

SEC Number: 031-050

File Number: _____

STA. LUCIA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Penthouse Building 3, Sta. Lucia East Grand Mall,
Marcos Highway Cor. Imelda Ave., Cainta Rizal

(Company Address)

(632) 681-7332

(Telephone Number)

March 31, 2019

(Quarter Ended)

2019 1st Quarter Report – SEC Form 17-Q

(Form Type)

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2019
2. Commission identification number. 31050 3. BIR Tax Identification No. 000-152-291-000

STA. LUCIA LAND, INC. AND SUBSIDIARIES

4. Exact name of issuer as specified in its charter
- Republic of the Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)

- Penthouse, Bldg. III, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Ave., Cainta, Rizal 1900
7. Address of issuer's principal office Postal Code

- (02) 681-7332
8. Issuer's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares of common Stock outstanding
<u>Common</u>	<u>8,196,450,000</u>

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

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

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

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PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the Three Months ended March 31, 2019 and December 31, 2018

	March 31 2019 (Unaudited)	December 31 2018(Audited)
ASSETS		
Current Assets		
Cash	P694,872,590	P1,064,532,966
Receivables	2,068,470,739	1,874,020,117
Contract assets	864,943,311	701,474,368
Real estate inventories	18,676,100,972	18,303,658,167
Other current assets	6,335,697,063	5,204,059,201
Total Current Assets	28,640,084,675	27,147,744,819
Noncurrent Assets		
Noncurrent installment contracts receivables	506,505,574	494,776,775
Contract assets – net of current portion	706,604,463	673,086,938
Investment properties	5,157,238,991	5,154,483,562
Property and equipment	43,381,622	44,535,128
Financial assets at fair value through other comprehensive income (FVOCI)	876,710,540	985,036,600
Other noncurrent assets	217,698,353	216,496,836
Total Noncurrent Assets	7,508,139,543	7,568,415,839
	P36,148,224,218	P34,716,160,658
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	P3,651,052,214	P3,990,826,478
Short-term debt	5,032,988,200	3,608,000,000
Contract liabilities	2,024,884,469	2,017,661,692
Income tax payable	+46,267,610	19,894,432
Total Current Liabilities	10,755,192,493	9,636,382,602
Noncurrent Liabilities		
Long-term debt	9,939,390,245	9,998,775,240
Contract liabilities – net of current portion	53,311,193	45,409,032
Pension Liabilities	5,496,160	5,496,160
Deferred tax liabilities – net	688,999,002	575,790,597
Total Noncurrent Liabilities	10,687,196,600	10,625,471,029
Total Liabilities	21,442,389,093	20,261,853,631
Equity		
Capital stock	10,796,450,000	10,796,450,000
Additional paid-in capital	330,004,284	330,004,284
Retained earnings	4,802,704,424	4,402,362,924
Treasury shares	(1,640,000,000)	(1,640,000,000)
Net unrealized gain on fair value of financial assets at FVOCI/AFS	416,890,092	568,768,194
Remeasurement losses on pension liabilities	(213,675)	(3,278,375)
Total Equity	14,705,835,125	14,454,307,027
	P36,148,224,218	P34,716,160,658

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Three Months ended March 31, 2019 and March 31, 2018 and December 31, 2018

	March 2019	March 2018	December 2018
REVENUE			
Real estate sales	₱944,144,607	₱606,744,496	₱2,428,307,857
Rental income	206,017,620	267,314,564	858,758,442
Interest income	36,705,774	30,098,851	300,973,297
Commission income	8,266,297	3,381,620	181,286,064
Dividend income	–	–	7,157,683
Others	75,639,023	66,581,854	255,736,621
	1,270,773,321	974,121,385	4,032,219,964
COSTS AND EXPENSES			
Cost of real estate	231,039,043	197,581,331	959,025,588
Cost of rental income	130,662,002	144,197,581	553,974,130
Interest expense	230,359,424	129,537,842	706,707,500
Depreciation and amortization	3,614,963	4,404,266	16,950,967
Commissions	118,515,976	65,730,110	324,666,305
Advertising	11,163,521	15,539,886	59,715,755
Taxes, licenses and fees	13,395,909	14,050,869	70,826,085
Salaries and wages and other benefits	10,124,560	8,457,340	65,093,880
Professional fees	3,980,077	2,541,339	21,077,509
Representation	11,787,083	2,036,736	17,987,405
Utilities	1,492,338	2,168,091	7,476,177
Repairs and maintenance	1,205,493	559,774	33,631,046
Provision for doubtful account	-	–	1,393,944
Miscellaneous	19,896,100	8,679,260	51,579,006
	787,236,489	595,484,425	2,890,105,297
INCOME BEFORE INCOME TAX	483,536,832	378,636,960	1,142,114,667
PROVISION FOR INCOME TAX	145,058,426	113,590,842	76,935,383
NET INCOME	338,478,406	265,046,118	1,065,179,284
OTHER COMPREHENSIVE INCOME			
Unrealized gain for fair value of available-for-sale financial assets	148,813,402	(47,736,768)	37,007,331
Remeasurement gains (losses) on pension liabilities – net of tax	–	–	(3,064,700)
TOTAL COMPREHENSIVE INCOME	₱487,291,808	₱217,309,350	₱1,099,121,915
Basic/Diluted Earnings Per Share	₱0.04	₱0.03	₱0.12

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Three Months ended March 31, 2019 and March 31, 2018

	March 2019	March 2018
CAPITAL STOCK		
Common shares - ₱1 par value		
Authorized - 16,000,000,000 shares		
Issued and outstanding – 10,796,450,000 shares	₱10,796,450,000	₱10,796,450,000
	10,796,450,000	10,796,450,000
ADDITIONAL PAID-IN CAPITAL	330,004,284	330,004,284
TREASURY SHARES	(1,640,000,000)	(740,000,000)
RETAINED EARNINGS		
Balance at beginning of year	4,464,226,018	3,461,949,860
Net income	338,478,406	290,393,308
Balance at end of period	4,802,704,424	3,752,343,168
UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS	416,890,092	414,027,563
REMEASUREMENT GAIN (LOSS) ON PENSION		
LIABILITIES- NET OF TAX	(213,675)	(213,675)
	₱14,705,835,125	₱14,552,611,340

STA. LUCIA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Three Months ended March 31, 2019 and March 31, 2018

	March 2019	March 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱483,536,832	₱378,636,960
Adjustments for:		
Depreciation and amortization expense	27,214,139	42,122,226
Interest expense	257,577,330	111,073,862
Dividend income	—	—
Interest income	(36,705,774)	(30,098,851)
Operating income before changes in working capital	731,622,527	501,734,197
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	375,253,822	165,883,766
Real estate inventories	(603,481,848)	(438,447,605)
Due from related parties	(56,836,526)	(56,836,526)
Other current assets	(1,286,302,882)	(440,435,079)
Increase (decrease) in:		
Accounts and other payables	(321,740,641)	122,287,281
Customers' deposits	60,533,971	176,255,384
Net cash generated from (used in) operations	(1,100,951,577)	30,441,418
Interest paid	36,705,774	30,098,851
Interest received	(339,123,208)	(161,844,307)
Income taxes paid	—	—
Net cash provided by (used in) operating activities	(1,403,369,011)	(101,304,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	(26,354,605)	2,063,836
Investment properties	(2,461,457)	(3,808,558)
Other noncurrent assets	(153,463,503)	(4,206,533)
Net cash used in investing activities	(182,279,565)	(5,951,255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	(584,000,000)	1,226,000,000
Payment of loans	1,799,988,200	(1,183,000,000)
Net cash provided by financing activities	1,215,988,200	43,000,000
NET INCREASE (DECREASE) IN CASH	(369,660,376)	(64,255,293)
CASH AT BEGINNING OF YEAR	1,064,532,966	626,239,307
CASH AT END OF PERIOD	₱694,872,590	₱561,984,014

STA. LUCIA LAND, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (SLLI or the Group) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation. On August 14, 1996, the Group's Articles of Incorporation was amended.

Under the amendment, it changed the corporate name to Zipporah Realty Holdings, Inc. and it transferred the original primary purpose to secondary purpose from being a mining firm to a real estate company with the amended primary purpose to acquire by purchase, lease, and to own and develop and hold for investment and/or disposal, real estate of all kinds together with their appurtenances.

On July 16, 2007, the Group changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

The end of the corporate life of the Group was December 5, 2016. On June 16, 2016, the SEC approved the extension of the Group's life to another 50 years up to December 5, 2066.

The registered office address and principal place of business of the Group and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal.

The Group is 81.75% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Group).

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency and all values are rounded to nearest Philippine peso except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of March 31, 2019 and December 31, 2018.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of 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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Group and the following wholly owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00%

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Group has no share-based payment transaction, therefore these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

- Amendments to PFRS 4, Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

These amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. -

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues on PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- d. Accounting for cancellation of real estate sales as discussed in PIC Q&A No. 2018-14

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferrals are applicable to real estate sales transactions.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A had been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

b. The Group is acting as principal on air-conditioning services, common use service areas and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income for 2018.

Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would not impact the retained earnings as at January 1, 2018 and gain/(loss) from repossession in 2018. Currently, the Group records the repossessed inventory at its fair value less cost to sell and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

PIC Q&A on Advances to Contractors

The Group adopted PIC Q&A 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as at January 1, 2018.

Amendments to PAS 28, Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments do not have material impact on the Group's consolidated financial statements.

• *Amendments to PAS 40, Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a

change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

The Group is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and,

Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances
- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The interpretation specifically addresses the following:

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.
Annual Improvements 2015-2017 Cycle

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Group is currently assessing the impact of adopting this amendment.

Effective beginning on or after January 1, 2020

• Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

• Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

• PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts with PFRS 17 is effective for reporting periods beginning on or after

The overall objective of PFRS 17 is to provide accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*.

Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in statement of financial position based on current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability at least twelve months after the reporting period.

Cash and cash equivalent

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rate. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and are subject to insignificant risk of changes in value.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

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

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

- Level 1 - Quoted (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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value from 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 under interest income, unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized 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 amount.

Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018

Financial Instruments

Date of recognition

The Group recognizes financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition of financial instruments

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers. In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest’ on the principal amount outstanding. This assessment is referred to as the ‘solely payments of principal and interest test’ and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of March 31, 2019, the Group’s financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost

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

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

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the Group statements of comprehensive income.

The Group classified cash and cash equivalents, installment contracts receivables and other receivables as financial assets at amortized cost (see Notes 5, 6 and 28).

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the Group statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the Group statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Dividends earned on holding these equity instruments are recognized in the Group statements of comprehensive income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 pay.

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a simplified approach for installment contracts receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on lifetime ECL. The Group uses the ratings from the Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of March 31, 2019 and December 31, 2018, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Group statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Group statements of comprehensive income.

This category generally applies to short-term and long-term debts.

Other financial liabilities

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any other discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included as finance costs in the Group statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Group statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a liability on the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivables, while its financial liabilities are of the nature of other financial liabilities.

Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial instruments are of the nature of loans and receivables, available-for-sale (AFS) financial assets, and other financial liabilities.

Loans and receivables

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

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Interest Income" in the Group statements of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the Group statements of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade receivables and noncurrent installment contracts receivables.

AFS financial assets

AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized Gains (Losses) on Fair Value of Available-for-Sale Financial Assets" in the other comprehensive income section of the Group statements of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR method.

Dividends earned on holding AFS equity investments are recognized in profit or loss as "Dividend Income" when the right to receive payment has been established.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

The Group's AFS financial assets pertain to both quoted and unquoted equity securities included under "Available-for-Sale Financial Assets" account in the Group statements of financial position. The Group's quoted equity securities pertain to investments in casinos and gaming company while unquoted securities pertain to investment in real estate company.

Other financial liabilities

Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where 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.

After initial measurement, other 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 integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process.

As of December 31, 2018 and 2017, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

Debt Issuance Costs

Debt issuance costs represent costs arising from fees incurred to obtain loans. Debt issuance costs are deducted against loans payable and are amortized over the terms of the related borrowings using the EIR method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred '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. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an

impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value

For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the Group statements of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. In case of unquoted AFS, the Group obtains other basis of recoverable value such as the recent net asset value of the investee or forecast of financial performance of the investee. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

AFS financial assets carried at cost

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Liabilities

Financial asset

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

the right to receive cash flows from the asset has expired or

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Where 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, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Group 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 asset and settle the liability simultaneously.

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the “Real Estate Inventories” account in the Group statements of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, 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 costs of completion and the estimated costs of sale.

Other Current Assets

Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These include prepayments of construction costs and deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets and included under “Costs of Rental Income” in the Group statements of comprehensive income. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	5 to 10

Investment properties are derecognized when either they have been disposed of, or when the

investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when 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 development. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment properties, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at March 31, 2019 and December 31, 2018. The Group's investment properties consist of land and building pertaining to properties, mall and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3 to 5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Interests in Joint Operations

Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations and dedicated to the purposes of the joint operations. The assets are used to obtain benefits for the operators. Each operator may take a share of the output from the assets as agreed by the parties and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the joint operations. Contribution of the Group to the joint operations are included in real estate inventories.

Investments in Subsidiaries

Investments in subsidiaries are accounted for using the cost method, less any accumulated impairment in use, in the separate financial statements of the Group in accordance with PAS 27. On acquisition date of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

The Group controls an investee when it 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.

The Group controls an investee if and only if the Group has all the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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 Group recognizes income from the investment only to the extent that the Group receives distributions from accumulated income of the subsidiary arising after the date of acquisition. Distribution received in excess of such income are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the investee companies are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investee company and the carrying cost and recognized the amount in profit or loss.

Impairment of Nonfinancial Assets

This accounting policy relates to the other current assets, investment properties and property and equipment.

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 cash-generating unit'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 group 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.

Impairment losses of continuing operations are recognized in the Group statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Group statements of comprehensive income 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.

Pension Liabilities

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs

incurred directly attributable to the issuance of new shares are deducted from proceeds and charged to “Additional Paid-in Capital” (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss 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 in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the quarterly project accomplishment report prepared by the management’s project specialists (project development engineers) as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, under trade receivables, is included in the “contract asset” account in the asset section of the Group statements of financial position.

Any excess of collections over the total of recognized installment contracts receivables is included in the “contract liabilities” account in the liabilities section of the Group statements of financial position.

Cost of real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect 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 changes are determined.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Costs to obtain contract (Commission expense)

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and administrative expense" account in the Group statements of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract Balances

Installment Contracts Receivables

Installment contracts receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Group's contract fulfillment assets pertain to land acquisition costs.

The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and administrative expense", respectively.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal. At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test. Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Others

Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized when services are rendered. Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Revenue Recognition prior to January 1, 2018

Revenue and Cost 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. In arrangements where the Group is acting as the principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The Group has concluded that it is acting as principal in all of its revenue arrangements except for its commission income where the Group is acting as an agent.

Real estate sales

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial payment (buyers' equity) and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the percentage-of-completion method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' Deposits" account in the liabilities section of the Group statements of financial position. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' Deposits" account in the Group statements of financial position.

For sales transactions with its supplier whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services, the same revenue recognition policy as above is applied, except that buyer's equity is measured based on the fair value of materials and services received to date. For materials and services received to date, pending recognition of sale, these are presented as "Offsetting Payable" under accounts and other payables in the liabilities section of the Group statements of financial position until the criteria for revenue recognition are met.

Cost of real estate

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate inventories sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Commission expense

The commission is charged to expense when a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Others

Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Other Revenue and Income Recognition

Rental income

Rental income arising from operating leases on investment properties is recognized in the Group statements of comprehensive income as follows:

Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.

Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Construction income

Construction income on housing units is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion of costs incurred to date compared to the estimated total cost of the contract.

Interest income

Interest income is recognized as it accrues using the EIR method.

Commission income

Commission income on promotions and marketing services is recognized when services are rendered.

Dividend income

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Costs and Expenses

Costs and expenses are recognized in the Group statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the Group statements of comprehensive income:

On the basis of a direct association between the costs incurred and the earning of specific items of income;

On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or

Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the Group statements of financial position as an asset.

Cost of rental income

Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

Cost of construction

Cost of construction includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Expenses

“Selling and administrative expenses” are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and administrative expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others and costs of administering the business. Expenses are recognized in the Group statements of comprehensive income as incurred based on the amounts paid or payable.

Borrowing Costs

Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in “Real Estate Inventories” account in the Group statements of financial position). All other borrowing costs are expensed in the period in which they occur.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

There is a change in the determination of whether fulfillment is dependent on a specified asset; or

There is substantial change to the asset.

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

Group as lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized on a straight-line basis over the lease term in the profit or loss. 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 basis as the rental income. Contingent rents are recognized as revenue in the period in which they 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 rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Group statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Input VAT

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

Deferred tax

Deferred tax is provided on all temporary differences, with certain exceptions, at the reporting date 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. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, 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 nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

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

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

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. As of March 31, 2019 and December 31, 2018, the Group has no potential diluted common shares.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23 to the Group financial statements.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in Group statements of comprehensive income net of any reimbursement.

Contingencies

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

Events After the Reporting Date

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

Significant Accounting Judgments and Estimates

The preparation of the accompanying Group financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Group financial statements and accompanying notes. The estimates and assumptions used in the accompanying Group financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the Group financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Real Estate Revenue Recognition (Effective January 1, 2018)

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, buyer's ledger and official receipts evidencing collections from buyer, would contain all criteria to qualify as a contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as historical experience with customers. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition. Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability of economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by management's project specialists (project development engineers) and managers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

For installment contracts receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

1. The customer is experiencing financial difficulty or is insolvent
2. The customer is in breach of financing covenant(s)
3. An active market for that financial assets has disappeared because of financial difficulties
4. Concessions have been granted by the Group, for economic contractual reasons relating to the customer's financial difficulty

It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected credit loss calculation.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Real Estate Revenue Recognition (Prior to January 1, 2018)

Selecting an appropriate revenue recognition method for a particular sale transaction 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 the stage of completion of the project. In determining whether the sales price are collectible, the Group considers that initial and continuing investment of 20% of the net contract price for real estate development and sale would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Distinction between real estate inventories and investment properties

The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Recognizing deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

Revenue recognition and measure of progress for real estate sales (Effective January 1, 2018)

The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Real estate sales amounted to ₱944.14 million for the period ended March 31, 2019.

Revenue and cost recognition on real estate (Prior to January 1, 2018)

The Group applies the percentage of completion (POC) method in determining real estate revenue and cost. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

Evaluation of impairment of installment contracts receivables and contract assets (Effective January 1, 2018)

The Group uses the simplified approach to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by project type and geography).

The vintage analysis (the model) is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as foreign exchange growth rate and bank lending rates. For

instance, if forecast economic conditions (e.g., foreign exchange growth rate) are expected to appreciate over the next year, which can lead to decreased number of defaults since the buying power of the public will increase, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., foreign exchange growth rate and bank lending rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Evaluation of impairment of installment contracts receivables (Prior to January 1, 2018)

The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Evaluation of net realizable value of inventories

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged, slow or non-moving or if their selling prices have declined in comparison to the cost.

There was no provision for impairment nor reversal in 2019 and 2018.

Evaluation of impairment on other non-financial assets (except inventories)

The Group reviews other current assets, investment properties and property and equipment for impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

There was no provision for impairment nor reversal of impairment in 2019 and 2018.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the Group statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

4. Aging of Receivables

As of March 31, 2019(Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired					Total	Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days			
Trade	₱3,696,576,761	₱30,117,384	₱27,361,154	₱24,954,293	₱22,733,177	₱33,218,300	₱138,384,308	₱-	₱3,834,961,069
Nontrade	311,563,018	-	-	-	-	-	-	-	311,563,018
Total	₱4,008,139,779	₱30,117,384	₱27,361,154	₱24,954,293	₱22,733,177	₱33,218,300	₱138,384,308	₱-	₱4,146,524,087

As of March 31, 2018 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired					Total	Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days			
Trade	₱3,141,670,976	₱10,942,324	₱9,856,489	₱7,976,974	₱7,741,235	₱25,163,694	₱61,680,716	₱-	₱3,203,351,692
Nontrade	813,147,418	-	-	-	-	-	-	-	813,147,418
Total	₱3,954,818,394	₱10,942,324	₱9,856,489	₱7,976,974	₱7,741,235	₱25,163,694	₱1,680,722	₱-	₱4,018,179,832

5. Segment Information

The following tables regarding business segments present assets and liabilities as of March 31, 2019 and March 31, 2018 and revenue and income information for each of the two periods ended March 31, 2019 and March 31, 2018.

As of March 31, 2019 (Unaudited)			
	Leasing	Residential Development	Total
Rental income	P206,017,620	P-	P206,017,620
Cost of rental income	(130,662,002)	-	(130,662,002)
Real estate sales	-	944,144,607	944,144,607
Cost of real estate sales	-	(231,039,043)	(231,039,043)
Construction income	-	-	-
Cost of construction income	-	-	-
Segment profit	75,355,618	713,105,564	788,461,182
General and administrative expense	(28,056,551)	(147,223,369)	(175,279,920)
Commission income	10,557	36,695,217	36,705,774
Interest income	-	8,266,297	8,266,297
Interest expense	-	(230,359,424)	(230,359,424)
Other income	-	75,639,023	75,639,023
Other expense	(137,024)	(19,759,076)	(19,896,100)
Provision for income tax	(14,151,780)	(130,906,646)	(145,058,426)
Net income	P33,020,820	P305,457,586	P338,478,406
Segment assets	P5,157,238,991	P30,990,985,227	P36,148,224,218
Segment liabilities	P-	P17,056,070,268	P17,056,070,268
Accounts and other payables	-	3,651,052,214	3,651,052,214
Income tax payable	13,880,283	32,387,327	46,267,610
Deferred tax liability	-	688,999,002	688,999,002
Total liabilities	P13,880,283	P21,428,508,811	P21,442,389,094

As of March 31, 2018 (Unaudited)			
	Leasing	Residential Development	Total
Rental income	P267,314,564	P-	P267,314,564
Depreciation	(4,404,266)	-	(4,404,266)
Cost of rental income	(144,197,581)	-	(144,197,581)
Real estate sales	-	610,126,116	610,126,116
Cost of real estate sales	-	(197,581,331)	(197,581,331)
Construction income	-	-	-
Cost of construction income	-	-	-
Segment profit	118,712,717	333,308,664	531,257,502
General and administrative expense	(25,074,181)	(86,009,965)	(111,084,146)
Interest income	-	30,098,851	30,098,851
Interest expense	-	(129,537,842)	(129,537,842)
Other income	-	66,581,854	66,581,854
Other expense	-	(8,679,260)	(8,679,260)
Provision for income tax	(28,091,560)	(85,499,281)	(113,590,841)
Net income	P65,546,976	P120,263,021	P265,046,118
Segment assets	P5,123,706,424	P25,119,914,186	P30,243,620,610
Segment liabilities	P-	P11,959,486,390	P11,959,486,390
Accounts and other payables	-	2,884,186,411	2,884,186,411
Income tax payable	72,842,491	52,118,812	124,961,303
Deferred tax liability	149,169,768	598,552,588	747,722,356
Total liabilities	P222,012,259	P15,494,344,201	P15,716,356,460

6. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash, receivables accounts and other payables

Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Loans payable

Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

Noncurrent installment contracts receivables

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity.

AFS financial assets

Fair values are based on quoted prices published in markets.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- | | |
|----------|--|
| Level 1: | quoted (unadjusted) prices in active markets for identical assets or liabilities |
| Level 2: | other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly |
| Level 3: | techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. |

There have been no transfers between Level 1 and Level 2 during 2019 and 2018.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, receivables, AFS financial assets and accounts and other payables, short-term debt and long-term debt. The Group has other financial liabilities such as accounts and other payables which arise directly from the conduct of its operations.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk

Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As part of the liquidity risk management, the Group currently transacts with local banks for an extension and negotiation of higher undrawn credit lines to meet the suppliers' and contractors' obligations and business expansion.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial assets comprise of cash on hand and in bank, trade receivable, interest receivable and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Group's exposure to credit risk from cash on hand and in bank and AFS financial assets arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Real estate contracts

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The credit quality of the financial assets was determined as follows:

Cash - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on equity instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

ITEM 2: MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

Result of Operations

(Three months ended March 31, 2019 compared to the Three Months ended March 31, 2018)

Revenue

For the first quarter of 2019, Sta. Lucia Land Inc., and Subsidiaries (Group) generated revenues amounting to P1,271 million. Compared to last year's P974 million, overall revenues increased by 30% caused by aggressive marketing schemes and more lots and units are offered in the market due to continuous project development. Increased in commission income by 144% or P5 million was due to aggressive sales recognized by Sta. Lucia Ventures. Interest income also increased 22% or P7 million since more buyers are opting for longer payments and more interest are earned through these installment receivables.

Cost and Expense

In relation to higher revenues, costs and expenses of the Group directly increased by P192 million from P595 million to P787 million. The increase was mainly attributed to the increase in cost of sales amounting to P33 million, increase in commission brought about by the increase in sales amounting to P52 million and interest expense amounting to P100 million.

Also, increase in affected by the increase in representation expense amounting to P10 million.

Comprehensive Income

For the three-month period ending March of 2019, the Group reported P487 million of comprehensive income. The increase of P270 million or 124% is directly attributable to the real estate sales recognized during the period. In addition, the fair market value of investments held in form of stocks increased by P149 million from December 31, 2018.

Financial Condition

(Three months ended March 31, 2019 compared to year ended December 31, 2018)

Total Assets

Total Group's total assets slightly increased to P36,148 million in the first quarter of 2019 from P34,716 million in December 31, 2018. The increase of P1,432 million is mainly due to increase in other current assets amounting to P1,131 million and installment receivables amounting to P357 million. The posted increase on assets was due to higher receivables recognized in the books boosted by the increase in recognized sales during the period.

Total Liabilities

Group's liabilities totaled to P21,442 million showed an increase in amount from P20,262 million in December 31, 2018 amounting to P1,180 million. This is due to downpayments and reservation fees made by buyers since to sales of real estate inventories in the period.

Key Performance Indicators

	March 31, 2019	December 31, 2018
Current Ratio	2.66	2.82
Debt to Equity	1.02	.94
Interest Coverage Ratio	309.91%	261.61%
Return on Asset	0.94%	3.06%
Return on Equity	2.30%	7.37%

*Notes to Key Performance Indicator:

1. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans and income tax payables*).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio= Earnings before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

Material Changes in the Balance Sheet (+/- 5%) as of March 31, 2019 versus the Balance Sheet as of December 31, 2018

35% decrease in cash

Decrease in mainly attributable to the higher capital expenditures incurred for the continuous development of existing projects and acquisition of various raw lands for future expansions and new projects.

10% increase in receivables

Increase was mainly attributable to the boosted sales of completed projects booked during the period.

23% increase in contract assets

Increase was mainly attributable to the boosted sales of ongoing projects booked during the period.

22% increase in other current assets

Due to advances made to contractors to develop raw lands purchased in the previous year. Increase is also attributable to the advance commissions paid to marketing arms to promote sales.

11% decrease in available-for-sale financial assets

Decrease was due to the movement of market values of quoted investment securities of Phil Racing Inc. and Manila Jockey Club Inc.

9% decrease in accounts and other payable

Decrease was due to payments made to suppliers.

39% increase in short-term debts

Increase was due to higher borrowings made during the quarter, proceeds from borrowing were allocated to the daily operating requirement as well as capital expenditures.

133% increase in income tax payable

As revenue posted a robust increase, income tax is directly affected.

20% decrease in deferred tax liabilities

Decrease was due to movements in the accounts affecting timing differences of taxes.

9% increase in retained earnings

Increase was due to the recognized income during the period.

27% decrease in unrealized fair market value of AFS

Decrease was due to the movement of market values of quoted investment securities of Phil Racing Inc. and Manila Jockey Club Inc.

Material Changes in the Income Statement (+/-5% and >P10M) for the Three-Month Period Ended March 31, 2019 versus the Income Statement for the Three-Month Period Ended March 31, 2018**56% increase in real estate sales**

Increase in real estate sales is boosted by the extensive marketing schemes implemented during the first quarter of the year as compared to same period last year.

23% decrease in rental income

Decrease in rental income is due to revaluation of lease rates to be competitive with neighboring malls.

21% increase in interest income

Increase in interest income was brought about by the payment scheme opted by buyers during the first quarter. More buyers chose installment payment scheme for their purchase thus increasing the recognized interest income during the quarter.

144% increase in commission income

Increase in commission income was brought about by the boosted marketing efforts exerted by Sta. Lucia Ventures. Increase in sales was posted during the first quarter as compared to same period last year.

14% increase in other income

Attributable to increase in defaults of various buyers and cancelled sales resulting to increase in revenue from booking of surcharges/penalties, processing fees and other related income.

17% increase in cost of real estate sales

Increase was directly attributable to the increase in real estate sales during the period.

9% decrease in cost of rental income

Decrease was due to the cost minimization strategies employed by SLI to increase its revenue.

78% increase in interest expense

Increase in interest expense was brought about by the aggressive capitalization plan employed to raise capital during 2018.

80% increase in commissions

Increase directly attributable to the increase in sales during the period.

18% decrease in advertising

Decrease was due to employment of an effective cost management to increase revenue.

5% decrease in taxes and licenses

Due to operational activities of the Group and lower volume of processing.

57% increase in professional fees

Attributable to increase in number of professionals and consultant employed during the period for continuous project development.

20% increase in salaries and wages and other benefits

Due to increase in number of employees and salary adjustments.

479% increase in representation expense

Attributable to higher incurred transactions for the first quarter of 2018.

31% decrease in utilities

Decrease was due to employment of an effective cost management to increase revenue.

115% increase in repairs and maintenance

Due to the capitalization of various major repairs and maintenance to inventory accounts and lessened costs for the administration.

129% increase in miscellaneous expenses

Mainly due to increase in surcharges and penalties, insurance, legal, office supplies, software maintenance and transportation expenses incurred by the Group.

PART II – OTHER INFORMATION

Item 3: 1st Quarter of 2019 Developments

No additional subscription was made by the Company nor was any merger executed.

A. Composition of Board of Directors

VICENTE R. SANTOS	Chairman
EXEQUIEL D. ROBLES	President
MARIZA SANTOS-TAN	Treasurer
AURORA D. ROBLES	Assistant Treasurer
ANTONIO D. ROBLES	Director
ORESTES R. SANTOS	Director
SIMEON S. CUA	Director
JOSE FERDINAND R. GUIANG	Independent Director
OSMUNDO DE GUZMAN, JR.	Independent Director

B. Performance of the corporation or result/progress of operations.

Please see the unaudited Financial Statements and Management's Discussion and Analysis (MD&A) on result of operation with regards to the performance of the corporation or result/process of operations.

C. Declaration of Dividends.

None

D. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None

E. Offering of rights, granting of Stock Options and corresponding plans thereof.

None

F. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable

G. Other information, material events or happenings that may have affected or may affect market price of security.

None

H. Transferring of assets, except in normal course of business.

None

Item 4: Other notes to Operations and Financials as of March 31, 2019

I. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents

None

- J. Nature and amount of change in estimates of amounts reported in prior periods and their material effect in the current period.
There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.
- K. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.
None.
- L. All Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the period covered.
- M. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investment restructurings, and discontinuing operations.
None
- N. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.
None
- O. Existence of material contingencies and other material events or transactions during the interim period.
None
- P. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
None
- Q. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) , and other relationships of the company with unconsolidated entities or others persons created during the reporting period.
None
- R. Material commitments for capital expenditures, general purpose and expected sources of funds.
None
- S. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.
None
- T. Significant elements of income or loss that did not arise from continuing operations.
None
- U. Causes for any material change/s from period to period in one or more line items of the financial statements.
See Management Discussion & Analysis portion of the quarter report

- V. Seasonal aspects that had material effect on the financial condition or results of operations.
None
- W. Disclosures not made under SEC Form 17-C
None

STA. LUCIA LAND, INC. AND SUBSIDIARIES**FINANCIAL RATIOS**

As of March 31, 2019

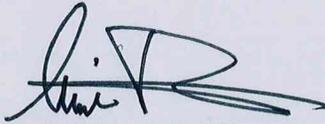
	March 31, 2019	December 31, 2018
Current Ratio	2.66	2.82
Debt to Equity	1.02	.94
Interest Coverage Ratio	309.91%	261.61%
Return on Asset	0.94%	3.06%
Return on Equity	2.30%	7.37%

SIGNATURES

Pursuant to the Requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STA. LUCIA LAND, INC.

Issuer



EXEQUIEL D. ROBLES

President and CEO

Date: May 17, 2019



VICENTE R. SANTOS

Chairman of the Board

Date: May 17, 2019