 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 Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROBERTO V. ONGPIN
Chairman

ANNA BETTINA ONGPIN
President and Vice Chairman

CRISTINA B. ZAPANTA
Senior Vice President for Finance

Alphaland Makati Place
7232 Ayala Ave. Ext., cor. Malugay St., 1209 Makati City, Philippines
T: +63.2.337.2031 | E: info@alphaland.com.ph | www.alphaland.com.ph

SUBSCRIBED AND SWORN to before me this MAR 2 5 2019 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

NAME	PASSPORT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto V. Ongpin	P0300707A	September 17, 2016	DFA Manila
Anna Bettina Ongpin	EC2050134	September 9, 2014	DFA Manila
Cristina B. Zapanta	P3451062A	June 22, 2017	DFA NCR East

Doc. No. 380
Page No. 77
Book No. 4
Series of 2019

BENIGNO S. BACSA, JR.
Appointment No. M-25
Notary Public for Makati City
Until December 31, 2019
5th Floor, The City Club at Alphaland Makati Place
7232 Ayala Ave. Ext. cor. Malugay St. Makati City
Roll of Attorneys No. 68034
IBP No. 066622/01.10.2019/ Cagayan
PTR No. 7348332/01.10.2019/ Makati City
Admitted to the Bar in 2017 / TIN No. 408-296-439
Telephone No.(02) 337-2031

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	8	3	8	3	5

COMPANY NAME

A L P H A L A N D   C O R P O R A T I O N

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

Alphaland Makati Place, 7232 Ayala Ave.
ext. cor. Malugay Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 337-2031	–

No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
88	Last Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Ms. Cristina B. Zapanta	cbzapanta@alphaland.com.ph	(632) 337-2031	–

CONTACT PERSON'S ADDRESS

Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City

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

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

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
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

Opinion

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the three years ended December 31, 2018, 2017 and 2016, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 16 2019 TSIS
MA. GRACIA AURORA L. CASTILLO

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern.

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date APR 16 2019 TSIS
MA. GRACIA AURORA L. CASTILLO

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. Fernandez

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

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱2,853,751**	₱16,625,440
Nontrade receivables	5	**1,347,024**	74,710
Advances to related parties	12	**20,940,811**	9,409,913
Restricted cash	10	**378,834,896**	–
Other current assets	6	**23,012,497**	22,531,288
Total Current Assets		**426,988,979**	48,641,351
Noncurrent Assets			
Investments in and advances to subsidiaries	7	**23,086,075,480**	21,825,206,310
Aircraft	8	**77,202,161**	81,491,171
Total Noncurrent Assets		**23,163,277,641**	21,906,697,481
		₱23,590,266,620	₱21,955,338,832
LIABILITIES AND EQUITY			
Current Liabilities			
Payables and other current liabilities	9	**₱11,956,568**	₱30,144,515
Advances from related parties	12	**144,301,175**	27,140,187
Current portion of long-term debt	10	**1,053,653,092**	981,347,614
Total Current Liabilities		**1,209,910,835**	1,038,632,316
Noncurrent Liability			
Long-term debt - net of current portion	10	**4,467,365,138**	5,208,690,309
Total Liabilities		**5,677,275,973**	6,247,322,625
Equity			
Capital stock	11	**2,842,173,841**	2,655,707,417
Additional paid-in capital		**15,469,296,354**	13,439,645,478
Deficit		**(397,266,022)**	(386,123,162)
		17,914,204,173	15,709,229,733
Less cost of shares in treasury	11	**(1,213,526)**	(1,213,526)
Total Equity		**17,912,990,647**	15,708,016,207
		₱23,590,266,620	₱21,955,338,832

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2018**	2017	2016
REVENUES				
Interest income	4	**₱1,011,440**	₱334,983	₱66,298
Gain on sale of available-for-sale (AFS) financial asset		**–**	–	7,400,000
Rent income	8	**–**	–	669,647
Other income		**84,993**	51,898	181,557
		1,096,433	386,881	8,317,502
COST AND EXPENSES				
Cost of services	13	**–**	–	17,890,033
General and administrative expenses	14	**12,237,593**	8,336,054	27,516,455
Interest expense and other finance charges	10	**–**	3,905,143	23,440,931
		12,237,593	12,241,197	68,847,419
LOSS BEFORE INCOME TAX		**(11,141,160)**	(11,854,316)	(60,529,917)
PROVISION FOR CURRENT INCOME TAX	15	**1,700**	1,038	–
NET LOSS		**(11,142,860)**	(11,855,354)	(60,529,917)
OTHER COMPREHENSIVE INCOME (LOSS)				
To be reclassified to profit or loss in subsequent periods -				
Reclassification adjustment on disposal of AFS financial asset		**–**	–	(8,105,000)
Unrealized valuation gain on AFS financial asset		**–**	–	2,340,000
		–	–	(5,765,000)
TOTAL COMPREHENSIVE LOSS		**(₱11,142,860)**	(₱11,855,354)	(₱66,294,917)
Total Comprehensive Loss Per Share*				
Based on weighted average number of shares outstanding before the effect of stock split	16	**₱0.004**	₱0.004	₱0.025

See accompanying Notes to Separate Financial Statements.

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

ALPHALAND CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	2018	2017	2016
		Years Ended December 31		
CAPITAL STOCK - ₱0.1 par value and ₱1 par value in 2018 and 2017, respectively	11			
Balance at beginning of year		**₱2,655,707,417**	₱2,655,707,417	₱2,655,707,417
Additions		**186,466,424**	–	–
Balance at end of year		**2,842,173,841**	2,655,707,417	2,655,707,417
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**13,439,645,478**	13,439,645,478	13,439,645,478
Additions	11	**2,029,650,876**	–	–
Balance at end of year		**15,469,296,354**	13,439,645,478	13,439,645,478
DEFICIT				
Balance at beginning of year		**(386,123,162)**	(374,267,808)	(313,737,891)
Net loss		**(11,142,860)**	(11,855,354)	(60,529,917)
Balance at end of year		**(397,266,022)**	(386,123,162)	(374,267,808)
CUMULATIVE UNREALIZED VALUATION GAIN ON AFS FINANCIAL ASSET				
Balance at beginning of year		**–**	–	5,765,000
Reclassification adjustment on disposal of AFS financial asset		**–**	–	(8,105,000)
Net unrealized valuation gain on AFS financial asset		**–**	–	2,340,000
Balance at end of year		**–**	–	–
TREASURY SHARES - at cost				
Balance at beginning and end of year	11	**(1,213,526)**	(1,213,526)	(1,213,526)
		₱17,912,990,647	₱15,708,016,207	₱15,719,871,561

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

	Note	2018	2017	2016
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱11,141,160)**	(₱11,854,316)	(₱60,529,917)
Adjustments for:				
Depreciation	8	**4,289,010**	4,240,376	22,091,859
Interest income	4	**(1,011,440)**	(334,983)	(66,298)
Interest expense and other finance charges	10	**–**	3,905,143	23,440,931
Gain on sale of AFS financial asset		**–**	–	(7,400,000)
Impairment loss on prepayments	6	**–**	–	877,658
Operating loss before changes in working capital		**(7,863,590)**	(4,043,780)	(21,585,767)
Decrease (increase) in:				
Nontrade receivables		**(1,272,314)**	5,189,684	(702,171)
Other current assets		**(482,909)**	(193,245)	(88,826)
Increase (decrease) in payables and other current liabilities		**(18,187,947)**	(30,237,275)	60,079,458
Net cash generated from (used for) operations		**(27,806,760)**	(29,284,616)	37,702,694
Interest received		**1,011,440**	334,983	66,298
Net cash provided by (used in) operating activities		**(26,795,320)**	(28,949,633)	37,768,992
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investments in and advances to subsidiaries		**(1,260,869,170)**	(3,011,685,966)	(611,890,264)
Aircraft	8	**–**	(1,325,843)	(369,182)
Decrease (increase) in advances to related parties		**10,392,018**	(4,922,143)	(1,270,620)
Proceeds from sale of:				
AFS financial asset		**–**	–	18,000,000
Aircraft	8	**–**	–	2,742,492
Net cash used in investing activities		**(1,250,477,152)**	(3,017,933,952)	(592,787,574)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of new shares		**2,216,117,300**	–	–
Availments of long-term debt	10	**400,000,000**	6,286,000,000	480,000,000
Payments of:				
Long-term debt		**(1,090,942,609)**	(480,000,000)	–
Interest and other finance charges		**–**	(6,291,691)	(21,054,383)
Net additions to (settlement of) advances from related parties		**117,160,988**	(2,749,916,946)	104,486,049
Net cash provided by financing activities		**1,642,335,679**	3,049,791,363	563,431,666

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 16 2019 TSIS
MA. GRACIA AURORA L. CASTILLO

		Years Ended December 31		
	Note	**2018**	2017	2016
NET INCREASE IN CASH AND CASH EQUIVALENTS		**₱365,063,207**	₱2,907,778	₱8,413,084
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents		**16,625,440**	4,311,006	5,304,578
Restricted cash		**–**	9,406,656	–
		16,625,440	13,717,662	5,304,578
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents	4	**2,853,751**	16,625,440	4,311,006
Restricted cash	6	**378,834,896**	–	9,406,656
		₱381,688,647	₱16,625,440	₱13,717,662

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

Alphaland Corporation (ALPHA or the Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. ALPHA and its subsidiaries are collectively referred herein as the "Group."

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued and approved 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).

The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, the subsidiary undertakings have been fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group. The consolidated financial statements may be obtained at the Company's registered office address and at the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso, which is the Company's functional currency. All amounts represent absolute values unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for aircraft which is measured at revalued amount. 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 Company uses market observable data as far as possible 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 Company 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 9 and 20.

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 Company 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 where the fair value option is taken, 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 (ECL) 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.

The Company has applied PFRS 9 with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be presented under PAS 39. The adoption of PFRS 9 did not have a material impact on the financial statements.

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

Classification and Measurement. Based on the analysis of its business model as at January 1, 2018 and the contractual cash flow characteristics of the financial instruments, the Company has concluded that all of its financial instruments shall continue to be measured on the same basis as under PAS 39.

The Company's cash and cash equivalents, advances to related parties and other financial assets that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost. The Company has not designated any financial liabilities at FVPL. There are no changes in the classification and measurement for the Company's financial liabilities.

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

Impairment. The new impairment requirements do not result to significant provision for impairment with respect to advances to related parties. In performing the assessment, the Company considered the available liquid assets of the related parties and the financial support from the stockholders.

For cash and cash equivalents, the Company assessed that the resulting ECL is not significant because the exposures are with reputable counterparty banks that possess good credit ratings.

- 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. An amendment to the standard was issued to provide clarifications on the following topics: (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.

  The Company adopted PFRS 15 using the modified retrospective approach with the date of initial application of January 1, 2018. For the prior period presented, the Company has no material revenue recognized from contracts with customers. Accordingly, the adoption of PFRS 15 has no significant impact in the Company's separate financial statements.

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 separate financial statements are summarized below.

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

- PFRS 16, *Leases* – This standard will replace 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.

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

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate 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 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 Company 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 Company deems the transaction 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 Company determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. Effective January 1, 2018, the Company 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 fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on the Company's business model and the instruments contractual cash flow characteristics. Prior to January 1, 2018, financial assets are categorized as: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available for sale (AFS) financial assets. The classification depends on the purpose for which the financial instruments are acquired or incurred and whether these are quoted in an active market.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost.

As at December 31, 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI. As at December 31, 2017, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Financial Assets at Amortized Cost. Financial assets 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.

This category includes cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related parties, restricted cash and advances to subsidiaries.

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 Company 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 payables and other current liabilities (excluding statutory payables), advances from related parties and long-term debt.

Reclassification of Financial Assets

Effective January 1, 2018, the Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Prior to January 1, 2018, the Company may reclassify certain financial assets when there is a change in intention, subject to certain requirements as provided under PAS 39.

Impairment of Financial Assets at Amortized Cost
Effective January 1, 2018, the Company records an allowance for impairment losses on its financial assets measured at amortized cost based on ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Prior to January 1, 2018, an allowance for impairment losses is recognized when a financial asset or a group of financial assets is deemed to be impaired, i.e., if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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

<u>Other Current Assets</u>

This account consists mainly of excess of input value-added tax (VAT) over output VAT and creditable withholding taxes (CWT).

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" in the separate statements of financial position.

CWT. CWT represents the amount withheld by the Company'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 net realizable value (NRV).

Investments in Subsidiaries

Subsidiaries are entities controlled by the Company. The Company has control when it 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.

The Company carries its investment in subsidiaries using the cost method. Under the cost method, investments are carried in the Company's separate statements of financial position at cost less any impairment in value.

Aircraft

The Company adopted the revaluation model in measuring its aircraft. Under the revaluation model, aircraft is initially recorded at cost and subsequently measured at fair value less accumulated depreciation and impairment losses, if any. 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 of aircraft is computed on a straight-line basis over the estimated useful life of 15 to 23 years.

The estimated useful life and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of aircraft.

An item of aircraft 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.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Deficit

Deficit represents the cumulative balance of the Company's results of operations.

Treasury Shares

Treasury shares are own equity instruments which are reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company'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 Company and no dividends are allocated to them.

Revenue Recognition
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.

The Company also assesses its revenue arrangements to determine if it is acting as principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The Company has no material revenue the falls within the scope of PFRS 15. The following specific recognition criteria must also be met before revenue is recognized.

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

Gain on Sale of Available-For-Sale (AFS) Financial Asset. Gain on sale of AFS financial asset are recognized upon transfer of risks and rewards to the buyer.

Rent Income. 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.

Other Income. Income from other sources is recognized when earned during the period.

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

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.

Operating Lease

Company as a Lessor. Operating lease represents lease under which the Company retains substantially all the risks and benefits of ownership of the asset. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

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 assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (from excess minimum corporate income tax or MCIT over regular corporate income tax) 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.

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 tax liabilities are not provided on non-taxable temporary differences associated with investment in domestic subsidiaries.

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 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 Company 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 separate financial statements. These are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate 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 Company's financial position at reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to separate financial statements when material.

---

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the separate 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 separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at reporting date. 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 Company'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 separate financial statements.

Assessing Ability to Continue as a Going Concern. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the separate financial statements continue to be prepared on a going concern basis.

Establishing Control in Investment in Subsidiaries. The Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

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

Evaluating Legal Contingencies. There are on-going litigations involving the Company which management believes would not have a material adverse impact on the Company'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 Company's defense in these matters and is based upon an analysis of potential results (see Note 20).

Estimates and Assumptions

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.

Assessing Expected Credit Losses. The Company applies the general approach in measuring the expected credit losses. The Company assessed that cash are deposited with reputable counterparty banks that possess good credit ratings. For related party transactions, the Company considered the available liquid assets and letter of support from the stockholders.

The Company assesses that a financial asset is considered credit impaired when one or more events that have a detrimental effect on the estimated future cash flows of the asset have occurred such as significant financial difficulty on the part of counterparty.

No expected credit loss was recognized in 2018, 2017 and 2016. The carrying amounts of financial assets carried at amortized cost are as follows:

	Note	**2018**	2017
Advances to subsidiaries	7	**₱9,713,062,357**	₱8,454,693,187
Advances to related parties	12	**20,940,811**	9,409,913
Nontrade receivables*	5	**1,153,600**	74,710

**Excluding advances to employees amounting to ₱0.2 million and nil as at December 31, 2018 and 2017, respectively.*

Estimating Useful Life of Aircraft. The Company estimates the useful life based on the period over which these assets are expected to be available for use. The estimated useful life is reviewed periodically and is 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 were no changes in the estimated useful life of aircraft in 2018, 2017, and 2016.

Determining Fair Value of Aircraft Measured at Revalued Amount. Management uses valuation techniques where active market quotes are not available to determine the fair value of nonfinancial assets. This includes developing estimates and assumptions consistent with how market participants would price the asset. As at reporting date, the management believes that the carrying amount of acquired aircraft approximates its fair value.

The carrying amount of aircraft amounted to ₱ 77.2 million and ₱ 81.5 million as at December 31, 2018 and 2017, respectively (see Note 8).

Estimating Nonfinancial Assets for Impairment. The Company 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 Company 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 Company is required to make estimates and assumptions that can materially affect the separate financial statements.

The Company recognized impairment loss on prepayments amounting to ₱0.9 million in 2016 (see Note 14). The carrying amounts of nonfinancial assets are as follows:

	Note	**2018**	2017
Investments in subsidiaries	7	**₱13,373,013,123**	₱13,370,513,123
Other current assets	6	**23,012,497**	22,531,288
Aircraft	8	**77,202,161**	81,491,171

Assessing Realizability of Deferred Tax Assets. The Company 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 asset to be utilized. There is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized.

Unrecognized deferred tax assets amounted to ₱19.2 million and ₱28.2 million as at December 31, 2018 and 2017, respectively (see Note 15). Management believes that it is not probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash in banks	**₱2,853,751**	₱6,625,440
Short-term investments	**–**	10,000,000
	₱2,853,751	₱16,625,440

Cash in banks earn interest at prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investment rates.

Interest earned amounted to ₱1.0 million, ₱334,983 and ₱66,298 in 2018, 2017 and 2016, respectively.

5. Nontrade Receivables

This account consists of:

	2018	2017
Nontrade receivables	**₱1,153,600**	₱74,710
Advances to employees	**193,424**	–
	₱1,347,024	₱74,710

Nontrade receivables are unsecured, noninterest-bearing and are generally collectible within one year.

Advances to employees and an officer of an affiliate are noninterest-bearing and are subject to liquidation for a specified period of time.

6. Other Current Assets

This account consists of:

	2018	2017
Input VAT	**₱22,610,217**	₱22,444,881
CWT	**58,848**	59,869
Others	**343,432**	26,538
	₱23,012,497	₱22,531,288

In 2016, the Company wrote-off the prepayments amounting to ₱877,658 (see Note 14).

7. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2018	2017
Investments in subsidiaries		**₱13,373,013,123**	₱13,370,513,123
Advances to subsidiaries	12	**9,713,062,357**	8,454,693,187
		₱23,086,075,480	₱21,825,206,310

Acquisition costs of investments in subsidiaries are as follows:

	2018	2017
Alphaland Southgate Tower, Inc. (ASTI)	**₱11,978,987,410**	₱11,978,987,410
Alphaland Balesin Island Resort Corporation (ABIRC)	**1,290,581,165**	1,290,581,165
Alphaland Aviation, Inc. (AAI)	**49,249,500**	49,249,500
ASAI	**19,158,843**	19,158,843

(Forward)

	2018	2017
Aegle Wellness Center, Inc. (AWCI)	**18,750,000**	18,750,000
Alphaland Reclamation Corporation (ARC)	**6,663,705**	6,663,705
Alphaland International, Inc. (AII)	**6,250,000**	6,250,000
Alphaland International, Inc. - BVI (AIIBVI)	**800,000**	800,000
Lodgepole Holdings Inc. (LHI)	**625,000**	–
Redstone Mountain Holdings, Inc. (RMHI)	**625,000**	–
Mt. Baguio Holding Estates Inc. (MBHEI)	**625,000**	–
Pinecrest Holdings, Inc. (PHI)	**625,000**	–
Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI)	**62,500**	62,500
Alphaland International Balesin Gateway, Inc. (formerly Alphaland Balesin Gateway, Inc.) (ABIGI)	**10,000**	10,000
	₱13,373,013,123	₱13,370,513,123

Details of the Company's unpaid subscription are as follows:

	2018	2017
AWCI	**₱56,250,000**	₱56,250,000
AII	**18,750,000**	18,750,000
LHI	**1,875,000**	–
RMHI	**1,875,000**	–
MBHEI	**1,875,000**	–
PHI	**1,875,000**	–
ABMLHI	**187,500**	187,500
	₱82,687,500	₱75,187,500

Further information about the subsidiaries of the Company is as follows:

		Percentage of Effective Ownership	
Company	Nature of Business	**2018**	2017
ASTI	Real property development	**100**	100
ABMLHI	Real property development	**100**	100
ABIGI	Real property development	**100**	100
ARC	Real property development	**100**	100
ABIRC	Real property development	**100**	100
AAI	Aviation	**100**	100
AWCI	Wellness center	**100**	100
AII	Holding company	**100**	100
AIIBVI	Holding company	**100**	100
RMHI**	Holding company	**100**	–
LHI**	Holding company	**100**	–
MBHEI**	Holding company	**100**	–
PHI**	Holding company	**100**	–
ASAI*	Security agency	**80**	80

**Became a subsidiary in 2017.*
***Incorporated in 2018.*

- 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 main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower.

- 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 its corporate name to "Alphaland Baguio Mountain Log Homes, Inc.".

  ABMLHI's main project is the Alphaland Baguio Mountain Lodges Project which pertains to 16.8 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

- ABIGI was incorporated and registered with the Philippine SEC on May 19, 2010 as Aklan Boracay Properties, Inc. The Philippine SEC approved the change in the corporate name to "Alphaland Balesin Gateway, Inc." on October 17, 2016 then to "Alphaland Balesin International Gateway, Inc." on April 10, 2018.

- ARC was incorporated and registered with the Philippine SEC on April 5, 2011 primarily to engage in the construction of reclamation projects and to contract for and perform reclamation works.

- 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.

- AAI was incorporated and registered with the Philippine SEC on July 31, 2012 primarily to engage in the 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.

- AWCI was incorporated and registered with the Philippine SEC on September 28, 2015 primarily to provide diagnostic, theraphеutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

- AII was incorporated and registered with the Philippine SEC on January 29, 2014 primarily to market assets, including club shares and condominium units of the Group outside the Philippine market.

- AIIBVI was incorporated and registered in the British Virgin Islands on September 6, 2002 as a holding company.

- RMHI, LHI, MBHEI and PHI were incorporated and registered with the Philippine SEC in 2018 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.

- 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.

8. Aircraft

Movements in this account are as follows:

	2018	2017
Cost		
Balance at beginning of year	**₱98,337,025**	₱97,011,182
Additions	–	1,325,843
Balance at end of year	**98,337,025**	98,337,025
Accumulated Depreciation		
Balance at beginning of year	**16,845,854**	12,605,478
Depreciation	**4,289,010**	4,240,376
Balance at end of year	**21,134,864**	16,845,854
Carrying Amount	**₱77,202,161**	₱81,491,171

The management evaluated that the carrying amount of the aircraft acquired in 2014 approximates the fair value as at December 31, 2018 and 2017.

The Company entered into an operating lease agreement with Macondray Plastics Products, Inc. for the lease of the machinery equipment and tools until September 30, 2016. Rent income amounted to ₱669,647 in 2016. The machinery equipment and tools were disposed for ₱2.7 million in 2016.

Depreciation consists of the following:

	2018	2017	2016
Aircraft	**₱4,289,010**	₱4,240,376	₱4,201,826
Machinery equipment and tools	–	–	17,890,033
	₱4,289,010	₱4,240,376	₱22,091,859

Depreciation recognized in profit or loss is charged to the following:

	Note	2018	2017	2016
General and administrative expenses	14	**₱4,289,010**	₱4,240,376	₱4,201,826
Cost of services	13	–	–	17,890,033
		₱4,289,010	₱4,240,376	₱22,091,859

9. Payables and Other Current Liabilities

This account consists of:

	2018	2017
Nontrade	**₱10,852,197**	₱28,062,056
Accrued expenses	**379,981**	72,652
Statutory payables	**724,390**	2,009,807
	₱11,956,568	₱30,144,515

Nontrade payables pertain to liabilities assumed by the Company in favor of a related party. These are unsecured noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for interest expense and normal operating expenses which are normally settled within the next financial year.

Statutory payables are payables to government agencies which are normally settled within 30 days.

10. Long-Term Debt

This account consists of:

	2018	2017
Current	**₱1,053,653,092**	₱981,347,614
Noncurrent	**4,467,365,138**	5,208,690,309
	₱5,521,018,230	₱6,190,037,923

Omnibus Loan and Security Agreement (OLSA) with Banco de Oro (BDO)

On February 15, 2017, the Company entered into an OLSA with BDO for a loan facility of ₱5,500.0 million to refinance the existing Group loans and to finance new projects and working capital requirements of the Group. The aggregate carrying amount of refinanced loans on the date of refinancing (inclusive of interest) amounted to ₱4,561.4 million. This loan facility was subsequently increased to ₱6,726.0 million in the last quarter of 2017. Loan drawdowns aggregated to ₱400.0 million and ₱6,286.0 million in 2018 and 2017, respectively. The Company had undrawn borrowing facility available amounting to₱40.0 million as at December 31, 2018.

The loan is presented net of deferred financing cost amounting to ₱74.0 million and ₱96.0 million as at December 31, 2018 and 2017, respectively. Amortization of deferred financing cost amounting to ₱21.9 million and ₱20.5 million in 2018 and 2017, respectively, was transferred to the Company's subsidiaries with refinanced loans (see Note 12).

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 (BSP) 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. No interest expense pertaining to OLSA with BDO was charged to profit or loss. Interest expense amounting to ₱200.2 million and ₱246.5 million in 2018 and 2017, respectively, was recognized by the Company's subsidiaries with refinanced loans (see Note 12).

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 value of ₱39,600.0 million; b) Continuing Surety Agreement with Alphaland Balesin Island Club, Inc. (ABICI), ABIRC, Alphaland Makati Place, Inc. (AMPI) and ASTI; and c) a Share Mortgage in Alphaland Property Management Corporation, ABIRC and ABICI.

The Company is required to maintain a Debt Service Reserve Account (DSRA) in relation to the OLSA entered into by the Company with BDO. The DSRA is intended to hold cash deposits equivalent to the upcoming interest and/or principal payment of the loan.

The OLSA with BDO has an original term of seven years, payable in 25 quarterly principal amortizations commencing one year after initial drawdown date.

The scheduled maturities of the Company's outstanding OLSA with BDO as at December 31, 2018 are as follows:

2019	₱1,065,725,218
2020	1,065,725,217
2021 and onwards	3,463,606,957
	5,595,057,392
Less deferred financing cost	(74,039,162)
	₱5,521,018,230

Assignment of OLSA with BDO to Philippine Bank of Communications (PBCom)

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 PBCom - Trust and Wealth Management Group pursuant to an Assignment Agreement dated January 23, 2019 between the parties.

Loan Facility with PBCom

On February 11, 2016, the Company 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, the Company 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 Bangko Sentral ng Pilipinas overnight borrowing rate plus spread of 1.25% per annum, is payable quarterly.

The loan was fully settled in 2017.

Interest expense and other financing cost recognized in the profit or loss amounted to nil, ₱3.9 million and ₱23.4 million in 2018, 2017 and 2016, respectively. The loan was fully settled in 2017.

11. Equity

Capital Stock

a. This account consists of:

	2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized capital stock (₱0.1 Par Value and ₱1 Par Value in 2018 and 2017, respectively)				
Beginning of year	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Effect of stock split	**45,000,000,000**	**–**	–	–
End of year	**50,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued				
Beginning of year	**2,654,707,417**	**2,655,707,417**	2,654,707,417	₱2,655,707,417
Additions	**186,466,424**	**186,466,424**	–	–
Effect of stock split	**25,570,564,569**	**–**	–	–
End of year	**28,411,738,410**	**₱2,842,173,841**	2,654,707,417	₱2,655,707,417
Treasury				
Balance at beginning and end of year	**(4,239,000)**	**(1,213,526)**	(423,900)	(1,213,526)
	28,407,499,410	**₱2,840,960,315**	2,654,283,517	₱2,654,493,891

In 2018, the Company issued 186,466,424 common shares resulting to an additional paid-in capital amounting to ₱2,029.7 million.

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

Stock Split

On December 10, 2018, the SEC approved ALPHA's application for a 10-for-1 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, is as follows:

Shareholders	Number of Shares
ASTI	13,834,274,790
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

(Forward)

Shareholders	Number of Shares
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
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
Other minority	272,348,220
	28,407,499,410

**With outstanding subscription receivables.*

12. Related Party Transactions

The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Transactions	Amount of Transactions 2018	Amount of Transactions 2017	Outstanding Balance 2018	Outstanding Balance 2017
Advances to Related Parties					
Entities under common key management	Reimbursements of expenses	**₱37,406,519**	₱4,922,143	**₱17,023,449**	₱5,492,551
Stockholder	Cash advances	**–**	–	**3,917,362**	3,917,362
				₱20,940,811	₱9,409,913
Advances to Subsidiaries					
Subsidiaries	Cash advances	**₱1,070,763,347**	₱1,520,936,702	**₱7,516,221,873**	₱6,501,675,762
	Reimbursement of expenses	**280,145,862**	1,383,661,965	**2,196,840,484**	1,953,017,425
	Transfer of interest expense	**200,202,517**	246,477,587	**–**	–
	Amortization of deferred financing costs	**21,922,916**	20,515,075	**–**	–
				₱9,713,062,357	₱8,454,693,187
Advances from Related Parties					
Entities under common key management	Reimbursements of expenses	**₱117,586,500**	₱22,845,221	**₱144,301,175**	₱27,140,187

Terms and Conditions of Transactions with Related Parties

Outstanding balances as at reporting date are unsecured, noninterest-bearing and settlement occurs in cash. The Company has not made any provision for impairment losses relating to the amounts owed by related parties.

Compensation of Key Management Personnel

Key management personnel of the Company are also officers of ASTI. These key management personnel do not receive direct compensation from the Company, but from ASTI.

Commitments

The Company has issued corporate surety in favor of various counterparties in connection with the transactions entered into by its subsidiaries (see Note 20). The Company is also a co-borrower in a loan facility agreement entered into by the Company and Alphaland Aviation-Pampanga, Inc. (AAPI) in March 2017 and AAI in 2016 with BDO Leasing and Finance, Inc. (BDOLFI).

13. Cost of Services

This account pertains to depreciation expense of machinery equipment and tools amounting to ₱17.9 million in 2016 (see Note 8).

14. General and Administrative Expenses

This account consists of:

	Note	2018	2017	2016
Service and professional fees		**₱5,149,453**	₱3,638,225	₱19,212,081
Depreciation	8	**4,289,010**	4,240,376	4,201,826
Taxes and licenses		**1,833,425**	6,511	2,445,262
Outside services		**597,600**	–	–
Office supplies and printing		**62,824**	23,536	6,661
Representation		**47,721**	26,922	74,808
Bank charges		**28,743**	66,430	19,555
Impairment loss on prepayments	6	**–**	–	877,658
Others		**228,817**	334,054	678,604
		₱12,237,593	₱8,336,054	₱27,516,455

15. Income Taxes

The current provision for income tax represents the Company's MCIT in 2018 and 2017. There is no provision for income tax in 2016 due to the Company's taxable loss position.

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:

	2018	2017
NOLCO	**₱19,206,257**	₱28,186,659
MCIT	**2,738**	1,038
	₱19,208,995	₱28,187,697

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

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2018	₱–	₱1,700	₱–	₱1,700	2021
2017	1,038	–	–	1,038	2020
	₱1,038	₱1,700	₱–	₱2,738	

As at December 31, 2018, details of the Company's unused NOLCO which can be claimed as deduction against future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2018	₱–	₱7,791,869	₱–	₱7,791,869	2021
2017	7,760,291	–	–	7,760,291	2020
2016	48,468,697	–	–	48,468,697	2019
2015	37,726,542	–	(37,726,542)	–	2018
	₱93,955,530	₱7,791,869	(₱37,726,542)	₱64,020,857	

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

	2018	2017	2016
Income tax computed at statutory tax rate	**(₱3,342,348)**	(₱3,556,295)	(₱18,158,975)
Expired NOLCO	**11,317,963**	16,360,622	14,534,376
Change in unrecognized deferred tax asset	**(8,978,702)**	(14,031,497)	6,233
Add (deduct) tax effects of:			
Nondeductible expenses	**1,308,219**	1,328,703	5,858,255
Interest income subjected to final tax	**(303,432)**	(100,495)	(19,889)
Income subjected to capital gains tax	**–**	–	(2,220,000)
Income tax computed at effective tax rate	**₱1,700**	₱1,038	₱–

16. **Total Comprehensive Loss Per Share**

Total comprehensive loss per share is computed as follows:

	2018	2017	2016
(a) Net loss	**(₱11,142,860)**	(₱11,855,354)	(₱66,294,917)
(b) Weighted average number of shares outstanding before effect of stock split	**2,747,516,725**	2,654,283,517	2,654,283,517
Basic/diluted loss per share (a/b)	**(₱0.004)**	(₱0.004)	(₱0.025)

Total comprehensive loss 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 is intended as additional information for management reporting purposes only.

17. Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related parties, restricted cash, advances to subsidiaries, payables and other current liabilities (excluding statutory payables), advances from related parties and long-term debt. The main purpose of these financial instruments is to raise funds for the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company'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 Company's activities.

The Company has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

Credit risk is due to uncertainty in the counterparty's ability to meet its obligations. With respect to credit risk arising from financial assets consisting of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related parties, restricted cash and advances to subsidiaries, the Company'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 Company trades only with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

The tables below summarize the analysis of the Company's financial assets:

	2018					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-30 Days	31-60 Days	Over 60 Days	Impaired	Total
Cash and cash equivalents	₱2,853,751	₱–	₱–	₱–	₱–	₱2,853,751
Nontrade receivables*	1,149,200	–	–	4,400	–	1,153,600
Advances to related parties	20,940,811	–	–	–	–	20,940,811
Restricted cash	378,834,896	–	–	–	–	378,834,896
Advances to subsidiaries	9,713,062,357	–	–	–	–	9,713,062,357
	₱10,116,841,015	₱–	₱–	₱4,400	₱–	₱10,116,845,415

**Excluding advances to employees amounting to ₱0.2 million*

	2017					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-30 Days	31-60 Days	Over 60 Days	Impaired	Total
Cash and cash equivalents	₱16,625,440	₱–	₱–	₱–	₱–	₱16,625,440
Nontrade receivables	74,170	–	–	–	–	74,170
Advances to related parties	9,409,913	–	–	–	–	9,409,913
Advances to subsidiaries	8,454,693,187	–	–	–	–	8,454,693,187
	₱8,480,802,710	₱–	₱–	₱–	₱–	₱8,480,802,710

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

High Grade - consists of financial assets from counterparties with good financial condition and with relatively low defaults, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - pertains to financial assets having risks of default but are still collectible.

The Company has assessed the credit quality of financial assets that are neither past due nor impaired as high grade.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risk, related processes and policies are overseen by the management. The Company 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 Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from related parties before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

The tables below summarize the maturity profile of the Company's financial liabilities based on undiscounted cash flows:

	2018				
	On Demand	Less than 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Total
Payables and other current liabilities*	₱–	₱11,232,178	₱–	₱–	₱11,232,178
Advances from related parties	144,301,175	–	–	–	144,301,175
Long-term debt	–	1,065,725,217	1,065,725,217	3,463,606,958	5,595,057,392
Future interest	–	277,316,896	389,557,942	165,407,199	832,282,037
	₱144,301,175	₱1,354,274,291	₱1,455,283,159	₱3,629,014,157	₱6,582,872,782

**Excluding statutory payables amounting to ₱0.8 million.*

	2017				
	On Demand	Less than 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Total
Payables and other current liabilities*	₱–	₱28,134,708	₱–	₱–	₱28,134,708
Advances from related parties	27,140,187	–	–	–	27,140,187
Long-term debt	–	996,160,000	1,992,320,000	3,297,520,000	6,286,000,000
Future interest	–	362,249,351	541,516,050	364,852,708	1,268,618,109
	₱27,140,187	₱1,386,544,059	₱2,533,836,050	₱3,662,372,708	₱7,609,893,004

**Excluding statutory payables amounting to ₱2.0 million.*

18. Capital Management

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from stockholders, adjust the return of capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2018, 2017 and 2016. The Company monitors capital using the monthly cash position report and financial statements. The Company considers its equity as capital employed.

19. Fair Value Measurement

The following tables present the carrying amount and fair value of the Company's assets and liabilities measured at fair value or for which fair value is disclosed, and the corresponding fair value hierarchy.

		2018			
			Fair Value		
	Note	**Carrying Amount**	**Quoted price in active markets (Level 1)**	**Significant observable Inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset for which fair value is disclosed					
Aircraft	8	**₱77,202,161**	**₱–**	**₱77,202,161**	**₱–**
Liability for which fair value is disclosed					
Long-term debt	10	**₱5,595,057,392**	**₱–**	**₱6,951,408,526**	**₱–**

		2017			
			Fair Value		
	Note	Carrying Amount	Quoted price in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset for which fair value is disclosed					
Aircraft	8	₱81,491,171	₱–	₱81,491,171	₱–
Liability for which fair value is disclosed					
Long-term debt	10	₱6,286,000,000	₱–	₱7,554,618,109	₱–

The following methods and assumptions were used to determine the fair value of each class for which it is practicable to estimate such value.

Aircraft. As at December 31, 2018, the management has assessed the carrying amount of the aircraft acquired in 2014 approximates its fair value.

Long-term Debt. The fair value of the Company's long-term debt was determined as the sum of all future cash flows, discounted using the prevailing market rates of interest for similar type of instruments. The discount rates used in determining the fair value of long-term debt range from 4.86% to 5.94% in 2018 and 4.67% to 5.91% in 2017.

There were no transfers between levels in the fair value hierarchy as at December 31, 2018 and 2017.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate the fair values due to the short-term nature of the transactions:

	2018	2017
Financial Assets		
Cash and cash equivalents	**₱2,853,751**	₱16,625,440
Nontrade receivables*	**1,153,600**	74,710
Advances to related parties	**20,940,811**	9,409,913
Restricted cash	**378,834,896**	–
Advances to subsidiaries	**9,713,062,357**	8,454,693,187
	₱10,116,845,415	₱8,480,803,250
Financial Liabilities		
Payables and other current liabilities**	**₱11,232,178**	₱28,134,708
Advances from related parties	**144,301,175**	27,140,187
	₱155,533,353	₱55,274,895

**Excluding advances to employees amounting to ₱0.2 million and nil as at December 31, 2018 and 2017, respectively.*
***Excluding statutory payables amounting to ₱0.8 million and ₱2.0 million as at December 31, 2018 and 2017, respectively.*

Advances to Subsidiaries. These advances are due and demandable but since the Company has no intention to collect these advances within one year, these are presented as noncurrent. However, since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

20. Commitments and Contingencies

Commitments

AMPI, a wholly owned subsidiary through ASTI, entered into a Joint Venture (JV) Agreement with the Boy Scouts of the Philippines (BSP) to develop the Alphaland Makati Place Project (the Project). Pursuant to the JV Agreement, the Company has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), the Company shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the JV Agreement.

The Company has also issued Continuing Suretyship Agreements in favor of BDOLFI in loan accommodations entered into by AAPI in 2017 and AAI in 2016.

Contingencies

There are on-going litigations involving the Company 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 Company'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 Company.

21. **Note to Statements of Cash Flow**

The reconciliation of the Company's liabilities arising from financing activities is presented below:

	2017	**Cash Flows**	**Non-cash Flows**	**2018**
Long-term debt	**₱6,190,037,923**	**(₱690,942,609)**	**₱21,922,916**	**₱5,521,018,230**
Advances from related parties	**27,140,187**	**117,160,988**	**–**	**144,301,175**
	₱6,217,178,110	**(₱573,781,621)**	**₱21,922,916**	**₱5,665,319,405**

	2016	Cash Flows	Non-cash Flows	2017
Long-term debt	₱480,000,000	₱5,806,000,000	(₱95,962,077)	₱6,190,037,923
Advances from related parties	2,777,057,133	(2,749,916,946)	–	27,140,187
Accrued interest	2,386,548	(2,386,548)	–	–
	₱3,259,443,681	₱3,053,696,506	(₱95,962,077)	₱6,217,178,110

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

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company) as at December 31, 2018 and 2017 and for the three years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated January 29, 2019.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that as at December 31, 2018, the Company has 75 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

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

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

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Alphaland Corporation (the Company) as at December 31, 2018 and 2017 and for the three years ended December 31, 2018, 2017 and 2016 and have issued our report thereon dated January 29, 2019. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management as at December 31, 2018. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2018

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓