



BUILDING SUSTAINABLE GROWTH AND VALUE

2019 ANNUAL REPORT



Eton Properties Philippines, Inc.

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FINANCIAL HIGHLIGHTS

A balanced portfolio propelled Eton Properties' net income in 2019, which soared 83% to Php 900 million compared to the Php 492 million reported in the previous year. Total revenues slightly increased at Php 3.3 billion.

The growth in Eton Properties' leasing revenue was driven by the strong uptake of its commercial spaces following the opening of neighborhood lifestyle and community center, Eton Square Ortigas in San Juan City, as well as stable occupancy of office spaces. As a result, Eton Properties lease revenue reached Php 1.7 billion, representing a 14% increase compared to the same period last year. Likewise, high occupancy at The Mini Suites, the Company's serviced residences in Eton Tower Makati, added Php 181 million, a 95% jump in revenue. Real estate sales, on the other hand, were recorded at Php 1.4 billion.

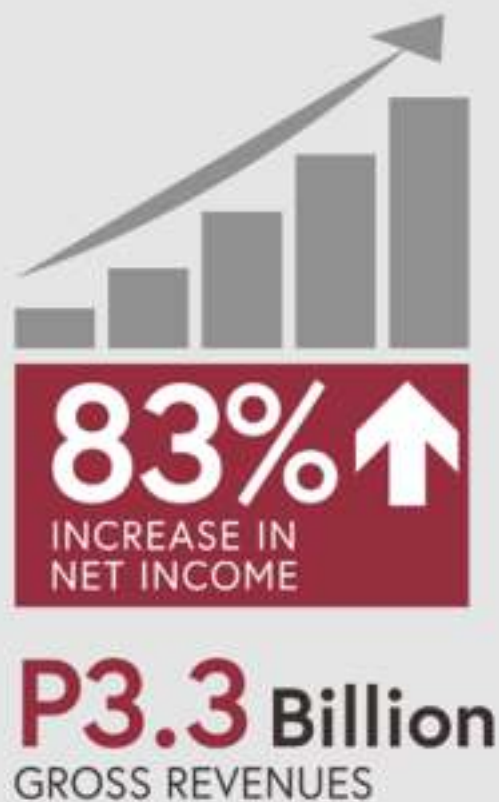
Eton Properties continued to expand its leasing portfolio with the opening of Eton WestEnd Square in Makati City. Its retail component, eWestMall, has two floors of retail spaces with a total leasable area of approximately 3,600 square meters. Dining and functional service establishments have already opened their doors to the public, and more tenants are expected to do so in the next few months. Alongside this, eWestPod, the office component of the nano-township, also opened offering over 13,000 square meters of office space.

At the end of 2019, Eton Properties has a leasing portfolio of approximately 181,000 square meters of office space and over 43,500 square meters of retail space.

Meanwhile, Eton Properties' construction activities remained in high gear. In 2019, the 36-storey Blakes Tower in Makati City was topped off. Once completed, it will add approximately 10,500 square meters of office space and 14,000 square meters of residential space to the Company's leasing portfolio. Construction is also ongoing for the 4.3-hectare Eton City Square in Sta. Rosa, Laguna. The first phase of the neighborhood retail and commercial center will offer 6,900 square meters of gross leasable area when finished. Likewise, construction is on track for NXTower I, an office building along Emerald Avenue and Ruby Road in Ortigas, adding 21,000 square meters of gross leasable area to the Company's leasing portfolio once completed.

Consolidated assets increased to Php 32 billion from Php 31 billion in 2018. Total liabilities, on the other hand, stood at Php 14 billion.



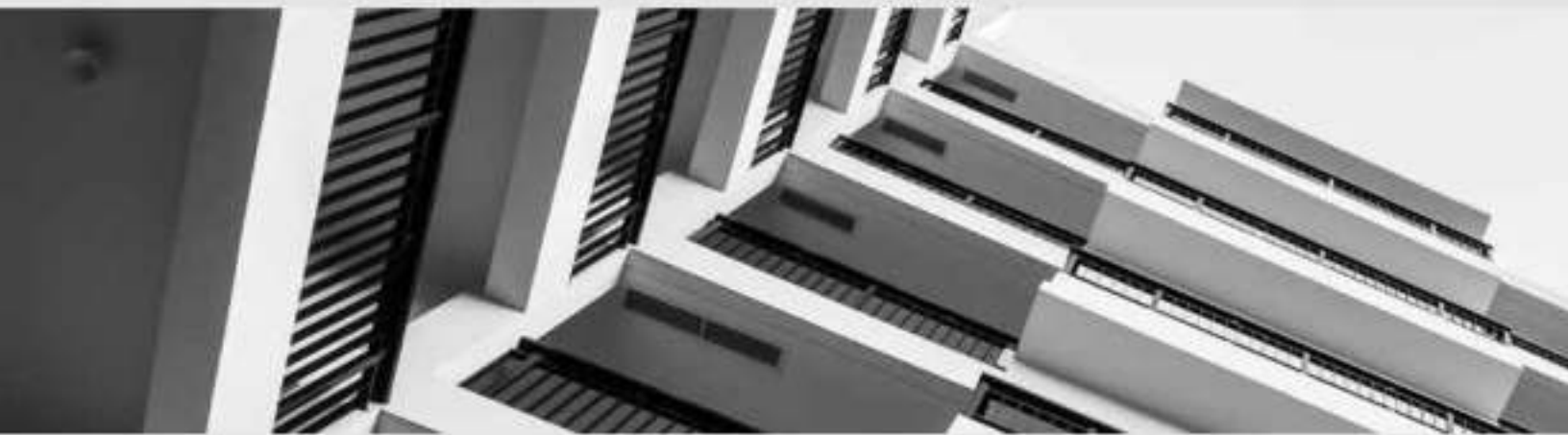


CONSOLIDATED STATEMENTS OF INCOME

(In Million Pesos)	2019	2018
Revenue	3,314.29	3,291.98
Cost and Expenses	2,027.18	2,517.48
Other Income (Charges)	(8.38)	(93.07)
Income Before Income Tax	1,278.73	681.43
Provisions For Income Tax	378.36	189.69
Net Income	900.37	491.74

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Million Pesos)	2019	2018
Current Assets	9,229.90	10,586.75
Non Current Assets	22,597.79	20,735.79
Total Assets	31,827.69	31,322.54
Current Liabilities	7,743.43	6,101.59
Non current Liabilities	6,248.86	8,224.79
Total Liabilities	13,992.29	14,326.38
Equity	17,835.40	16,996.16
Total Liabilities and Equity	31,827.69	31,322.54



CHAIRMAN'S MESSAGE

The year 2019 was a year of achievement for Eton Properties Philippines, Inc., as we went from strength to strength, building on the foundation that we laid out throughout the years.

Riding on the momentum of growth that we started in previous years, Eton Properties again saw a remarkable surge in our business in 2019, fueled by a strong domestic economy and positive investor sentiment. The Philippines' massive infrastructure program also provided a strong boost to the property sector, helping drive up values.

As a result, Eton Properties saw robust leasing revenue brought about by new leasing tenants and healthy renewals at better rates of its office and commercial spaces.

I am proud to note that throughout the years, Eton Properties has continued to deliver properties of lasting value. Your Company focused on improving where it can across the various facets of its operations, guided by a solid vision at how we can introduce the principles of sustainability into our business, mindful of our commitment to the greater community. Our vision is to achieve sustainable growth and value.

Lastly, we owe our achievement to our late President who led Eton Properties to greater heights for the past years. As we move forward, I am confident that we can build on our solid achievements to reach far more in the years ahead. We can assure you, dear shareholders, that our vision of sustainable growth and stability for Eton Properties remains clearer than ever.

Once again, I ask for your support as we move ahead to achieve our goals.

Let me express my deepest gratitude to our shareholders, management, and staff, for your support throughout our growth journey.



Dr. Lucio C. Tan
CHAIRMAN

As we move forward, I am confident that we can build on our solid achievements to reach far more in the years ahead. We can assure you, dear shareholders, that our vision of sustainable growth and stability for Eton Properties remains clearer than ever.



PRESIDENT'S MESSAGE

In 2019, Eton Properties Philippines, Inc. posted record growth, driven by an optimal balance between real estate sales and leasing revenue from commercial and office projects that came onstream.

Mirroring the market's appreciation of our projects, leasing revenue increased to Php 1.7 billion, 14% higher than last year, as lease renewals for our office and commercial spaces stayed robust. Real estate sales, on the other hand, were recorded at Php 1.4 billion.

Adding impetus was the opening of the neighborhood lifestyle and community center, Eton Square Ortigas in San Juan City, as well as the opening of Eton WestEnd Square in Makati City. Its retail component, eWestMall, has started to open dining and functional service establishments to the public in 2019. Likewise, its office component, eWestPod, also opened with four floors of office space.

Also noteworthy was the high occupancy at The Mini Suites, a serviced residence in Eton Tower Makati, which contributed Php 181 million, representing a 95% jump to its revenue.

Combined, Eton Properties has a leasing portfolio of approximately 181,000 square meters of office space and over 43,500 square meters of retail space by the end of 2019.

As a result, net income surged 83% to hit Php 900 million. Our EBITDA registered a 55% growth to Php 1.9 billion. Our total revenues were recorded at Php 3.3 billion, an improvement from the previous year.

Eton Properties closed the year with consolidated assets of Php 32 billion, a slight increase from Php 31 billion as of 2018. Total liabilities stood at Php 14 billion.

Clearly, our strong showing in 2019 indicates that our customers believe in Eton Properties' value proposition— one that combines strategic location and quality features— whether it is for the commercial, office, or residential markets. We are confident that we will maintain this in the coming year, as we see more of our developments come through.

Meanwhile, construction activities remained in high gear in 2019.

The Company topped off the 36-storey Blakes Tower, an office and residential building in Makati City. Once finished, it will offer offices and residential units for lease. NXTower I is also being constructed. Considered as Eton Properties' landmark office development located between Emerald Avenue and Ruby Road in Ortigas, it will offer office spaces and amenities designed to make 24/7 operations seamless.

In Sta. Rosa, Laguna, construction is also on-going for the first phase of Eton City Square. Envisioned to be a neighborhood retail and commercial center, the development will offer an array of dining, retail, and service establishments for residents and travelers, once completed.


With the inherent strength of the Philippine economy, coupled by strong consumer confidence and positive investor sentiment, we believe that we can maintain our growth trajectory. As we transition to 2020, Eton Properties will build on the solid foundation that the company has established through the years, to create an even stronger and more agile company. In all this, we will endeavor to grow and create value sustainably.

We take this opportunity to affirm our commitment to achieve the vision on which Eton Properties was founded. Needless to say, we will continue the legacy of our late President, whose goal was to make Eton Properties one of the most trusted real estate developers in the country.

To make this goal a reality, we will endeavor to keep the highest standards of customer excellence. To become the most improved and most efficient real estate developer in the Philippines, we will take a three-pronged approach that will guide our strategy for all upcoming projects.

First, we will intensify our focus on increasing leasing revenue by expanding our portfolio of leasable space. This is in keeping with our strategy to build a strong portfolio of high-value revenue streams.

Second, we will build with the purpose of unlocking the optimal value of our landholdings, especially in our two main townships, Eton Centris in Quezon



City and Eton City in Sta. Rosa, Laguna, to serve the growing demand of locators in these fast developing and high-growth areas.

Third, we will convert our extensive land bank assets into cash flow, by building offices and recreational spaces that fulfill the demands of our market.

Most importantly, we will do all these while being mindful of the need to grow and create value sustainably. In so doing, we will look beyond our Company, knowing that we are part of the greater community. This is why we have started to look at our sustainability narrative, and strive to improve where we can in our operations beginning 2020.

To deliver on this mandate, we will focus on our organization, as we harness our human resources; develop our data collection systems; strengthen processes; and institutionalize issues resolution. This is in line with our corporate value that calls for an empowered organization with a culture anchored on integrity, and characterized by passion for excellence, collaboration, accountability, and customer focus.

As we embark in this new phase of our journey, we want to express our gratitude to our shareholders and we look forward to your enduring support which would enable us to achieve so much more in the years to come.

Let me thank the Eton Properties' Board of Directors, management team, and employees for giving us the opportunity to take part in achieving our goals. Together, let us make more things happen.

Clearly, our strong showing in 2019 indicates that our customers believe in Eton Properties' value proposition— one that combines strategic location and quality features – whether it is for the commercial, office, or residential markets. We are confident that we will maintain this in the coming year, as we see more of our developments come through.

Mr. Ramon S. Pascual
PRESIDENT



BOARD OF DIRECTORS

Lucio C. Tan CHAIRMAN

Chairman of Philippine Airlines, Inc., Asia Brewery Inc., LT Group, Inc., MacroAsia Corp., Fortune Tobacco Corp., PMFTC, Inc., Grandspan Development Corp., Himmel Industries Inc., Lucky Travel, PAL Holdings, Inc., Air Philippines Corporation, Tanduay Distillers, Inc., The Charter House, Inc., AlliedBankers Insurance Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Foremost Farms, Inc., Maranaw Hotels & Resort Corporation, Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Allianz PNB Life Insurance Inc., and Basic Holdings Corp.; Director of Philippine National Bank



Michael G. Tan DIRECTOR

Director/President of LT Group, Inc.; Director/Chief Operating Officer of Asia Brewery, Inc.; Director of Philippine National Bank, PMFTC Inc., Tanduay Distillers, Inc., Victorias Milling Co., Eton City, Inc., PAL Holdings, Inc. (PAL), Philippine Airlines, Inc., Air Philippines Corp., Tangent Holdings Corp., Abacus Distribution Systems Philippines, Inc., AlliedBankers Insurance Corp., Maranaw Hotels & Resort Corporation (Century Park Hotel) and Pan Asia Securities, Inc.



Harry C. Tan DIRECTOR

Director of LT Group, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., PAN Asia Securities, Inc., Lucky Travel Corp., The Charter House, Inc., Fortune Tobacco Corp., Landcom Realty Corp., Asia Brewery Inc., AlliedBankers Insurance, Corp., Absolut Distillers, Inc., Basic Holdings Corp., Foremost Farms, Inc., Himmel Industries, Inc., PMFTC, Inc., Progressive Farms, Inc., Grandspan Development Corp., and Tanduay Distillers, Inc.; Director/President of Maranaw Hotels & Resort Corporation; Board Advisor of Philippine National Bank



Juanita T. Tan Lee DIRECTOR

Director/Treasurer of LT Group, Inc.; Director of Maranaw Hotels & Resort Corp., Asia Brewery, Inc., and Tanduay Distillers, Inc.; Director/Corporate Secretary of Fortune Tobacco Corp.; Corporate Secretary of Absolut Distillers, Inc., The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., Lucky Travel Corp., PMFTC, Inc., Progressive Farms, Inc.; Assistant Corporate Secretary of Basic Holdings Corp.; Treasurer of Mabuhay Digital Philippines, Inc., and Mabuhay Digital Technologies, Inc.



Vivienne K. Tan

DIRECTOR

Director of Philippine National Bank; Director of LT Group, Inc.; Board of Trustee of University of the East and University of the East Ramon Magsaysay Memorial Medical Center; Executive Vice President of Philippine Airlines; Founding Chairperson of Entrepreneurs School of Asia; Founding Trustee of Philippine Center for Entrepreneurship (Go Negosyo), Phils.



Karlu T. Say

DIRECTOR/OIC-HR HEAD CHIEF OPERATING OFFICER

Founder and Director of Dong-A Pharma Phils., Inc.



Cirilo Noel

DIRECTOR

Chairman of Palm Concepcion Power Corporation; Independent Director of Globe Telecom, Inc., St. Luke's Medical Center, and San Miguel Foods and Beverage, Inc.; Director of Amber Kinetics Holdings Co., PTE Ltd., LH Paragon Inc., Cal Comp Technology (Philippines) Inc., St. Luke's Medical Center College of Medicine, JG Summit Holdings, Inc., Security Bank Corporation, St. Luke's Foundation, and Transnational Diversified Group.



Wilfrido E. Sanchez

INDEPENDENT DIRECTOR

Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Board of Trustees of Asian Institute of Management (AIM); Director Amon Trading Corp., EEI Corporation, House of Investments, Inc., JVR Foundation, Inc., Kawasaki Motor Corp., Magellan Capital Holdings, Corp., Transnational Diversified Corp., Transnational Financial Services, Inc., Universal Robina Corp., LT Group, Inc., Asia Brewery Inc., Tanduay Distillers, Inc. Emcor, Inc., J-Del Investment and Management Corporation, Center for Leadership & Change, Inc., K Servico, Inc., Adventures International Tours, Inc., Gokongwei Brothers Foundation, Petnet Inc., and Transnational Plans, Inc.



Johnip G. Cua

INDEPENDENT DIRECTOR

Chairman of the Board of Trustees of Xavier School, Inc., P&Gers Fund Inc.; Chairman & President of Taibrews Corporation; Independent Director of Ali-Eton Property Development Corporation, BDO Private Bank, Philippine Airlines Inc., PAL Holdings Inc., MacroAsia Corporation, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia Properties Development Corp., PhilPlans First Inc., LT Group Inc. and Century Pacific Food, Inc.; Director of Alpha Alleanza Manufacturing, Inc., Allied Botanical Corporation, Interbake Marketing, Inc., Lartizan Corporation, Teambake Marketing, Inc., and Bakerson Corporation; Member of the Board of Trustees of Xavier School Educational & Trust Fund and MGCC Foundation

Ramon S. Pascual

DIRECTOR/PRESIDENT

Executive Director of Dynamic Holdings Limited; Director and President of Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc.; Director of Beijing Longfast



CREATING LASTING VALUE THROUGH SUSTAINABLE GROWTH

The theme of this year's Annual Report is Building Sustainable Growth and Value, which captures the philosophy that has guided Eton Properties throughout the years, and which will take it forward.

Eton Properties has always recognized the importance of growing and creating value in a sustainable manner. This has been a tenet that has guided our Company throughout the years, as we embarked on our steady growth journey.

Our Company has always believed in balancing growth, profitability, and shareholder value creation – all of which are key components of sustainable growth. This philosophy has been reflected in all our marketing, financial, and operational decisions, as we chose to manage our growth vis-à-vis the needs of the market.

Our 2019 performance is a testament to the soundness of this principle. We once again achieved a fine balance in our portfolio mix, which allowed us to post record income and maximized our profitability.

Going forward, we will continue to build with the principles of sustainable growth as our guidepost, mindful that in so doing, we create lasting value. This calls for discipline and dedication on our part, as we constantly remind ourselves of our commitment.

We will also start to look at an overarching sustainability program that does not only look at our Company's financial performance, but how it affects the social and environmental areas as well. Doing well in these aspects, we believe, is an intrinsic part of our sustainable growth as a Company.

In all this, we have to constantly remind ourselves that our sustainable growth is not just about ourselves. For Eton Properties, building sustainability is part of our responsibility to the greater community.







2019 PERFORMANCE HIGHLIGHTS

Eton Properties strengthened its presence on the commercial front in 2019, as a growing number of tenants across its projects began operations, shown in the many retail shops, dining outlets, and service centers in our developments. A number of office buildings were also delivered, allowing locators to commence operations.

These contributed to the Company's revenues from leasing operations, which continued to grow last year. Each project that bears the Eton Properties brand offers locators the optimal combination of strategic location, well thought-out amenities, and relevant services. Because of this, locators are better equip themselves to meet their business objectives, giving them a competitive edge.





CYBERPOD CENTRIS FIVE

ETON CENTRIS, QUEZON CITY

Several office tenants started operations in Cyberpod Five. A PEZA-registered building, Cyberpod Five in Eton Centris, Quezon City confers not just incentives, but also business advantages to the dynamic business process outsourcing (BPO) sector with features that enhance locators' productivity and efficiency.

Offering 25-storeys of fully-provisioned offices and a floor plate of approximately 2,500 square meters, the building is ready to meet immediate space requirements.

Benefiting from its strategic location within the bustling Eton Centris, Cyberpod Five's proximity to public transportation hubs, including the MRT, offers unparalleled connectivity to skilled workers, while its selection of retail options provide urban conveniences that make work-life integration a reality.





ETON WESTEND SQUARE MAKATI CITY

In 2019, Eton Properties opened the retail and office segments of Eton WestEnd Square in Makati City. Located at the corners of Chino Roces, Yakal, and Malugay Streets, there is easy access to buses, taxi cabs, shuttle vans, jeepneys, and even tricycles just outside the gates.

Its retail segment, eWestMall, is envisioned to serve the needs of the residential and office market in West Makati. An array of dining and functional service establishments have begun operations and more are expected to follow suit, making it a destination among urban professionals and residents in the area.

Likewise, eWestpod, the office segment of the nano-township, has four-storeys of office spaces that are well-equipped with a range of amenities and other modern conveniences that contribute to business responsiveness and uninterrupted operations.

The second phase of Eton WestEnd Square will include Blakes Tower, a 36-storey office and residential building. At its full development, Eton WestEnd Square will have over 27,000 square meters of combined retail and office leasable space, and 14,000 square meters of residential leasable space.



*Artist Perspective



ETON CITY SQUARE

ETON CITY, STA. ROSA, LAGUNA

Located within the vast Eton City in Sta. Rosa, Laguna, Eton City Square is envisioned to be a neighborhood retail and commercial center that will give residents and visitors diverse options in dining, shopping, leisure, and entertainment.

With its accessibility and own exit at the South Luzon Expressway, Eton City Square is a rising commercial district in the South of Metro Manila.

Its format, featuring standalone retail structures, provides a calming environment for residents and visitors who want to enjoy suburban living without giving up urban conveniences. Once completed, it will add 6,900 square meters of gross leasable area to the Company's commercial leasing portfolio.





ETON CENTRIS QUEZON CITY

Vibrant and modern, Eton Centris has become the go-to lifestyle destination in Quezon City, offering a selection of dining, retail, and entertainment options for those who work within the complex and those who live in nearby communities. Strategically located at the corner of EDSA and Quezon Avenue, with direct access to the MRT-3 and all modes of transportation, it is easily accessible from all points of the metropolis.

Addressing the needs of its dynamic market, more shops and restaurants have opened at the new cluster of Centris Walk, including restaurants of various cuisines, fitness centers, spas, retail shops, and a veterinary clinic. A weekend market, complemented by a slew of fun activities, have served as a magnet for families and weekend warriors throughout the years. More new and exciting tenants are expected to open in the complex making Eton Centris an indispensable part of the Quezon City lifestyle scene.



UPCOMING PROJECTS

Eton Properties moves into 2020 with three strategic priorities: intensifying leasing revenue, enhancing the land values of our prime properties, and optimizing our land bank assets.

To do so, it is imperative that our projects stay relevant to the ever-evolving needs of the market amidst urban challenges and the realities of shifting lifestyles. This is why our projects are always centered on our clients' satisfaction, as showcased by our upcoming projects.



NXTOWER I ORTIGAS

Designed to meet the growing need for office spaces in the Ortigas business center, NXTower I is Eton Properties' landmark development in the area.

This 30-storey mixed-use commercial building will rise along Emerald Avenue and Ruby Road, sufficiently close to a wide range of transportation options as well as commercial and lifestyle centers. NXTower I offers large commercial and office spaces and complete provisions to ensure maximum productivity, especially for locators with 24/7 operations. With 21,000 square meters of gross leasable area, it offers flexible working spaces to meet the evolving needs of modern businesses.

BLAKES TOWER ETON WESTEND SQUARE, MAKATI CITY

Topped off in 2019, Blakes Tower is a 36-storey office and residential building in Eton West End Square, Makati City. Designed for today's knowledge workers who value flexibility and agility, it houses a mix of BPO offices and residential leasing units. Its components include Blakes Offices, which offers modern offices suitable for start-ups and BPOs; Blakes Co- Living, which provides shared living spaces for those who embrace the fast-paced lifestyle; and Blakes Residences, which features serviced apartments and amenities designed for travelers.

Blakes Tower will have shared amenities such as breakout rooms and lounge areas where tenants can converge and relax.



*Artist Perspective of Blakes Tower



*The housing units are currently under construction.



CORPORATE SOCIAL RESPONSIBILITY

SUPPORTING TRANSFORMATIVE CHANGE IN COMMUNITIES; HOUSING FOR INDIGENT FAMILIES

Eton Properties has always believed that as a good corporate citizen, it should support communities and help them in transforming their lives.

In keeping with this, Eton Properties sponsored housing units for indigent families of farmers in Aritao and Sta. Fe, Nueva Vizcaya. The donation was coursed through the Tan Yan Kee Foundation, the corporate social responsibility arm of the Lucio Tan Group, which chose the beneficiaries from among its scholars with a view to improve their overall quality of life.

Through its corporate social responsibility efforts, Eton Properties is confident that it can continue to make a positive difference in the lives of its stakeholders.



BUILDING THE FOUNDATION FOR A SUSTAINABLE FUTURE

Eton Properties recognizes that in all of its endeavors, sustainability should be its guiding principle. We know that we have a responsibility not only to the Filipino community, but also to the environment, as well as the future generations of people with whom we share the world's resources.

It is for this reason that Eton Properties has taken the first step to build a sustainable business. Given the breadth of our operations, it is imperative that the Company proactively takes steps to leave something for future generations by minimizing its impact where it can.

To this end, the Company started its sustainability narrative in 2019, with its mother company, Lucio Tan Group taking the lead. Beyond compliance, Eton Properties hopes to lay down the foundation for sustainability in the years to come by taking the first steps to make this a reality.

Key to creating a comprehensive sustainability program is a fundamental understanding of which areas are impacted by our business. To this end, the Company has started a materiality assessment to guide our sustainability program.

By taking these initial steps, Eton is confident that it will be able to embed the principles of sustainability throughout its operations in the years ahead.



OUR SUSTAINABILITY JOURNEY IN 2019

Sustainability is both a commitment and a challenge. Amidst the mounting pressures the world faces, we need to find workable, lasting solutions that will allow us to contribute to the attainment of the Sustainable Development Goals.

As we begin this journey, we are slowly but deliberately embedding the principles of sustainability in the different facets of our operations, including our day-to-day activities. We are also actively communicating these principles to our stakeholders, knowing that they are our partners in working for an environment and society that is sustainable and inclusive.

ENVIRONMENT

Concern for the environment underpins our sustainability efforts. Faced with immense pressures brought about by rapid population growth, urbanization, and climate change, the environment could not provide for future generations unless we take concrete action now. It is therefore imperative that we, as a responsible corporate citizen, take proactive steps to save the environment. This means going beyond regulatory compliance to effectively manage our overall environmental footprint. It means taking small steps, embracing new ideas, and constantly innovating so that we can meaningfully contribute to efficient resource use.

In line with this, we have strengthened our campaign to encourage our property tenants and residents to conserve water at all times. We sent out circular memoranda to remind them to check if there are leaks in their faucets and showerheads, and to make sure that their faucets and other water sources are turned off when they leave the premises to prevent any more water wastage.

At Eton's head office, employees are encouraged to turn off office equipment when not in use. We have implemented a lights-off policy during noon break. For our buildings, residents and tenants are reminded through memos to conserve energy by making sure appliances such as air-conditioning units and lights are unplugged when not in use. Likewise, proper waste segregation is strictly observed in our buildings and offices.

Eton Properties has also taken steps in combating climate change. Together with its partners, our office buildings in Eton Centris, Quezon City currently use clean and renewable energy sources.



SOCIETY

We take our responsibility towards society seriously. We embrace the tenets of responsible corporate citizenship, and find ways to give back to the community, knowing that they walk with us in our journey towards sustainable development.

Together with the Tan Yan Kee Foundation, the LT Group's corporate social responsibility arm, four newly-built houses were turned over to the families of four scholars under the Foundation's Scholarship Program.

Another project is the *Masaganang Palayan* initiated by the Company's residential leasing team. The project was able to benefit 18 farmers from Comon and Tabueng in Aritao, Nueva Vizcaya. Each of the farmers received an average of three to five sacks of hybrid rice seeds that can yield up to 100 to 110 cavans of high quality *palay* from Eton Properties while the Tan Yan Kee Foundation gave free fertilizers. The donation was made on behalf of the Company's residential leasing tenants.

EMPLOYEES

People are at the heart of our operations. They are our partners in everything we do. They carry out our mandate, and give life to the vision of the company. It is therefore important that we invest in their continuous learning and development that would equip them with the skills to support the company in its growth phase, and prepare them for all the challenges they may encounter in their professional and personal lives.

We have a strong commitment to ensure fair employment practices, gender equality, diversity and inclusion. We ensure strict compliance to all requirements of the Labor Code of the Philippines and the General Labor Standards of the Department of Labor and Employment (DOLE) who conduct regular inspections and evaluations on our compliance.

For our construction sites, we conduct loss control management seminars, first-aid training, working at heights and scaffold safety training, and heavy equipment operation training, among others. This is on top of our annual training for Occupational Safety and Health (OSH), Basic Occupational Safety and Health (BOSH), and Construction Occupational Safety and Health (COSH), a requirement for the construction industry. We also implement the Hazard Identification, Risk Assessment and Control (HIRAC) procedure. This allows us to identify hazards and assess risks according to their likelihood and severity.



CUSTOMERS

At Eton Properties, we strive to build and develop properties that positively impact the way communities live and grow. We endeavor to meet and observe all conditions set out by regulation and secure all needed permits as required by local zoning laws, regulations set by the National Building Code of the Philippines, as well as policies of the Department of Human Settlements and Urban Development (DHSUD) (formerly Housing and Land Use Regulatory Board), the Bureau of Fire Protection (BFP), Department of Environment and Natural Resources (DENR), among others.

Our Marketing team ensures that our materials are compliant with our branding guidelines and all applicable laws and regulation set by the DHSUD, and Department of Trade and Industry (DTI), among others. We regularly conduct a review of branding guidelines to address and accommodate new trends in industry branding. Likewise, we ensure that our brand logos and product names are duly registered at the Philippine Intellectual Property Office (IPO).





OFFICE SPACES

Strategically located, secure, and modern. These are the hallmarks of every Eton Properties office project. Each one is designed to maximize the productivity of today's urban worker, while ensuring that they enjoy all the world-class conveniences to complement their lifestyle.

With urban connectivity remaining a key concern, Eton Properties' office spaces are located in highly accessible areas in the most dynamic cities, making it easier for employers to attract the best talent while ensuring ease of access for employees, clients, and partners.

To allow businesses to achieve optimal productivity and efficiency, each office is equipped with facilities that ensure 24/7 uninterrupted and seamless operations. Full connectivity is assured, while security is top-notch.

Eton Properties also ensures that offices are designed to facilitate collaboration and convergence, which are essential to the free flow of ideas that make innovation possible.

Key to supporting the productivity of employees is work-life integration. Eton Properties' offices are designed to make this effortless, with retail outlets, dining options, entertainment spots all within close proximity.

By providing the right environment where ideas can flourish and businesses can thrive, Eton Properties hopes to continue providing the Philippines with the competitive advantage of having the right mix of people and infrastructure that is so important in the global business arena.





COMMERCIAL SPACES

For Eton Properties, everything revolves around people – their comfort, convenience, well-being, and security. Whether it's the office worker looking to decompress at the end of the work day, the urban mom hoping to combine errands and me-time in one go, or families out for a weekend jaunt, people's needs are constantly changing.

Realizing this, Eton Properties pays attention to people's evolving lifestyle needs, especially the need to balance the challenges of urban living with the desire to enjoy the best that life has to offer. In so doing, it aims to create developments that can serve the myriad needs of communities.

Eton Properties' understanding of people's needs is reflected in the design philosophy of its developments – all of which have been planned to resonate with people's lifestyles.

Eton Properties' lifestyle developments are situated in prime locations, where accessibility is assured for people from all walks of life while preserving a sense of community and exclusivity. Whether it is for a mid-morning espresso, a meal shared with colleagues or loved ones, a little shopping spree, some me-time at the spa or the gym, or just whiling the time away, there is something at Eton Properties' developments that resonate with people's lifestyles.



1. Centris Station
2. Centris Walk
3. Centris Elements
4. Centris Walk Extension

5. The Mini Suites
6. Eton Tower Makati
7. eWestMall at Eton WestEnd Square
8. Cyberpod Corinthian Retail

9. Eton Square Ortigas
10. Eton City Square
11. Green Podium



Model Unit in Eton Residences Greenbelt, Makati City



RESIDENTIAL LEASING

Dwellings by Eton is the exclusive residential leasing arm of all Eton residential properties, borne out of the understanding that the market needs centrally located homes, delivered in a fuss-free manner. At the heart of the organization is Eton's desire to offer choices that resonate with the needs of the modern individual.

Dwellings by Eton offers a seamless and hassle-free leasing experience to clients, with a wide portfolio of residential units available for lease in strategic locations and meeting various budgetary requirements.

Led by a dedicated team of professional leasing specialists, the program assists clients in finding units that address their lifestyle needs.

Clients are assured of personalized assistance from all phases from inquiry to move-out, including documentation and coordination concerns. The program goes to great details for the customer's convenience, taking care of such requirements as gate pass, application form for maid/drivers, resident info sheet, telephone, and cable TV, if needed. This frees clients from the unnecessary burdens that come with the rental process, allowing them to focus on and enjoy the more important things in life.





RESIDENTIAL SPACES

Comfortable, accessible, and people-centered. This is the design philosophy behind Eton Properties' residential developments, which are built with people's deepest aspirations in mind.

Amidst the hustle and bustle of urban living, each Eton Properties residential development is meant to be a haven where people can thrive. Situated in prime locations across the country, each residential development is within easy access of modern-day conveniences that matter to people from all life stages, such as transportation hubs, schools, hospitals, and lifestyle destinations, so that they do not have to spend too much time in transit.

Eton Properties recognizes that individuals have various lifestyle needs, and has designed developments to suit those who share similar expectations and requirements, creating the bedrock for a thriving community of people. Purposeful design elements help create a sense of community by combining exclusivity and privacy, while providing enough shared spaces where people can connect.

As it moves ahead, Eton Properties will further deepen its understanding of people's changing lifestyles, so that it may continue to build not just homes, but the dreams of generations of Filipinos.



1. 8 Adriatico
2. One Archers Place
3. Eton Baypark Manila
4. Eton Emerald Lofts
5. 68 Rocas
6. West Wing Villas at North Belton Communities
7. The Manors at North Belton Communities
8. West Wing Residences at North Belton Communities
9. South Lake Village
10. Tierrabela

11. Riverbend
12. West Wing Residences at Eton City
13. Eton Parkview Greenbelt
14. Eton Residences Greenbelt
15. Belton Place Makati
16. Eton Tower Makati
17. Blakes Tower at Eton WestEnd Square



PROPERTY MANAGEMENT

Keeping true to its vision to be one of the most trusted property developers in the country, Eton Properties has always put the customer at the forefront of all its efforts.

As part of its drive to maintain strong customer focus, Eton Properties Management Corporation (EPMC) was formed, a 100%-owned subsidiary that provides cost-effective and innovative business solutions for enhancing asset values and revenue potential of clients' investments in Eton Properties projects.

In so doing, Eton Properties ensures that its properties will appreciate in value over time, benefiting its clients.

As the resident's partner, EPMC assists clients in all documentary and related requirements. Alongside this, EPMC takes every effort to ensure that each property is secure and well-maintained. In so doing, it creates lasting value, not only for clients and their tenants, but for the community as well.



8 Sun Residences Greenbelt



8 Adriatico

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

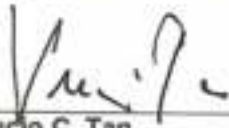
The management of Eton Properties Philippines, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

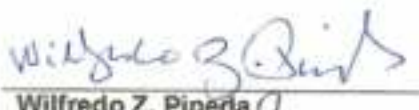
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



Lucio C. Tan
Chairman

Ramon S. Pascual
President

Wilfredo Z. Pineda
Chief Financial Officer



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRe Reg. No. 0001.
December 14, 2018, valid until August 24, 2021
SEC Accreditation No. 0012~FR~5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8/F Allied Bank Center, 6754 Ayala Avenue
Makati City, Metro Manila, Philippines

Opinion

We have audited the consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2018 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018, which are expected to be made available to us after that date.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

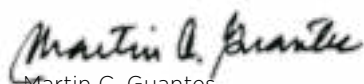
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-4 (Group A),

August 23, 2018, valid until August 22, 2021

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332557, January 3, 2019, Makati City

February 17, 2020

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2019	2018 (As Restated, Note 2)	2018 (As Restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	P2,323,875,922	P2,642,543,070	P1,530,515,081
Trade and other receivables (Note 6)	923,780,710	1,396,772,534	1,322,437,736
Real estate inventories (Note 7)	4,362,518,951	4,958,558,533	6,229,783,629
Other current assets (Note 8)	1,619,726,781	1,588,874,489	1,500,155,268
Total Current Assets	9,229,902,364	10,586,748,626	10,582,891,714
Noncurrent Assets			
Receivables - net of current portion (Note 6)	674,304,192	294,717,675	766,796,299
Investment properties (Note 9)	20,273,173,539	18,910,921,879	16,508,388,596
Property and equipment (Note 10)	890,587,307	954,837,653	986,614,976
Right-of-use assets (Note 27)	273,259,712	–	–
Deferred income tax assets - net (Note 24)	9,603,650	33,596,435	49,059,703
Other noncurrent assets (Note 11)	476,862,486	541,712,684	708,512,843
Total Noncurrent Assets	22,597,790,886	20,735,786,326	19,019,372,417
TOTAL ASSETS	P31,827,693,250	P31,322,534,952	P29,602,264,131
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 12)	P3,531,062,295	P3,436,252,119	P3,314,992,163
Customers' deposits (Note 13)	978,617,758	1,115,106,227	1,081,221,045
Current portion of:			
Payables to landowners (Notes 15 and 17)	1,828,949,047	499,926,349	52,692,924
Loans payable (Notes 14 and 17)	1,199,758,184	737,816,725	384,080,504
Lease liabilities (Note 27)	16,099,500	–	–
Deposits and other current liabilities (Note 16)	188,945,677	312,487,297	154,618,346
Total Current Liabilities	7,743,432,461	6,101,588,717	4,987,604,982
Noncurrent Liabilities			
Loans payable - net of current portion (Notes 14 and 17)	5,065,941,133	6,453,148,621	5,696,065,670
Payables to landowners - net of current portion (Notes 15 and 17)	–	1,384,949,047	1,884,875,396
Lease liabilities - net of current portion (Note 27)	482,580,982	–	–
Deferred income tax liabilities - net (Note 24)	63,180,440	–	5,145,211
Other noncurrent liabilities (Notes 16 and 23)	637,160,431	386,689,535	562,279,316
Total Noncurrent Liabilities	6,248,862,986	8,224,787,203	8,148,365,593
Total Liabilities	13,992,295,447	14,326,375,920	13,135,970,575
Equity (Note 25)			
Capital stock - P1 par value	P5,723,017,872	P5,723,017,872	P5,723,017,87
Additional paid-in capital	8,206,662,618	8,206,662,618	8,206,662,618
Accumulated remeasurements on retirement benefits (Note 23)	28,401,530	89,546,558	51,413,648
Retained earnings:			
Appropriated (Note 25)	200,000,000	–	–
Unappropriated	3,677,323,738	2,976,939,939	2,485,207,373
Treasury shares	(7,955)	(7,955)	(7,955)
Total Equity	17,835,397,803	16,996,159,032	16,466,293,556
TOTAL LIABILITIES AND EQUITY	P31,827,693,250	P31,322,534,952	P29,602,264,131

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018 (As Restated, Note 2)	2017 (As Restated, Note 2)
REVENUE			
Rental income (Notes 9 and 27)	P1,707,833,363	P1,494,724,468	P1,388,010,270
Real estate sales	1,424,597,666	1,704,010,551	845,052,331
Rooms and other operated departments	181,862,482	93,245,771	85,112,175
	3,314,293,511	3,291,980,790	2,318,174,776
COSTS AND EXPENSES			
Cost of real estate sales (Note 7)	663,788,693	1,196,125,303	471,297,405
Cost of rental income (Notes 9 and 27)	446,889,183	373,553,433	308,447,086
Cost of rooms and other operated departments (Note 21)	129,621,689	65,760,756	50,618,202
Selling expenses (Note 19)	111,616,454	101,162,087	46,596,858
General and administrative expenses (Note 20)	675,260,330	780,879,312	684,931,311
	2,027,176,349	2,517,480,891	1,561,890,862
OTHER INCOME (CHARGES) - Net	(364,339,771)	(291,172,496)	(355,119,704)
Finance charges (Note 18)	105,948,308	57,320,230	44,556,155
Interest income (Note 18)	(2,228,301)	4,756,636	(148,549)
Foreign exchange gains (losses) - net	252,244,330	136,021,890	95,364,084
Other income - net (Note 22)	(8,375,434)	(93,073,740)	(215,348,014)
INCOME BEFORE INCOME TAX	1,278,741,728	681,426,159	540,935,900
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	264,979,692	203,190,763	170,098,570
Deferred	113,378,237	(13,497,170)	(5,876,191)
	378,357,929	189,693,593	164,222,379
NET INCOME	P900,383,799	P491,732,566	P376,713,521
BASIC/DILUTED EARNINGS PER SHARE (Note 26)	P0.1573	P0.0859	P0.0658

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018 (As Restated, Note 2)	2017 (As Restated, Note 2)
NET INCOME	P900,383,799	P491,732,566	P376,713,521
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit obligations (Note 23)	(87,350,040)	54,475,585	17,292,383
Deferred income tax effect	26,205,012	(16,342,675)	(5,187,715)
	(61,145,028)	38,132,910	12,104,668
TOTAL COMPREHENSIVE INCOME	P839,238,771	P529,865,476	P388,818,189

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital stock- P1 par value (Note 25)	Additional Paid-in Capital (Note 25)	Accumulated Remeasurements on Retirement Benefits (Note 23)	Retained Earnings (Note 25)	Treasury Shares (Note 25)	Total
BALANCES AS AT DECEMBER 31, 2016	P5,723,017,872	P8,206,662,618	P39,308,980	P2,361,123,383	(P7,955)	P16,330,104,898
Net income for the year (as restated, Note 2)	-	-	-	376,713,521	-	376,713,521
Other comprehensive income	-	-	12,104,668	-	-	12,104,668
Total comprehensive income	-	-	12,104,668	376,713,521	-	388,818,189
BALANCES AS AT DECEMBER 31, 2017	P5,723,017,872	P8,206,662,618	P51,413,648	P2,737,836,904	(P7,955)	P16,718,923,087
BALANCES AS AT JANUARY 1, 2018, AS PREVIOUSLY REPORTED	P5,723,017,872	P8,206,662,618	P51,413,648	P2,650,824,985	(P7,955)	P16,631,911,168
Effect of change in accounting policy on borrowing costs (Note 2)	-	-	-	(165,617,612)	-	(165,617,612)
BALANCES AS AT JANUARY 1, 2018, AS RESTATED	P5,723,017,872	P8,206,662,618	P51,413,648	2,485,207,373	(P7,955)	16,466,293,556
Net income for the year (as restated, Note 2)	-	-	-	491,732,566	-	491,732,566
Other comprehensive income	-	-	38,132,910	-	-	38,132,910
Total comprehensive income	-	-	38,132,910	491,732,566	-	529,865,476
BALANCES AS AT DECEMBER 31, 2018, AS RESTATED	5,723,017,872	8,206,662,618	89,546,558	2,976,939,939	(P7,955)	P16,996,159,032
Net income for the year	-	-	-	900,383,799	-	900,383,799
Other comprehensive loss	-	-	(61,145,028)	-	-	(61,145,028)
Total comprehensive income	-	-	(61,145,028)	900,383,799	-	839,238,771
BALANCES AS AT DECEMBER 31, 2019	P5,723,017,872	P8,206,662,618	P28,401,530	P3,877,323,738	(P7,955)	P17,835,397,803

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018 (As Restated, Note 2)	2017 (As Restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES	P1,278,741,728	P681,426,159	P540,935,900
Income before income tax			
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 27)	402,200,736	312,968,180	254,904,052
Interest expense and other finance charges - net of capitalized interest (Notes 14 and 18)	340,775,734	290,711,789	354,794,059
Interest income (Note 18)	(105,948,308)	(57,320,230)	(44,556,155)
Retirement benefits cost (Notes 21 and 23)	11,315,607	17,987,399	29,415,972
Unrealized foreign exchange losses (gains) - net	2,228,301	(4,756,636)	145,849
Gain on retirement and disposal of property and equipment (Note 10)	(362,393)	(775,687)	(751,467)
Operating income before working capital changes	1,928,951,405	1,240,240,974	1,134,888,210
Decrease (increase) in:			
Trade and other receivables	87,360,348	368,140,294	484,258,398
Real estate inventories	615,294,894	988,757,635	(258,049,315)
Other assets (current and non-current)	9,076,267	181,758,146	27,777,471
Increase (decrease) in:			
Trade and other payables	266,318,241	106,485,677	(50,955,518)
Payables to related parties	-	-	(66,945,783)
Customers' deposits	(136,488,469)	51,183,377	95,575,240
Deposits and other liabilities	28,263,629	23,067,127	8,004,443
Cash generated from (used in) operations	2,798,776,315	2,959,633,230	1,374,553,146
Interest paid	(431,899,728)	(398,908,083)	(419,251,267)
Income taxes paid, including final tax and creditable withholding taxes	(228,168,609)	(310,455,852)	(241,778,265)
Interest received	111,199,703	65,503,966	60,694,765
Net cash from operating activities	2,249,907,681	2,315,773,261	774,218,379
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 9 and 32)	(1,498,609,428)	(2,223,440,917)	(1,668,306,158)
Property and equipment (Notes 10 and 32)	(19,455,772)	(33,659,748)	(28,785,245)
Software (Note 11)	(17,782,888)	(411,260)	(1,585,550)
Proceeds from disposal of property and equipment	1,529,675	-	928,750
Net cash used in investing activities	(1,534,318,413)	(2,257,511,925)	(1,697,748,203)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Note 14)	P-	P1,500,000,000	P2,490,000,000
Payments of:			
Loans payable (Notes 14 and 32)	(932,300,000)	(387,047,059)	(470,588,235)
Payable to landowners (Notes 15 and 32)	(55,926,349)	(52,692,924)	(1,825,273,348)
Transaction costs (Notes 15 and 17)	(43,801,766)	(11,250,000)	(12,450,000)
Net cash from financing activities	(1,032,028,115)	1,049,010,017	181,688,417
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,228,301)	4,756,636	(145,849))
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(318,667,148)	1,112,027,989	(741,987,256)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,642,543,070	1,530,515,081	2,272,502,337
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 32)	P 2,323,875,922	P2,642,543,070	P1,530,515,081

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Eton Properties Philippines, Inc. ("Eton" or "the Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Philippine SEC approved the Parent Company's registration and licensing as a listed company.

On August 19, 1996, the Parent Company's Articles of Incorporation (the Articles) was amended to: (a) change the Parent Company's primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company's Board of Directors (BOD) adopted the following amendments: (a) change the corporate name to Eton Properties Philippines, Inc.; (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

The above amendments were adopted by the Parent Company's shareholders on April 19, 2007 and approved by the Philippine SEC on June 8, 2007.

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1,600 million shares to Paramount at P=2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap (see Note 25). As approved by the Philippine SEC in July 2011, the property was recognized by the Parent Company at the value of P4,000 million (see Notes 7 and 25).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) had ownership interest of 55.07% and 42.39%, respectively, in Eton.

On September 17, 2012, LT Group, Inc. (LTG)'s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., British Virgin Island (BVI)-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to P1,350.8 million and P521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of P1.00 per share, which were issued to LTG from the increase in Paramount's and Saturn's authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to P1,350.8 million and P490.0 million, respectively. On the same dates, Paramount and Saturn filed their application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon the Philippine SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the controlling shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of the Parent

Company traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

On March 2, 2015, the Parent Company's BOD approved the increase of its authorized capital stock from P5.0 billion divided into 5.0 billion common shares with a par value of P1.00 per share to P8.0 billion divided into 8.0 billion common shares with a par value of P1.00 per share. On September 28, 2015, Eton filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3.0 billion common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share.

As of December 31, 2019 and 2018, Eton is 55.97% and 56.88% owned by Paramount, respectively. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.

Subsidiaries

Below are the Parent Company's ownership interests in its subsidiaries:

Subsidiaries	Percentage of Ownership
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%
Eton Properties Management Corporation (EPMC)	100%

BCI was incorporated and registered with the Philippine SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of its capital stock from 20,000 shares to 100,000,000 shares at P1.00 par value per share and the subscription of the Parent Company for 24,995,000 shares, which, in addition to 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from P20,000 divided into 20,000 common shares with a par value of P=1.00 per share to P800,000,000 divided into 800,000,000 common shares with a par value of P1.00 per share. On December 23, 2014, BCI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 7, 2015. Out of the increase in authorized capital stock, 199.995 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

ECI was incorporated and registered with the Philippine SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from P100,000,000 divided into 100,000,000 common shares with a par value of P=1.00 per share to P1,000,000,000 divided into 1,000,000,000 common shares with a par value of P1.00 per share. On December 23, 2014, ECI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 6, 2015. Out of the increase in authorized capital stock, 225.0 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

On October 15, 2010, FHI was incorporated and registered with the Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of P1.3 million.

EPMC was incorporated and registered with the Philippine SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures.

On June 14, 2017, the BOD of EPMC approved the increase in its authorized capital stock from P1,000,000 divided into 1,000,000 common shares with a par value of P1.00 per share to P 20,000,000 divided into 20,000,000 common shares with

a par value of P1.00 per share. The increase in authorized capital stock was approved by the Philippine SEC on September 19, 2017. Out of the increase in authorized capital stock, 4.75 million common shares have been subscribed by the Parent Company.

On December 4, 2019, the Board of Directors of EPPI approved the additional investment/purchase of 15.0 million shares of EPMC, with par value of P1.00 per share, amounting to P15.0 million.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries' registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the BOD on February 17, 2020.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared under the historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019. PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by FRSC.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. 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 that return 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.

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; and,
- 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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group changed its policy on recognition of borrowing cost on real estate inventories and has adopted the following new pronouncements starting January 1, 2019. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC 4.

The effects of adoption of PFRS 16 as at January 1, 2019 follows:

	Increase (Decrease)
Consolidated statement of financial position:	
Right-of-use assets	P298,933,369
Accrued expenses	(202,783,400)
Lease liabilities	501,716,769

The Group has lease contracts for office and parking space and land where the investment properties are constructed/built. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to succeeding discussions for the accounting policy prior to and beginning January 1, 2019, respectively.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at January 1, 2019:

- Right-of-use assets of P298.93 million were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of P501.72 million were recognized.
- Accrued rentals presented under "Trade and other payables" of P202.78 million related to previous operating leases arising from straight-lining under PAS 17 were derecognized.

The lease liability at as January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	P1,594,772,105
Weighted average incremental borrowing rate at January 1, 2019	8.48%
Lease liabilities recognized as at January 1, 2019	P498,680,482

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have any impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- 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.

The interpretation specifically addresses the following:

- 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

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.

This interpretation is relevant to the Group for the uncertainties involved in the income tax treatments made by management in connection with the calculation of current and deferred income taxes as of December 31, 2019 and 2018. These uncertainties are assessed by the Group as probable that relevant taxation authority will accept the Company's tax treatment.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- *Annual Improvements* to PFRSs 2015-2017 Cycle
 - 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*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Change in Real Estate Inventories Policy

Prior to January 1, 2019, under the Group's policy, borrowing costs are capitalized as part of the cost of construction of residential units for sale.

In March 2019, the Committee issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development. Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in a company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

The Group applied the change in accounting policy retrospectively and the 2018 comparative financial information were restated to reflect the adjustments on the capitalized borrowing costs. As a result, the following consolidated financial statement line items have been restated:

	As at and for the year ended December 31, 2018	As at January 1, 2018
Consolidated statement of financial position:		
Decrease in:		
Assets		
Real estate inventories	(P69,390,950)	(P82,367,048)
Investment properties	(83,250,564)	(83,250,564)
Equity		
Retained earnings	(152,641,514)	(165,617,612)
Consolidated Statements of Comprehensive Income		
Decrease in cost of sales	(12,976,098)	-

Borrowing costs capitalized in real estate inventories that were subsequently reclassified to investment properties are also derecognized.

The above restatements did not have significant impact on the consolidated statements of cash flows for the years ended December 31, 2018 and 2017

Future Changes in Accounting Policy

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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 to 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.

The overall objective of PFRS 17 is to provide an 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:

- o A specific adaptation for contracts with direct participation features (the variable fee approach)
- o A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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. 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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 continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2019 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Current versus Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current 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 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

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 and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI 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 December 31, 2019 and 2018, the Group's financial assets pertain to financial assets at amortized cost (debt instrument).

Subsequent measurement

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash in banks and cash equivalents, trade and other receivables and refundable deposits.

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 consolidated statement 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 repay.

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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables and refundable deposits, 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 provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For contracts receivables (CR) presented under “Trade and Other Receivables”, the Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given CR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on interest rate, unemployment rate and inflation rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda Law, and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

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 the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities pertain to loans and borrowings.

Subsequent measurement

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 charges in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement 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. The Group assesses that it has currently enforceable rights of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all counterparties.

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, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- land cost;
- amounts paid to contractors for construction; and
- planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

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

Advances to Contractors and Suppliers

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages while advances to suppliers pertain mainly to the advance payments for the purchase of material and supplies. Advances to contractors is recouped every progress billing payment based on the percentage of accomplishment of each contract package. Advances to contractors related to the construction of the Group's investment properties are classified as part of noncurrent assets while advances to contractors related to construction of real estate inventories are classified as current assets.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Other current assets" account in the consolidated statement of financial position.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable:

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use. 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.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

Category	Years
Buildings	20 to 40
Condominium units	40
Land improvements	5

Depreciation of investment properties ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

Transfers between investment property, 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.

Investment property is derecognized when either it has 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 the consolidated statement of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment comprised construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use. 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.

Major repairs 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 property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

Category	Years
Serviced apartments:	20 to 40
Condominium units	40
Furniture, fixtures and equipment	3 to 15
Transportation equipment	5
Furniture, fixtures and equipment	3 to 10
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software's estimated useful life of five years.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, and software, 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 calculated as the higher of the asset'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 assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

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

Security Deposits

Security deposits, included in "Deposits and other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees and taxes are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called “deficit”. A deficit is not an asset but a deduction from equity.

Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

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 amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Real estate sales

The Group derives its real estate sales from sale of residential lots 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 the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group’s project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of 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 (3) years.

- 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; and
- c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred.

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 Philippine SEC will later prescribe.

The Group availed of the deferral of adoption of the following specific provisions of PIC Q&A. 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 the effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2019 and 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 a principal for the provision of air-conditioning services, common usage services and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related cost and expenses. 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 the years ended December 31, 2019 and 2018.

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units 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 real estate sales recognized in the consolidated statement of income 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.

Costs to obtain contract

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 expenses" account in the consolidated statement of income.

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

Rental income

Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants recorded as "Rental dues" presented as part of "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of rental income

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes depreciation of the investment properties being leased out, rental expense on the land where the property for lease is located, real property taxes and other directly attributable costs.

Rooms and other operated departments

Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.

Costs of services

Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Interest income

Interest income is recognized as it accrues.

Other income and other expenses

Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales, and marketing fees.

Expense Recognition

Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses

Selling expenses are costs incurred to sell real estate inventories of the Group, which includes commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the "Investment properties" account in the consolidated statement of financial position. 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.

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.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Retirement Benefits Cost

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Retirement benefits costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 government 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 the consolidated statement of income.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The Group's 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 reimbursements is virtually certain.

Income Taxes

Current income tax

Current income 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 are enacted or substantively enacted at the financial reporting date.

Deferred income tax

Deferred income tax is determined at the financial reporting date using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

The carrying amount of deferred income tax assets is reviewed at each financial 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is 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 financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Leases

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

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

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

Effective January 1, 2019

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Category	Years
Land	20 to 40
Leasehold improvements	5 or term of the lease, whichever is shorter

Right-of-use assets are subject to impairment. Refer to the accounting policies in the Impairment of Non-financial Assets section.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of billboard and advertisement space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment (i.e., printer) that are considered of low value (i.e., below P250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Applicable to both periods presented**The Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized in the consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under "Other income" account in the consolidated statement of income.

*Effective prior to January 1, 2019**The Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Financial Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments 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 amounts recognized in the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect

of any change in accounting estimates is reflected in the consolidated financial statements as they become reasonably determinable.

Revenue recognition

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of sales; and (f) recognition of cost to obtain a contract.

a. Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. 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 past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b. 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.

The Group has determined that the 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 customer.

c. Identifying performance obligation

The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because: (i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering house or condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Provision for expected credit losses of cash and cash equivalents, trade and other receivables and refundable deposits

The Group uses a provision matrix to calculate ECLs for cash and cash equivalents, trade and other receivables and refundable deposits. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance).

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) 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 the customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables and refundable deposits is disclosed in Note 28.

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases of 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. Rental income recognized by the Group amounted to P1,707.8 million, P1,494.7 million and P1,388.0 million in 2019, 2018 and 2017,

respectively (see Notes 9 and 27).

Determination of lease term of contracts with renewal options - Group as a lessee - effective January 1, 2019

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 27 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Operating lease commitments - the Group as lessee - prior to January 1, 2019

Currently, the Group has land lease agreements with several non-related parties and office lease agreement with a related party. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessors. Thus, the Group considers these lease agreements as operating leases. Rental expense included in "Outside services" under "General and administrative expenses" in the consolidated statements of income amounted to P27.4 million in 2018 and P25.9 million in 2017 (see Notes 20 and 27). Additional rental expense amounting to P41.9 million and P39.4 million recognized in 2018 and 2017, respectively, included under "Cost of rental income" account in the consolidated statements of income, relates to the lease of a parcel of land where one of the Parent Company's projects is located.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

Classification of properties

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

- Investment property comprises land, condominium units 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 for capital appreciation.
- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group's investment properties and real estate inventories amounted to P20,273.2 million and P4,362.5 million as of December 31, 2019 and P18,910.9 million (as restated, see Note 2) and P4,958.6 million (as restated, see Note 2) as of December 31, 2018, respectively (see Notes 7 and 9).

Distinction between investment properties and owner-occupied properties

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

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

determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The carrying values of the Group's investment properties and property and equipment amounted to P20,273.2 million and P890.6 million as of December 31, 2019 and P18,910.9 million (as restated, see Note 2) and P954.8 million as of December 31, 2018, respectively (see Notes 9 and 10).

Determination of fair value of financial and nonfinancial instruments

Where the fair values of financial and nonfinancial instruments recorded or disclosed in the consolidated financial statements 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 (see Note 28).

Provisions and contingencies

The Group is currently involved in legal proceedings. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. The Group did not recognize any provision in 2019, 2018 and 2017.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue and cost recognition

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 the output method.

Real estate sales and cost of real estate sales amounted to P1,424.6 million and P663.8 million in 2019, P1,704.0 million and P1,196.1 million (as restated, see Note 2) in 2018 and P845.1 million and P471.3 million (as restated, see Note 2) in 2017, respectively.

Estimation of allowance for expected credit losses of debt instruments at amortized cost

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts. The Group recognized allowance for impairment on its contracts receivable, lease receivable and refundable deposits amounting to P50.5 million, P7.6 million and P5.5 million on December 31, 2019 and P76.8 million, P5.8 million and P6.0 million on December 31, 2018, respectively (see Notes 6 and 28).

Measurement of net realizable value of real estate inventories

The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2019 and 2018, real estate inventories, which are carried at cost, amounted to P4,362.5 million and P4,958.6 million (as restated, see Note 2), respectively (see Note 7).

Leases - Estimating the IBR – effective January 1, 2019

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as risk-free interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit risk rating).

The Group's lease liabilities amounted to P498.7 million as of December 31, 2019 (see Note 27).

Estimation of useful lives of investment properties, and property and equipment excluding land and construction in progress, right-of-use assets, and software

The Group estimates the useful lives of its investment properties, property and equipment, right-of-use assets and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment, right-of-use assets and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment, right-of-use assets and software would increase depreciation and amortization expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of depreciable investment properties, property and equipment, right-of-use assets and software in 2019 and 2018. The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment, right-of-use assets and software amounted to P9,380.6 million, P890.6 million and P16.6 million, respectively, as of December 31, 2019 and P6,393.5 million, P954.8 million and P4.7 million, respectively, as of December 31, 2018 (see Notes 9, 10 and 11).

Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount

The Group evaluates its nonfinancial assets, which include investment properties, property and equipment, right-of-use assets, and software, for any 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, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its investment properties, property and equipment, right-of-use assets, and software amounting to P20,273.2 million, P890.6 million and P16.6 million, respectively, as of December 31, 2019 and P18,910.9 million (as restated), P954.8 million and P4.7 million, respectively, as of December 31, 2018 approximate their recoverable amounts (see Notes 9, 10 and 11).

Estimation of retirement benefits costs and liability

The determination of the Group's retirement benefits costs and liability is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2019 and 2018, retirement benefits liability amounted to P128.7 million and P31.8 million, respectively. Retirement benefits cost amounted to P11.0 million, P18.0 million and P29.4 million in 2019, 2018 and 2017, respectively (see Note 23).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and makes adjustments to it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the

deferred income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2019 and 2018, the Group recognized deferred income tax assets amounting to P204.4 million and P197.9 million, respectively (see Note 24).

4. Segment Information

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenues and segment expenses are measured in accordance with PFRSs.

The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segment assets is the same as those described in the summary of significant accounting and financial reporting policies.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that those economic benefits will flow to the Group and that the revenue can be reliably measured. The Group does not have revenue from transaction with a single external customer, which amount to 10% or more of the Group's revenues.

Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.

The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units; and,
- Leasing activities - development of Business Process Outsourcing (BPO) buildings, and commercial spaces and condominium units for lease.
- Serviced apartments - operations of rooms and other operated departments at "The Mini Suites" in Eton Tower Makati

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

2019	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,424,597,666	P1,707,833,363	P181,862,482	P-	P3,314,293,511
Direct costs	(663,788,693)	(446,889,183)	(129,621,689)	-	(1,240,299,565)
Gross profit	760,808,973	1,260,944,180	52,240,793	-	2,073,993,946
Selling, general and administrative expenses	(101,545,050)	-	-	(685,331,734)	(786,876,784)
Operating income	659,263,923	1,260,944,180	52,240,793	(685,331,734)	1,287,117,162
Interest income	7,622,941	-	-	98,325,367	105,948,308
Other income (charges) - net	(54,378,733)	187,819,037	13,441,069	103,134,656	250,016,029
Finance charges	-	-	-	(364,339,771)	(364,339,771)
Provision for income tax	-	-	-	(378,357,929)	(378,357,929)
Segment profit	P612,508,131	P1,448,763,217	P65,681,862	(P1,226,569,411)	P900,383,799
Other information					
Segment assets	P6,485,023,714	P12,176,934,241	P734,354,747	P12,431,380,548	P31,827,693,250
Segment liabilities	P2,473,487,917	P872,932,010	P12,846,748	P10,633,028,772	P13,992,295,447
Segment additions to property and equipment, investment properties and software	P38,012,369	P1,568,340,426	P296,174	P-	P1,606,648,969
Depreciation and amortization	58,571,631	297,735,706	45,893,399	-	402,200,736
2018 (As restated, Note 2)					
	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,704,010,551	P1,494,724,468	P93,245,771	P-	P3,291,980,790
Direct costs	(1,196,125,303)	(373,553,433)	(65,760,756)	-	(1,635,439,492)
Gross profit	507,885,248	1,121,171,035	27,485,015	-	1,656,541,298
Selling, general and administrative expenses	(85,455,109)	-	-	(796,586,290)	(882,041,399)
Operating income	422,430,139	1,121,171,035	27,485,015	(796,586,290)	774,499,899
Interest income	14,323,845	-	-	42,996,385	57,320,230
Other income (charges) - net	(79,591,452)	158,982,530	6,907,990	54,479,458	140,778,526
Finance charges	-	-	-	(291,172,496)	(291,172,496)
Provision for income tax	-	-	-	(189,693,593)	(189,693,593)
Segment profit	P357,162,532	P1,280,153,565	P34,393,005	(P1,179,976,536)	P491,732,566
Other information					
Segment assets	P7,085,118,799	P10,471,730,968	P901,805,312	P12,830,283,438	P31,288,938,517
Deferred income tax assets - net	-	-	-	33,596,435	33,596,435
Total segment assets	P7,085,118,799	P10,471,730,968	P901,805,312	P12,863,879,873	P31,322,534,952
Segment liabilities	P2,667,485,585	P1,059,603,144	P7,769,427	P10,591,517,764	P14,326,375,920
Segment additions to property and equipment, investment properties and software	P34,793,143	P2,358,291,442	P71,429	P-	P2,393,156,014
Depreciation and amortization	37,213,019	222,311,452	53,443,709	-	312,968,180

2017 (As restated, Note 2)	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P845,052,331	P1,388,010,270	P85,112,175	P-	P2,318,174,776
Direct costs	(471,297,405)	(308,447,086)	(50,618,202)	-	(830,362,693)
Gross profit	373,754,926	1,079,563,184	34,493,973	-	1,487,812,083
Selling, general and administrative expenses	(35,363,699)	-	-	(696,164,470)	(731,528,169)
Operating income	338,391,227	1,079,563,184	34,493,973	(696,164,470)	756,283,914
Interest income	16,472,876	-	-	28,083,279	44,556,155
Other income (charges) - net	(93,177,383)	150,616,283	4,019,201	33,757,434	95,215,535
Finance charges	-	-	-	(355,119,704)	(355,119,704)
Provision for income tax	-	-	-	(164,222,379)	(164,222,379)
Segment profit	P261,686,720	P 1,230,179,467	P38,513,174	(P1,153,665,840)	P376,713,521
Other information					
Segment assets	P9,394,874,795	P8,978,156,130	P1,018,040,136	P10,180,124,232	P29,571,195,293
Deferred income tax assets - net	-	-	-	31,068,838	31,068,838
Total segment assets	P9,394,874,795	P8,978,156,130	P1,018,040,136	P10,211,193,070	P29,602,264,131
Segment liabilities	P2,316,179,530	P2,671,936,901	P3,640,982	P 8,144,213,162	P13,135,970,575
Segment additions to property and equipment, investment properties and software	P30,330,976	P1,740,087,435	P-	P-	P1,770,418,411
Depreciation and amortization	35,848,215	177,940,920	41,114,917	-	254,904,052

5. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	P816,639,952	P675,579,055
Cash equivalents	1,507,235,970	1,966,964,015
	P2,323,875,922	P2,642,543,070

Cash in banks earn interest at the prevailing bank deposit rates (see Note 18). Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates ranging from 0.10% to 6.00% in 2019 and 0.78% to 6.50% in 2018.

Interest income from cash and cash equivalents amounted to P98.3 million, P43.0 million and P28.1 million in 2019, 2018 and 2017, respectively (see Note 18).

6. Trade and Other Receivables

	2019	2018
Contracts receivables	P898,385,6082	P1,071,334,642
Receivables from buyers	462,812,332	454,019,067
Lease receivables (Note 27)	21,088,635	45,816,320
Receivables from tenants	11,404,683	41,566,610
Others	262,523,527	161,414,405
	1,656,214,785	1,774,151,044
Less allowance for expected credit losses (Notes 2 and 28)	58,129,883	82,660,835
	1,598,084,902	1,691,490,209
Less noncurrent portion of contracts receivables	674,304,192	294,717,675
	P923,780,710	P1,396,772,534

- a. Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

Interest from contracts receivables amounted to P7.6 million, P14.3 million and P16.5 million in 2019, 2018 and 2017, respectively (see Note 18).

- b. Receivables from buyers include receivables relating to registration of titles, turnover fees and advances paid for on behalf of buyers whereas receivables from tenants represent charges to tenants for utilities normally collectible within a year.
- c. Other receivables include accrued interest receivable pertaining to interest earned from cash and cash equivalents and contracts receivables. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

7. Real Estate Inventories

	2019	2018 (As restated, Note 2)
Condominium and residential units	P217,620,008	P266,988,061
Land held for development	217,541,962	217,541,962
Subdivision projects under development	3,927,356,981	4,474,028,510
	P4,362,518,951	P4,958,558,533

- a. A summary of the movements in real estate inventories is set out below:

	2019	2018 (As restated, Note 2)
Beginning of year	P4,958,558,533	P6,229,783,629
Development costs incurred (Notes 15 and 17)	262,303,031	394,854,818
Transfer from investment properties (Note 9)	2,038,096	-
Transfer to investment properties (Note 9)	-	(282,917,167)
Disposals and others	(860,380,709)	(1,383,162,747)
End of year	P4,362,518,951	P4,958,558,533

- b. In 2009, the Group acquired parcels of land through an asset-for-share swap agreement. The land, with a total appraised value of P3,953.2 million, was transferred to the Group in exchange for the issuance of 1.6 billion common shares (see Note 25). A portion of the land where the Group's buildings held for lease is situated, with an allocated cost of P658.9 million, was recognized as investment property in 2009. The remaining portion of the land, with an allocated cost of P3,294.3 million, was considered as real estate inventory.

In 2010, the Group reclassified a portion of the land, which was previously recognized as real estate inventory as of December 31, 2009 with cost amounting to P2,187.4 million, to investment property in view of management's plan to develop thereon additional buildings to be held for lease (see Note 9). On July 21, 2011, the Philippine SEC approved the valuation of the land acquired through the asset-for-share swap agreement at P4.0 billion, thereby, resulting to an increase in the recorded value of the land by P46.8 million.

- c. The 2018 comparative information was restated to reflect the adjustments on the capitalization of borrowing costs. As a result of restatements, the inventories have been restated and decreased by P69.4 million and P82.4 million as of December 31, 2018 and January 1, 2018, respectively.
- d. Real estate inventories recognized as part of cost of real estate sales amounted to P663.8 million, P1,196.1 million (as restated, see Note 2) and P471.3 million (as restated, see Note 2) in 2019, 2018 and 2017, respectively.

8. Other Current Assets

	2019	2018
Input VAT	P979,140,918	P998,921,534
Deferred rent assets (Note 27)	244,206,352	170,161,556
Creditable withholding taxes	235,675,669	272,486,752
Advances to contractors and suppliers (Note 16)	112,520,486	131,237,469
Prepayments	48,183,356	16,067,178
	P1,619,726,781	P1,588,874,489

- Deferred rent asset is used to record rental income on a straight-line basis over the lease term.
- Advances to contractors are recouped every settlement of progress billings based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.
- Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit and real estate taxes.

9. Investment Properties

As of December 31, 2019:

	Land	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	P8,337,895,739	P5,811,997,325	P1,680,970,519	P4,177,592,262	P20,008,455,845
Additions	2,259,375	34,334,930	35,551,448	1,579,445,238	1,651,590,991
Reclassification and others	-	3,294,548,563	-	(3,294,548,563)	-
Transfer to real estate inventories (Note 7)	-	(962,644)	(1,075,452)	-	(2,038,096)
End of year	8,340,155,114	9,139,918,174	1,715,446,515	2,462,488,937	21,658,008,740
Accumulated Depreciation					
Beginning of year	-	1,011,323,862	86,210,104	-	1,097,533,966
Depreciation for the year	-	335,412,265	(48,111,030)	-	287,301,235
End of year	-	1,346,736,127	38,099,074	-	1,384,835,201
Net Book Values	P8,340,155,114	P7,793,182,047	P1,677,347,441	P2,462,488,937	P20,273,173,539

As of December 31, 2018 (As restated, Note 2):

	Land	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	P8,209,554,290	P5,750,751,446	P694,636,878	P2,728,668,496	P17,383,611,110
Additions	58,148,849	12,236,129	23,651,032	2,264,255,432	2,358,291,442
Reclassification and others	2,220,000	-	844,492,960	(846,712,960)	-
Transfer from real estate inventories (Note 7)	67,972,600	49,009,750	134,553,523	31,381,294	282,917,167
Transfer to property and equipment (Note 10)	-	-	(16,363,874)	-	(16,363,874)
End of year	8,337,895,739	5,811,997,325	1,680,970,519	4,177,592,262	20,008,455,845
Accumulated Depreciation					
Beginning of year	-	845,360,703	29,861,811	-	875,222,514
Depreciation for the year	-	165,963,159	56,348,293	-	222,311,452
End of year	-	1,011,323,862	86,210,104	-	1,097,533,966
Net Book Values	P8,337,895,739	P4,800,673,463	P1,594,760,415	P4,177,592,262	P18,910,921,879

- a. In 2019 and 2018, the Group reclassified the costs of land previously recognized as real estate inventory amounting to nil and P68.0 million, respectively, to investment property. Management plans to develop thereon additional buildings to be held for lease (see Note 7).
- b. In 2019 and 2018, the Parent Company reclassified the cost of condominium units, which was previously recognized as real estate inventory totaling to nil and P31.4 million, respectively, to investment property in view of management's plan to lease the units (see Note 7).
- c. In 2019 and 2018, the Parent Company reclassified from investment properties to property and equipment the costs of condominium units and furniture, fixtures and equipment to be used in the operations of serviced apartments totaling to nil and P16.4 million, respectively (see Note 10).
- d. In 2019, the Parent Company reclassified from investment properties to real estate inventory the costs of condominium units and parking slots for sale totaling to P2.0 million (see Note 7).
- e. The 2018 comparative information was restated to reflect the adjustments on the capitalization of borrowing costs. As a result of restatements, the inventories previously reclassified to investment properties have been restated and decreased by P83.3 million as of December 31, 2018 and January 1, 2018. Borrowing costs capitalized as cost of investment properties as of December 31, 2019 and 2018 amounted to P153.0 million and P134.9 million, respectively (see Notes 15 and 18).
- f. Rental income and direct operating expenses arising from the investment properties amounted to P1,707.8 million and P446.9 million in 2019, P1,494.7 million and P373.6 million in 2018, and P1,388.0 million and P308.4 million in 2017, respectively. Depreciation of investment properties amounting to P284.4 million, P220.1 million and P176.4 million were recognized as part of cost of rental income in 2019, 2018 and 2017, respectively.
- g. The estimated fair value of land, condominium units, and buildings for lease are as follows:

Property	Approach	Fair Value	Valuation Report Date
Land	Market approach	P32,111,712,000	January 8, 2020
Condominium units	Market approach	3,659,914,279	January 8, 2020
Buildings for lease	Cost approach	5,591,796,200	December 13, 2019
Building for lease	Cost approach	1,333,664,400	April 25, 2019
		P42,697,086,879	

The estimated fair value of the land and condominium units was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. For the valuation of the buildings for lease, the Cost Approach method of valuation is used. This method is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. In estimating the cost of replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13, *Fair Value Measurement*.

10. Property and Equipment

As of December 31, 2019:

	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	P990,148,677	P69,903,755	P199,742,065	P23,306,491	P1,283,100,988
Additions	296,174	4,921,250	14,236,802	1,071,429	20,525,655
Retirement/Disposal	-	(4,277,683)	-	-	(4,277,683)
End of year	990,444,851	70,547,322	213,978,867	24,377,920	1,299,348,960
Accumulated Depreciation and Amortization					
Beginning of year	94,558,624	50,761,084	160,864,178	22,079,449	328,263,335
Depreciation and amortization (Note 20)	45,893,399	7,289,430	29,072,423	1,077,148	83,332,400
Retirement/Disposal	-	(2,834,082)	-	-	(2,834,082)
End of year	140,452,023	55,216,432	189,936,601	23,156,597	408,761,653
Net Book Values	P849,992,828	P15,330,890	P24,042,266	P1,221,323	P890,587,307

As of December 31, 2018:

	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	P973,713,374	P62,630,576	P175,349,712	P23,306,491	P1,235,000,153
Additions	71,429	9,989,530	24,392,353	-	34,453,312
Transfer from investment properties (Note 9)	16,363,874	-	-	-	16,363,874
Retirement/Disposal	-	(2,716,351)	-	-	(2,716,351)
End of year	990,148,677	69,903,755	199,742,065	23,306,491	1,283,100,988
Accumulated Depreciation and Amortization					
Beginning of year	41,114,915	47,045,224	139,292,236	20,932,802	248,385,177
Depreciation and amortization (Note 20)	53,443,709	6,414,334	21,571,942	1,146,647	82,576,632
Retirement/Disposal	-	(2,698,474)	-	-	(2,698,474)
End of year	94,558,624	50,761,084	160,864,178	22,079,449	328,263,335
Net Book Values	P895,590,053	P19,142,671	P38,877,887	P1,227,042	P954,837,653

The Group has fully depreciated property and equipment that are still in use with cost of P204.7 million and P182.7 million as of December 31, 2019 and 2018, respectively.

In 2019 and 2018, the Group recognized as part of "Cost of rental income" the depreciation and amortization of equipment and leasehold improvements used in leasing activities amounting to P16.4 million and P12.5 million, respectively.

11. Other Noncurrent Assets

	2019	2018
Advances to contractors and suppliers (Note 2)	P286,116,256	P359,309,024
Refundable deposits - net (Note 28)	159,606,281	170,287,640
Software	16,572,063	4,682,619
Creditable withholding taxes	7,253,829	-
Deferred input VAT	4,414,057	4,533,401
Others	2,900,000	2,900,000
	P476,862,486	P541,712,684

- a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.

b. The rollforward analysis of the Group's software follows:

	2019	2018
Cost		
Beginning of year	P63,516,207	P63,104,947
Additions	17,782,888	411,260
End of year	81,299,095	63,516,207
Accumulated Amortization		
Beginning of year	58,833,588	50,753,492
Amortization (Note 20)	5,893,444	8,080,096
End of year	64,727,032	58,833,588
Net Book Values	P16,572,063	P4,682,619

In 2019 and 2018, the Group recognized as part of "Cost of rental income" the amortization of software used in leasing activities amounting to P0.36 million.

12. Trade and Other Payables

	2019	2018
Accounts payable	P1,163,255,228	P865,030,958
Retentions payable	771,080,486	746,279,574
Taxes payable	267,299,817	255,908,560
Accrued expenses:		
Real estate development costs	1,024,700,141	1,097,298,701
Utilities, outside services and others	181,769,860	175,918,273
Interest	122,956,763	93,032,652
Rentals	-	202,783,401
	P3,531,062,295	P3,436,252,119

- a. Accounts payable includes amount payable to contractors for the construction and development costs. Retention payable pertains to the amount withheld from progress billings of the contractors as a guaranty for any claims against them. Accounts payable and retentions payable are normally settled within the Group's normal operating cycle.
- b. Accrued expenses represent various accruals of the Group for its expenses and real estate projects. Accrued real estate development costs are construction-related accruals for the real estate projects of the Group.

13. Customers' Deposits

Customers' deposits represent payments received from buyers of condominium and residential units that will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group.

As of December 31, 2019 and 2018, customers' deposits amounted to P978.6 million and P1,115.1 million, respectively.

14. Loans Payable

	2019	2018
Bank loans	P6,288,300,000	P7,220,600,000
Less unamortized transaction costs	22,600,683	29,634,654
	6,265,699,317	7,190,965,346
Less current portion	1,199,758,184	737,816,725
Noncurrent portion	P5,065,941,133	P6,453,148,621

Bank loans

- a. In 2018, Parent Company entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to P5,000.0 million to finance the construction of the Parent Company's projects. On July 31, 2018, P500.0 million was initially drawn and an additional P1,000.0 million on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. Principal repayments will commence three years from the date of initial borrowing, while interest payments are due quarterly.

- b. In 2016, the Parent Company entered into a loan agreement with Philippine National Bank (PNB) amounting to P4,500.0 million secured by a certain parcel of land located in Sta. Rosa, Laguna and an office building in Ortigas Avenue, Quezon City. In the same year, the Parent Company have availed of the loan in two drawdowns totaling P2,000.0 million. Last 2017, the Parent Company had a third drawdown of the loan with the amount of P2,490.0 million, bringing the total cash received through PNB loan to P4,490.0 million. The term loans with PNB bears nominal interest rate of 5.0% and will mature on May 31, 2023. Principal repayments will commence two years from the date of initial drawdown and due quarterly while interest payments are due quarterly starting August 31, 2017.
- c. The Parent Company entered into an unsecured term loan agreement with Asia United Bank (AUB), in 2016, amounting to P1,500.0 million to finance the construction of the Parent Company's projects. The term loans with AUB bear nominal interest rate of 5.0% and will mature on September 28, 2023. Principal repayments will commence two years from the date of availment and due quarterly while interest payments are due quarterly starting December 28, 2016.
- a. On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO amounting to P2,000.0 million to finance the construction of the Parent Company's projects. Principal repayments will start one year from the date of availment and are due quarterly while interest payments are due quarterly starting April 28, 2013. The term loan bears a nominal interest rate of 5.53%. On October 28, 2013, the Parent Company and BDO agreed to the new interest rate of 4.75%. The Parent Company settled the outstanding loans upon their maturity in January 2018.
- d. The Parent Company is required to maintain certain financial ratios and comply with non-financial covenants for each bank loan. As at December 31, 2019 and 2018, the Parent Company is in compliance with the financial and non-financial loan covenants.

The transaction costs representing fees, taxes and other charges incurred in obtaining the loan were deferred and amortized using the effective interest method. The amortization of transaction costs is recognized as part of "Finance charges" account in the consolidated statements of income.

Movements in the unamortized transaction costs of bank loans are as follows:

	2019	2018
Balances at beginning of year	P29,634,654	P27,500,885
Additions	-	11,250,000
Amortization of transaction costs	(7,033,971)	(9,116,231)
Balances at end of year	P22,600,683	P29,634,654

Interest expense related to loans payable amounted to P253.3 million, P224.7 million and P200.5 million, net of capitalized portion of P139.5 million, P121.3 million and P58.3 million in 2019, 2018 and 2017, respectively (see Notes 9 and 18).

15. Payables to Landowners

	Note	2019	2018
Five-year 6%-promissory note, quarterly installment	a	P323,758,189	P379,684,538
Three-year floating rate promissory note, quarterly installment	b	1,061,190,858	1,061,190,858
3.95%-promissory note (Note 17)	c	444,000,000	444,000,000
		1,828,949,047	1,884,875,396
Less current portion		1,828,949,047	499,926,349
Noncurrent portion		P-	P1,384,949,047

- a. In December 2015, the Parent Company executed contracts to sell, subject to interest rate of 6%, to PNB, a related party, amounting to P754.0 million in relation to its purchase of parcels of land located in San Juan City, Pasig City and Pasay City with a total purchase price of P984.0 million. The promissory note is payable quarterly for five years from execution of the note. As of December 31, 2019 and 2018, outstanding payables amounted to P323.8 million and P379.7 million, respectively (see Note 17).
- b. On various dates in 2014, ECI and BCI executed a P1,061.2 million promissory notes, subject to interest rate of PDSTF 3 years + 0.50%, to various landowners in relation to their purchased parcels of land located in Sta. Rosa, Laguna with total purchase price of P1.4 billion. The promissory notes are due on the third year of its execution date. In June 2017, the payment of the various promissory notes was extended for another three years.
- c. In 2017, the Parent Company reclassified the outstanding notes payable to Asia Brewery, Incorporated (ABI) amounting to P444.0 million from "Due to related parties" to "Payable to landowners" (see Note 17).

- d. In February 2016, the Parent Company executed a contract to sell, subject to interest rate of 6%, to PNB, a related party, amounting to P1,900.0 million in relation to its purchase of parcels of land located at Mactan Island, Cebu. The Parent Company paid P570.0 million as a downpayment. The remaining balance amounting to P1,330.0 million is payable in quarterly installments for the first five years starting 2017, totaling to P665.0 million and the remaining balance amounting to P665.0 million through balloon payment on the fifth year from the execution of the contract. In 2017, the outstanding payable was fully paid by the Parent Company.
- e. Interest expense related to payables to landowners amounted to P76.1 million, P65.9 million and P100.5 million, net of capitalized portion of P13.5 million in 2019, 2018 and 2017 (see Notes 9 and 18).

16. Other Noncurrent Liabilities

	2019	2018
Security deposits	P560,671,576	P506,007,156
Advance rentals	65,710,240	97,196,791
Deferred rental income	70,996,435	64,219,252
Retirement benefits liability (Note 23)	128,727,857	31,753,633
	826,106,108	699,176,832
Less current portion of:		
Security deposits	P145,720,092	P243,243,848
Advance rentals	43,225,585	69,243,449
	188,945,677	312,487,297
	P637,160,431	P386,689,535

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which are refundable at the end of the lease term. Security deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term based on the lease contract.

17. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The table below shows the details of the Group's transactions with related parties.

	Financial Statement Account	Amount/Volume		Outstanding Balance		Terms and Conditions
		2019	2018	2019	2018	
Subsidiaries of LTG	Cash and cash equivalents	P172,400,939	P796,381,350	P1,886,507,401	P1,714,106,463	Deposits and placements; interest bearing
	Payable to landowners	205,041,811	52,692,924	(323,758,189)	(379,684,538)	Unsecured; interest bearing
	Payable to landowners	-	-	(444,000,000)	(444,000,000)	Unsecured; interest bearing
	Payable to landowners	-	-	(149,364,930)	(149,364,930)	Secured; interest bearing
	Loans payable	651,050,000	269,400,000	(3,569,550,000)	(4,220,600,000)	Unsecured; interest bearing
	Payables to related parties	-	-	-	-	Unsecured; interest bearing
	Contracts receivables	-	810,969,600	-	236,183,470	Non-interest bearing
Joint Venture of LTG	Payables to related parties	(71,667,965)	-	(7,760,000)	-	Management fee; non-interest bearing
Entities under Common Control	Retentions payable	-	-	(3,021,083)	(3,021,083)	Unsecured; non-interest bearing

As of December 31, 2019 and 2018, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Subsidiaries of LTG

- Portion of the Group's cash and cash equivalents are deposited with PNB.
- In 2017 and 2016, the Parent Company entered into an unsecured term loan agreement with PNB amounting to P2,490.0 million and P2,000.0 million, respectively, to finance the construction of the Parent Company's projects. Total outstanding payables amounting to P3,569.6 million and P4,220.0 million were recorded under "Loans payable" in the consolidated statements of financial position as of December 31, 2019 and 2018, respectively (see Note 14).
- In 2016 and 2015, the Parent Company purchased parcels of land from PNB for its future projects. The total price of the parcels of land amounted to P1,900.0 million and P1,394.0 million, respectively. Total outstanding payable amounting to P323.8 million and P379.7 million were recorded under "Payables to landowners" as of December 31, 2019 and 2018, respectively (see Note 15).
- In 2014, the Parent Company purchased a parcel of land owned by an affiliate amounting to P90.0 million. Outstanding payable amounting to P66.9 million was recorded under "Payables to related parties" as of December 31, 2016. In 2017, the outstanding payable was fully paid by the Parent Company.
- In 2014, ECI purchased parcels of land from related parties amounting to P201.8 million. Total outstanding payables amounting to P149.4 million were recorded as part of "Payables to landowners" as of December 31, 2019 and 2018 (see Note 15).
- On October 1, 2013, the Parent Company purchased a parcel of land from ABI with total lot area of 10,000 square meters for P600.0 million. Of this amount, the Group paid P156.0 million as down payment and issued a promissory note for the remaining balance of P444.0 million with a 3.95% interest rate per annum. As of December 31, 2018, the outstanding balance is payable on demand.
- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former. Total rental expense recognized by the Group included in "Outside services" amounted to nil in 2019, P17.5 million in 2018 and P21.0 million in 2017 (see Note 20).

Transactions with Joint Venture of LTG

- On April 10, 2018, the Parent Company executed a deed of absolute sale with ALI-Eton Property Development Corporation, a related party, for the sale of parcels of land totaling to P724.1 million, net of VAT. As of December 31, 2018, outstanding contracts receivable amounted to P236.2 million which was due and paid in November 2019.

Transactions with Entities under Common Control

- The Group has outstanding advances to Grandspan Development Corporation pertaining to the development of the Group's projects and is included as part of "Other current assets" account.
- In 2011, the Group entered into a management contract agreement with BHC. Total management fee recognized by the Group included in "Outside services" amounted to P73.9 million, P71.9 million and P69.2 million in 2019, 2018 and 2017, respectively (see Note 20).
- The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

Amounts owed by:	Amounts owed to:	Terms and Conditions	2019	2018
ECI	EPPI	Advances; noninterest-bearing	P766,534,646	P748,130,906
ECI	BCI	-do-	51,911,693	52,367,093
FHI	EPPI	-do-	50,704,824	50,107,103
BCI	EPPI	-do-	299,790	947,491
EPMC	EPPI	-do-	-	771,107

Key Management Personnel

Compensation of key management personnel are as follows:

	2019	2018
Salaries and wages	P19,566,385	P15,768,347
Retirement benefits costs	6,234,337	5,024,188
	P25,800,722	P20,792,535

18. Interest Income and Finance Charges

	2019	2018	2017
Interest income:			
Cash and cash equivalents (Note 5)	P98,325,367	P42,996,385	P28,083,279
Contracts receivables (Note 6)	7,622,941	14,323,845	16,472,876
	P105,948,308	P57,320,230	P44,556,155
Finance charges:			
Interest expense on:			
Loans payable (Note 14)	P392,788,177	P346,013,592	P258,766,163
Payables to landowners (Notes 14 and 15)	76,069,633	79,443,944	151,024,982
Lease liabilities (Note 27)	42,116,703	-	-
Security deposits	5,943,986	-	-
	516,918,499	425,457,536	409,791,145
Capitalized interest in investment properties (Note 9)	(152,981,564)	(134,850,525)	(71,781,277)
	363,936,935	290,607,011	338,009,868
Bank charges and others	402,836	565,485	17,109,836
	P364,339,771	P291,172,496	P355,119,704

Capitalization rates for general and specific borrowing in 2019 and 2018 were 5.85% and 3.95%, and 5.11% and 3.95%, respectively. Others include penalties and surcharges which are individually not material as to amounts.

19. Selling Expenses

	2019	2018	2017
Commissions	P101,545,050	P85,455,109	P35,363,699
Advertising and promotions	10,071,404	15,706,978	11,233,159
	P111,616,454	P101,162,087	P46,596,858

20. General and Administrative Expenses

	2019	2018	2017
Personnel costs (Note 21)	P192,981,562	P184,155,265	P192,752,164
Outside services (Note 17)	124,976,566	156,639,731	151,221,535
Taxes and licenses	111,745,045	96,179,467	93,701,921
Depreciation and amortization (Notes 10 and 11)	86,566,021	77,381,351	69,439,490
Repairs and maintenance	58,317,960	82,824,722	48,849,175
Communication, light and water	27,137,497	42,763,711	23,334,833
Travel and transportation	24,840,231	32,442,689	28,905,500
Professional fees	15,450,949	14,893,689	13,723,295
Entertainment, amusement and recreation	8,853,166	14,245,209	21,982,846
Office supplies	3,069,988	6,784,646	4,865,618
General insurance	6,083,634	6,056,306	13,699,584
Others	15,237,711	66,512,526	22,455,350
	P675,260,330	P780,879,312	P684,931,311

Others include expenditures training and seminar fees, membership fees and research and development costs which are individually not material.

21. Personnel Costs

	2019	2018	2017
Salaries and wages	P142,518,112	P133,731,032	P130,686,528
Employee benefits	40,337,530	33,280,810	32,649,664
Retirement benefits cost (Note 23)	10,969,896	17,987,399	29,415,972
	P193,825,538	P184,999,241	P192,752,164

The Group recognized P0.8 million personnel cost under “cost of rooms and other operated departments” in 2019 and 2018.

22. Other Income (Charges)

	2019	2018	2017
Rental dues	P187,819,037	P158,982,530	P150,616,283
Loss on cancelled contracts	(54,378,733)	(79,591,452)	(93,177,383)
Management fees	24,170,203	16,043,229	15,939,418
Penalty income and late payment charges	6,707,032	7,104,003	5,002,353
Others - net	87,926,791	33,483,580	16,983,413
	P252,244,330	P136,021,890	P95,364,084

Rental dues pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

Others include penalties and late payment charges, gain or loss on disposal of fixed assets, day 1 gain security deposits and miscellaneous income.

23. Retirement Benefits

RA No. 7641 (“Retirement Pay Law”), an Act Amending Article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

On June 26, 2018, the Board of Directors approved the new retirement plan for the Group’s employees. The key differences between the new and old retirement plans are as follows:

- The new retirement plan provides early retirement benefit.
- The old retirement plan provides an employee 17.50 days final basic salary for every year of service with a fraction of six months considered as one year, while the new retirement plan provides 22.5 day-final monthly salary for every year of service upon normal or late retirement and a percentage of the accrued retirement benefits for early retirement.

In 2019, the Group has implemented a Multi-Employer Retirement plan which is noncontributory and based on the final salary defined benefit type.

The retirement fund of the Group is maintained by PNB as the trustee bank. The Group’s transactions with the fund mainly pertain to contribution made for the year. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations.

The tables on the next page summarize the components of the net retirement benefits costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position.

	2019		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	P31,753,633	P-	P31,753,633
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	8,560,241	-	8,560,241
Net interest cost (income)	2,448,205	(38,550)	2,409,655
	P11,008,446	(38,550)	P10,969,896
Benefits paid directly by the Company	(345,711)	-	(345,711)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:			
Change in financial assumptions	65,208,466	-	65,208,466
Change in demographic assumptions	21,720,480	-	21,720,480
Experience adjustments	387,750	33,343	421,093
	87,316,696	33,343	87,350,039
Contributions	-	(1,000,000)	(1,000,000)
Ending balances	P129,733,064	(P1,005,207)	P128,727,857

Changes in the present value of the defined benefits obligation are as follows:

	2018	2017
Beginning of year	P68,241,819	P56,118,230
Retirement benefits cost in profit or loss:		
Current service cost	7,799,917	26,503,436
Interest cost on defined benefits obligation	3,896,607	2,912,536
Past service cost	6,290,875	-
	17,987,399	29,415,972
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:		
Experience adjustments	7,505,709	(9,120,777)
Change in financial assumptions	(18,093,240)	(8,171,606)
Changes in demographic assumptions	(43,888,054)	-
	(54,475,585)	(17,292,383)
End of year	P31,753,633	P68,241,819

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statements of financial position amounted to P128.7 million and P31.8 million as of December 31, 2019 and 2018, respectively.

The fair value of the plan assets amounting to P1.0 million is comprised of financial assets measured at fair value through profit or loss.

The principal assumptions used in determining retirement benefits cost as of January 1 follow:

	2019	2018	2017
Discount rate	5.54%	7.71%	5.19%
Salary increase rate	10.00%	8.00%	10.00%
Average future working years of service	27	27	23

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

	2019		2018	
Discount rate	+0.5%	(P11,294,255)	+0.5%	(P1,834,203)
	-0.5%	12,809,898	-0.5%	1,999,038
Future salary increase rate	+1.0%	25,738,907	+1.0%	4,126,958
	-1.0%	(20,936,014)	-1.0%	(3,540,995)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2019	2018
Less than 1 year	P4,493,280	P2,974,126
More than 1 year up to 5 years	8,627,125	5,041,772
More than 5 years up to 10 years	70,174,558	38,027,368

24. Income Taxes

a. Details of the Group's provision for current income tax follow:

	2019	2018	2017
RCIT	P244,411,922	P187,974,412	P159,206,559
Final	20,567,770	6,917,525	5,809,906
Adjustment in the current period for income tax of prior period	-	4,905,338	-
MCIT	-	3,393,488	5,082,105
	P264,979,692	P203,190,763	P170,098,570

b. The Group's recognized net deferred income tax assets as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Difference between ROU and lease liability	P67,626,231	P-
Retirement benefits liability	57,095,531	47,903,186
Advance rentals	37,586,711	29,917,384
Accrued expenses	23,018,162	19,266,514
Allowance for estimated credit losses	19,065,427	26,591,201
Accrued rent expense	P-	P 60,835,020
Difference between tax basis and book basis of accounting for real estate transactions	-	6,723,876
Excess MCIT	-	6,633,844
	204,392,062	197,871,025
Deferred income tax liabilities on:		
Capitalized borrowing cost	(100,465,797)	(57,938,262)
Deferred rental income	(71,986,748)	(40,884,359)
Difference between tax basis and book basis of accounting for real estate transactions	(44,161,882)	(14,130,450)
Day 1 gain on security deposits	(13,200,242)	(4,119,443)
Unamortized portion of debt issue cost	(5,600,212)	(7,382,966)
Others	(6,610,084)	(1,442,014)
	(242,024,965)	(125,897,494)
	(37,632,903)	71,973,531
Deferred income tax liability on gains arising from changes in actuarial assumptions directly recognized in equity	(15,943,887)	(38,377,096)
	(P53,576,790)	P33,596,435

As of December 31, 2019 and 2018, the Group has not recognized deferred income tax assets on the carryforward benefits of NOLCO and excess MCIT totaling to P0.7 million and P86.2 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities reflected in the consolidated balance sheets are as follows:

	2019	2018
Deferred income tax assets - net	P9,603,651	P33,596,435
Deferred income tax liabilities - net	(63,180,441)	-
	(P53,576,790)	(P33,596,435)

c. Details of the Group's NOLCO follow:

Year Incurred	Amount	Additions	Applied	Balance as of December 31, 2019	Available Until
2016	P85,227,716	P-	(P85,227,716)	P-	2019
2017	734,302	-	-	734,302	2020
	P85,962,018	P-	(P85,227,716)	P734,302	

Details of the Group's excess MCIT follow:

Year Incurred	Amount	Additions/ (Expiration)	Applied	Balance as of December 31, 2019	Available Until
2016	P995,414	(P995,414)	P-	P-	2019
2017	3,240,356	-	(3,240,356)	-	2020
2018	3,393,488	-	(3,393,488)	-	2021
	P 7,629,258	(P995,414)	(P6,633,844)	P-	

d. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2019	2018 (As Restated, Note 2)	2017 (As Restated, Note 2)
Provision for income tax at the statutory income tax rate	P401,951,967	P 204,427,848	P162,280,770
Adjustments for:			
Application of NOLCO for which no deferred income tax asset was recognized in prior years	(25,568,315)	(32,033,621)	(36,082,739)
Nondeductible expenses	10,679,433	7,121,365	6,019,402
Interest income subjected to final tax	(8,929,841)	(5,981,391)	(2,615,076)
Deductible temporary differences, NOLCO and excess MCIT for which no deferred income tax assets were recognized	224,685	13,679,206	33,539,085
Adjustment in the current period for income tax of prior period	-	4,905,338	-
Impact of adoption of PFRS 15 and PFRS 9	-	(2,425,152)	-
Expiration of NOLCO and excess MCIT for which deferred income tax assets were recognized in prior years	-	-	1,080,937
Provision for income tax	P378,357,929	P189,693,593	P164,222,379

25. Equity

Capital Stock

Details of the Parent Company's capital stock as of December 31, 2019 and 2018 are as follows:

	Number of Shares
Authorized capital stock at P1 par value	
Beginning and end of year	8,000,000,000
Issued and outstanding capital stock at P1 par value	
Issued capital stock	5,723,017,872
Treasury shares	(10,000)
Outstanding capital stock	5,723,007,872

On May 12, 1988, the Philippine SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of P300.0 million divided into 18 billion Class "A" shares with par value of P0.01 per share and 12.0 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the P300.0 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the Philippine SEC approved the increase in the authorized capital stock of the Parent Company from P300.0 million to P1.0 billion divided into 60.0 billion Class "A" shares with par value of P0.01 per share and 40.0 billion Class "B" shares with par value of P0.01 per share.

The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from P0.01 per share to P1.00 per share. The amendment was approved by the Philippine SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from P1,000.0 million to P73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to P5,000.0 million divided into 5,000.0 million shares having a par value of P1.00 per share.

On October 8, 2003, the Philippine SEC approved the decrease in the total authorized capital stock of the Parent Company from P1,000.0 million to P73.8 million consisting of 73.8 million shares with par value of P1.00 per share. On the same day, the Philippine SEC approved the increase in the total authorized capital stock of the Parent Company from P73.8 million to P5,000.0 million consisting of 5,000.0 million shares with par value of P1.00 per share. Saturn subscribed to P1,231.6 million out of the P4,926.2 million increase in the authorized capital stock.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000.0 million divided into 5,000.0 million common shares with a par value of P1.00 per share to P8,000.0 million divided into 8,000.0 million common shares with a par value of P1.00 per share. On September 28, 2015, the Parent Company filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share (see Note 1).

The issued and outstanding registered shares are held by 1,667 and 1,666 stockholders as of December 31, 2019 and 2018, respectively.

Asset-for-Share Swap

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to P4.0 billion as approved by Philippine SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to P1.6 billion and P2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to P573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012. .

Retained Earnings

The retained earnings are restricted for payment of dividends to the extent of the amount of treasury shares amounting to P7,955. Portion of the retained earnings pertaining to undistributed earnings of subsidiaries amounting to P376.4 million and P175.2 million as of December 31, 2019 and 2018, respectively, and unrealized items amounting to P175.3 million and P159.7 million as of December 31, 2019 and 2018, respectively, are not available for dividend declaration.

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

	2019	2018	2017
Net income	P900,383,799	P491,732,566	P376,713,521
Divided by weighted average number of common shares	5,723,007,872	5,723,007,872	5,723,007,872
Basic/diluted earnings per share	P0.1573	P0.0859	P0.0658

In 2019, 2018, and 2017, there are no potential dilutive common shares, thus, basic and diluted earnings per share are the same.

27. Leases*The Group as lessor*

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the lease term and a certain percentage of gross revenue of tenants, as applicable, on a non-cancellable lease term. The Group recognized variable rental income amounting to P20.5 million, P19.4 million and P13.9 million in 2019, 2018 and 2017, respectively

Future minimum rentals receivables under non-cancellable operating leases as of December 31 follow:

	2019	2018
Within one year	P1,381,387,862	P1,124,513,355
After one year but not more than five years	3,350,919,496	1,698,825,677
More than five years	73,412,854	146,461,175
	P4,805,720,212	P2,969,800,207

The Group as lessee

- i. The Group entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 17).
- ii. The Parent Company also entered into various lease agreements as follows:
 - a. Lease agreements with third parties for the lease of parcels of land in Ortigas Avenue, Quezon City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years which commenced on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.
 - b. Lease agreement for the lease of parcels of land in San Juan City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 15 years commencing on June 1, 2017 renewable at the option of the lessor with lease payment subject to 5% escalation annually.

The rollforward analysis of the right-of-use assets (ROU) account follows:

	ROU: Land	ROU: Leasehold Improvements	Total
Cost			
At January 1, 2019 (as restated, see Note 2)	P235,436,760	P63,496,609	P298,933,369
Accumulated Amortization			
At January 1, 2019	-	-	-
Amortization (Note 20)	10,434,471	15,239,186	25,673,657
At December 31, 2019	10,434,471	15,239,186	25,673,657
Net Book Values	P225,002,289	P48,257,423	P273,259,712

The following are the amounts recognized in consolidated statement of income for the year ended December 31, 2019:

Interest expense on lease liabilities (see Note 18)	P42,116,703
Amortization expense of right-of-use assets	25,673,657
	P67,790,360

The rollforward analysis of lease liabilities as at and for the year ended December 31, 2019 follows:

	2019
At January 1, 2019 (as restated, see Note 2)	P501,716,769
Additions	-
Interest expense (see Note 18)	42,116,703
Rental payments/payable	(45,152,990)
At December 31, 2019	P498,680,482

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 2).

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	P45,152,990
More than 1 year to 2 years	112,427,427
More than 2 years to 3 years	67,488,076
More than 3 years to 4 years	71,102,306
More than 5 years	1,373,506,006

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash and cash equivalents, payables to landowners and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, refundable deposits, trade and other payables and security deposits, which arise directly from its operations.

It is the Group's policy that no trading of financial instruments shall be undertaken. Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to cash in banks and cash equivalents, contracts receivables and other financial assets.

Credit risk is managed primarily through analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The carrying amount of cash in banks and cash equivalents, trade and other receivables, and refundable deposits represent the Group's maximum exposure to credit risk.

As of December 31, 2019 and 2018, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2019	2018
Financial assets at amortized cost		
Cash in banks and cash equivalents	P2,320,454,688	P2,640,448,342
Trade and other receivables:		
Contracts receivables	898,385,608	1,071,334,642
Receivable from buyers	462,812,333	454,019,067
Lease receivables	21,088,635	45,816,320
Receivable from tenants	11,404,683	41,566,610
Others*	261,644,925	151,174,921
Refundable deposits	165,081,522	176,264,142
	P4,140,872,394	P4,580,624,044

*Excluding advances to officers and employees amounting to P0.9 million and P10.2 million as of December 31, 2019 and 2018, respectively.

Set out below is the information about the credit risk exposure on the Group's financial assets using a provision matrix.

As of December 31, 2019:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Days past due					
			Current	<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	-%	4.48%	0.13% - 82.00%	0.13% - 78.94%	0.13% - 36.00%	0.13% - 93.06%	5.00% - 47.00%	
Estimated total gross carrying amount at default	P2,320,454,688	P131,263,814	P338,613,040	P38,777,830	P47,785,653	P10,153,300	P180,484,064	P3,067,532,389
Expected credit loss	P-	P5,475,241	P916,104	P1,757,614	P2,299,921	P1,249,066	P51,907,178	P 63,605,124

As of December 31, 2018:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Days past due					
			Current	<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	-%	3.51%	0.01% - 8.07%	0.03% - 11.50%	0.09% - 22.94%	0.90% - 27.57%	4.33% - 49.61%	
Estimated total gross carrying amount at default	P2,640,448,342	P170,287,640	P732,051,533	P67,680,624	P23,419,444	P31,210,160	P204,268,487	P3,869,366,230
Expected credit loss	P-	P5,976,502	P1,240,774	P1,123,740	P1,412,377	P2,944,971	P75,938,973	P88,637,337

Movement of the allowance for expected credit losses in 2019 and 2018 follow:

	2019	2018
Beginning balances	P88,637,337	P43,157,975
Provision for the year	11,015,308	45,479,362
Reversals for the year	(36,047,521)	-
Ending balances	P63,605,124	P88,637,337

The Group is not exposed to concentration risk because it has a diverse base of counterparties.

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

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 and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The tables below show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2019:

	On demand	Less than 1 year	1 - 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	P-	P1,161,230,533	P-	P1,161,230,533
Retentions payable	-	771,080,486	-	771,080,486
Accrued expenses	-	1,329,426,764	-	1,329,426,764
Loans payable	-	1,199,758,184	5,065,941,133	6,265,699,317
Payable to landowners	444,000,000	1,384,949,047	-	1,828,949,047
Security deposits	-	120,883,181	431,849,490	552,732,671
	P444,000,000	P5,967,328,195	P5,497,790,623	P11,909,118,818
Financial assets:				
Cash and cash equivalents	P816,639,952	P1,507,235,970	P-	P2,323,875,922
Trade and other receivables**	-	1,656,214,787	674,304,192	2,330,518,979
	P816,639,952	P3,163,450,757	P674,304,192	P4,654,394,901

*Excluding payable to government agencies amounting to P2.0 million.

**Excluding advances to officers and employees amounting to P0.88 million

As of December 31, 2018:

	On demand	Less than 1 year	1 - 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	P-	P862,154,305	P-	P862,154,305
Retentions payable	-	746,279,574	-	746,279,574
Accrued expenses	-	1,569,033,027	-	1,569,033,027
Loans payable	-	737,816,725	6,482,783,275	7,220,600,000
Payable to landowners	444,000,000	171,452,237	1,269,423,159	1,884,875,396
Security deposits	-	241,883,848	264,123,308	506,007,156
	P444,000,000	P4,328,619,716	P8,016,329,742	P12,788,949,458
Financial assets:				
Cash and cash equivalents	P675,579,055	P1,966,964,015	P-	P2,642,543,070
Trade and other receivables**	625,938,526	843,255,359	294,717,675	1,763,911,560
	P1,301,517,581	P 2,810,219,374	P294,717,675	P4,406,454,630

*Excluding payable to government agencies amounting to P2.9 million.

**Excluding advances to officers and employees amounting to P10.2 million.

Foreign currency risk

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents.

The following table shows the Group's cash and cash equivalents denominated in US dollar and their peso equivalents as of December 31, 2019 and 2018.

	US Dollar Value	Peso Equivalent
2019	\$1,853,227	P93,847,415
2018	\$1,389,737	P73,266,929

The exchange rate used as of December 31, 2019 and 2018 were P50.64 to US\$1.00 and P52.72 to US\$1.00, respectively. The Group recognized net foreign exchange loss amounting to P2.23 million in 2019 and net foreign exchange gain amounting to P4.76 million in 2018.

The table below represents the impact on the Group's income before income tax as a result of a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2019 and 2018. There is no impact on the Group's equity other than those already affecting the consolidated statements of income.

	Change in Dollar Foreign Exchange Rate	Effect on Income before Income Tax
2019	(3.95%)	(P3,744,630)
	3.95%	3,744,630
2018	2.65%	1,935,606
	(2.65%)	(1,935,606)

Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial assets and liabilities that are presented in the consolidated statements of financial position as of December 31, 2019 and 2018.

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash on hand	P3,421,234	P3,421,234	P2,094,728	P2,094,728
Loans and receivables:				
Cash in banks and cash equivalents	2,320,454,688	2,320,454,688	2,640,448,342	2,640,448,342
Contracts receivables	821,568,241	821,568,241	994,517,275	994,517,275
Lease receivables	16,527,521	16,527,521	41,255,206	41,255,206
Receivables from buyers	462,812,332	462,812,332	454,019,067	454,019,067
Receivables from tenants	10,122,329	10,122,329	40,284,256	40,284,256
Others*	261,644,925	261,644,925	151,174,921	151,174,921
Refundable deposits**	159,606,281	159,606,281	170,287,640	170,287,640
	P4,056,157,551	P4,056,157,551	P4,494,081,435	P4,494,081,435

* Excluding advances to officers and employees amounting to P0.9 million and P10.2 million as of December 31, 2019 and 2018, respectively.

** Presented as part of "Other noncurrent assets" account.

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Other financial liabilities:				
Trade and other payables:				
Accounts payable*	P1,161,230,533	P1,161,230,533	P862,154,305	P862,154,305
Retentions payable	771,080,484	771,080,484	746,279,574	746,279,574
Accrued expenses	1,329,426,764	1,329,426,764	1,569,033,027	1,569,033,027
Loans payable	6,265,699,317	4,782,790,040	7,190,965,346	5,867,197,270
Payables to landowners	1,828,949,047	1,828,949,047	1,884,875,396	1,877,555,121
Security deposits**	560,671,576	560,671,576	520,085,206	506,007,156
	P11,917,057,721	P10,434,148,444	P12,773,392,854	P11,428,226,453

* Excluding payable to government agencies amounting to P2.0 million and P2.9 million as of December 31, 2019 and 2018, respectively.

** Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair values due to the short-term nature of these financial instruments. The noncurrent portion of trade receivables is interest-bearing with interest rates that approximate market interest rates as of December 31, 2019 and 2018.

Refundable deposits

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

Loans payable, payables to landowners and security deposits

The fair values of loans payable, payables to landowners and security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 3.43% to 6.00% and 2.36% to 4.73% as of December 31, 2019 and 2018, respectively. Management has determined the inputs to be Level 3.

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

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

In 2019 and 2018, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2019 and 2018. Accordingly, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2019	2018
Capital stock	P5,723,017,872	P5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Retained earnings	3,877,323,738	2,976,939,939
Treasury shares	(7,955)	(7,955)
	P17,806,996,273	P16,906,612,474

30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/ operator". The locations are created and designated as Information Technology Park.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on the consolidated financial statements.

32. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing and financing activities of the Group follow:

- In 2019, 2018 and 2017, the Group reclassified real estate inventory amounting to nil, P282.9 million and P536.7 million, respectively, to investment properties (see Notes 7 and 9).
- In 2019 and 2018, the Group reclassified costs of condominium units and furniture, fixtures and equipment totaling to nil and P16.4 million to property and equipment (see Notes 9 and 10).
- Borrowing costs capitalized as cost of investment properties and real estate inventory in 2019 and 2018 amounted to P153.0 million and P134.9 million, respectively (see Notes 7 and 9).
- Non-cash financing activity of the Group pertains to the amortization of transaction costs amounting to P7.0 million in 2019, P9.1 million in 2018 and P2.2 million in 2017 (see Note 14).

- Reconciliation of the movements of liabilities arising from financing activities are as follows:

	Loans payable	Payables to landowners	Lease liabilities	Total
Beginning balances	P7,190,965,346	P1,884,875,396	P501,716,769	P9,577,557,511
Cash movements:				
Availment of an additional loan	-	-	-	-
Cash settlements during the year	(932,300,000)	(55,926,349)	-	(988,226,349)
Payment of principal portion of lease liabilities	-	-	(43,801,766)	(43,801,766)
Payment of transaction costs	-	-	-	-
Non-cash movement:				
Amortization of transaction costs	7,033,971	-	-	7,033,971
Accretion of interest	-	-	42,116,703	42,116,703
Unpaid portion of lease liabilities	-	-	(1,351,224)	(1,351,224)
Ending balances	P6,265,699,317	P1,828,949,047	P498,680,482	P8,593,328,846

As of December 31, 2018:

	Loans payable	Payables to landowners	Total
Beginning balances	P6,080,146,174	P1,937,568,320	P8,017,714,494
Cash movements:			
Availment of an additional loan	1,500,000,000	-	1,500,000,000
Cash settlements during the year	(387,047,059)	(52,692,924)	(439,739,983)
Payment of transaction costs	(11,250,000)	-	(11,250,000)
Non-cash movement:			
Amortization of transaction costs	9,116,231	-	9,116,231
Ending balances	P7,190,965,346	P1,884,875,396	P9,075,840,742

As of December 31, 2017:

	Loans payable	Payables to landowners	Total
Beginning balances	P6,558,459,222	P3,762,841,668	P10,321,300,890
Cash movements:			
Availment of an additional loan	2,490,000	-	2,490,000
Cash settlements during the year	(470,588,235)	(1,825,273,348)	(2,295,861,583)
Payment of transaction costs	(12,450,000)	-	(12,450,000)
Non-cash movement:			
Amortization of transaction costs	2,235,187	-	2,235,187
Ending balances	P6,080,146,174	P1,937,568,320	P8,017,714,494