PSE Number: E-5000
SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

31F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

December 31, 2018

(Year Ending)

Annual Report - SEC Form 17-A

(Form Type)

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

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

2. SEC Identification Number **152747**

3. BIR Identification No. **000-153-790-000**

4. Exact name of the issuer as specified in its charter: **AYALA LAND, INC.**

5. Province, Country or other jurisdiction of incorporation or organization:
   Makati City, Philippines

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of principal office and postal code: **31F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226**

8. Issuer's telephone number, including area code: **(632) 750-6974**

9. Former name, former address, former fiscal year: **not applicable**

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

    As of January 31, 2019

Title of each class	Number of shares issued and outstanding
Common shares	**14,734,881,081**
Preferred shares	**13,066,494,759**

Amount of debt outstanding: **P105,982,530,000.00** (Registered)

11. Are any or all of these securities listed on a Stock Exchange?
    Yes [x] No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common shares**

    14,552,665,756 common shares have been listed with the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates:

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2018 Audited Consolidated Financial Statements (incorporated as reference for Items 5, 7, 10 & 12 of SEC Form 17-A)

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PART I - BUSINESS

Item 1. Business

Background

Ayala Land, Inc. ("Ayala Land" or the "Company") was formerly the real estate division of Ayala Corporation and was incorporated on June 30, 1988 to focus on the development of its existing real estate assets. In July 1991, the Company became publicly-listed through an initial public offering ("IPO") of its primary and secondary shares on the Makati and Manila Stock Exchanges (predecessors of the PSE). Ayala Corporation's effective ownership in Ayala Land amounted to 88% as a result of the IPO.

Over the years, several developments further reduced Ayala Corporation's effective interest in Ayala Land; the exercise of stock options by respective employees of Ayala Corporation and Ayala Land, the disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Furthermore, the conversion of a ₱3.0 billion, convertible, long-term commercial paper to Ayala Land Common B Shares publicly issued in December 1994, exchanges under bonds due in 2001, and equity top-up placements conducted through an overnight book-built offering in July 2012, March 2013 and January 2015.

As of December 31, 2018, Ayala Corporation's effective ownership in Ayala Land is 46.77% with the remainder owned by the public. Ayala Land is listed with a total of 14,734,881,081 outstanding common shares and 13,066,494,759 voting preferred shares. Foreign ownership is 22.03% composed of 5,517,690,120 outstanding common shares and 607,204,775 voting preferred shares. Equity attributable to equity holders of Ayala Land amounted to ₱166.25 billion. Ayala Land has a total market capitalization of ₱598.2 billion based on the closing price of ₱40.60 per common share on December 28, 2018, the last trading day of the year.

Ayala Land is the largest and most diversified real estate conglomerate in the Philippines. It is engaged in land acquisition, planning, and development of large scale, integrated, mixed-use, and sustainable estates, industrial estates, development and sale of residential and office condominiums, house and lots, and commercial and industrial lots, development and lease of shopping centers and offices, co-working spaces, and standard factory buildings and warehouses, and the development, management, and operation of hotels and resorts and co-living spaces. The Company is also engaged in construction, property management, retail electricity supply and airline services. It also has investments in Cebu Holdings, Inc., OCLP Holdings, Inc., Prime Orion Philippines, Inc., MCT Bhd, Qualimed and Merkado Supermarket. Ayala Land has 26 estates, is present in in 57 growth centers nationwide and has a total land bank of 11,624 hectares at the end of 2018.

Products / Business Lines

Property Development

Property Development is composed of the Strategic Land Bank Management Group, Visayas-Mindanao Group, Residential Business Group and MCT Bhd, Ayala Land's listed subsidiary in Malaysia.

The Strategic Land Bank Management Group handles the acquisition, planning and development of large scale, mixed-use, and sustainable estates, and the development and sale, or lease of its commercial lots in its estates in Metro Manila and the Luzon region.

The Visayas-Mindanao Group handles the acquisition, planning and development of large scale, mixed-use, and sustainable estates, and the development and sale, or lease of its commercial lots in its estates in key cities in the Visayas and Mindanao regions.

The Residential Business Group handles the development and sale of residential and office condominiums and house and lots for the luxury, upscale, middle-income, affordable, and socialized housing segments, and the development and sale of commercial lots under the following brands: AyalaLand Premier ("ALP") for luxury lots, residential and office condominiums, Alveo Land Corp. ("Alveo") for upscale lots, residential and office condominiums, Avida Land Corp. ("Avida") for middle-income lots, house and lot packages, and residential and office condominiums, Amaia Land Corp. ("Amaia") for affordable house and lot packages and residential condominiums, and BellaVita Land Corp. ("BellaVita") for socialized house and lot packages.

MCT Bhd. is a publicly-listed property developer in Malaysia engaged in land acquisition, planning, and development of residential condominiums for sale for middle income segment. MCT has a land bank of 515 acres located in Subang Jaya, Cyberjaya and Petaling Jaya. Ayala Land owns 66.3% in MCT Bhd.

Commercial Leasing

Commercial Leasing involves the development and lease of shopping centers through Ayala Malls, and offices, through Ayala Land Offices, co-working spaces through the "Clock In" brand, and standard factory buildings and warehouses under Laguna Technopark, Inc., and the development, management, and operation of hotels and resorts through AyalaLand Hotels and Resorts, Inc. and co-living spaces through "The Flats" brand.

Services

Services include construction, property management, retail electricity supply and airline services.

Construction of Ayala Land and third-party projects and land development is done through Makati Development Corporation ("MDC"). Property Management is done through Ayala Property Management Corporation ("APMC"). Retail electricity supply is done through Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy). Airline service is done through AirSWIFT for Ayala Land's tourism estates in Lio, Palawan and Sicogon Island resort through its fleet of four modern turbo-prop aircrafts.

Strategic Investments

Ayala Land's strategic investments include Cebu Holdings, Inc. (70.43%), OCLP Holdings, Inc. (21.01%), Prime Orion Philippines, Inc., (63.9%), MCT Bhd., (66.3%) Qualimed (40.0%) and Merkado Supermarket (50.0%).

Products / Business Lines (with 10% or more contribution to 2018 consolidated revenues before intercompany adjustments):

Property Development	52%
Commercial Leasing	15%
Services	33%

Distribution Methods of Products

The Company's residential products are distributed to a wide range of property buyers through various sales groups.

Ayala Land has its own in-house sales team for ALP projects. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 15,000 brokers and sales agents guided by a strict Code of Ethics. Separate sales groups have also been formed for Alveo, Avida, Amaia and BellaVita. Ayala Land and its subsidiaries also tap external brokers to complement these sales groups.

Marketing to the Overseas Filipino ("OF") market is handled by Ayala Land International Sales, Inc. ("ALISI"). Created in March 2005, ALISI leads the marketing, sales and channel development activities and marketing initiatives of the brands abroad through project websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. ALISI has marketing offices in North America (Milpitas and San Francisco), Hong Kong, Singapore, Dubai, Rome, and London. ALISI likewise assumed operations of AyalaLand Int'l. Marketing in Italy and London, in 2014.

In addition, the Ayala Group also developed "One Ayala," a program which bundles the products and services of Ayala Land, BPI, and Globe Telecom, Inc. and gives access to potential Ayala Land clients overseas through BPI's 17 overseas offices and 81 tie-ups. An Ayala Land-BPI Dream Deals program was also created to generate additional sales from the local market.

Since 2008, all residential sales support transactions are undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") while all transactional accounting processes across the Ayala Land Group are handled by Aprisa Business Solutions, Inc. ("APRISA") since 2010.

Development of the business of the registrant and its key operating subsidiaries/associates and joint ventures during the past three years

2018

Ayala Land registered a solid topline and bottomline growth of 17% and 16% respectively, with revenues of P166.2 billion and net income of P29.2 billion. Property sales grew 16% to P141.9 billion driven by strong local and overseas Filipino demand. Its leasing business expanded with shopping centers gross leasable area (GLA) of 1.90 million sq, meters, office GLA of 1.11 million sq. meters and hotels and resorts rooms of 2,973. The total capital expenditure reached P110.1 billion. It launched two estates: Parklinks in the Quezon City – Pasig City corridor, and Habini Bay in Laguindingan, Misamis Oriental.

On December 17, 2018, Asiatown Hotel Ventures, Inc., a wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) was incorporated for the development of Seda Cebu IT Park.

On November 15, 2018, AMC Japan Concepts, Inc. was incorporated primarily to manage the Glorietta Roofdeck – Japan Town. It is 75% owned by ALI Commercial Center, Inc. and 25% owned by MC Commercial Property Holdings, Inc.

On September 12, 2018, One Makati Residential Ventures, Inc., a wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) was incorporated for the development of One Ayala Residences.

2017

Ayala Land posted a healthy topline growth of 14% to P142.3 billion and solid net income growth of 21% to P25.3 billion. Property sales grew 13% to P122.0 billion. It broadened its leasing base, ending 2017 with shopping centers GLA of 1.80 million sq. meters, office leasing GLA of 1.02 million sq. meters and

2,583 hotel and resort rooms. The total capital expenditure reached P91.4 billion. It launched three estates: Evo City in Cavite, Azuela Cove in Davao and Seagrove in Cebu.

On December 4, 2017, Capitol Central Commercial Ventures Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was incorporated for the development of Ayala Malls Capitol Central.

On November 16, 2017, Arca South Commercial Ventures Corp., a wholly-owned subsidiary of Ayala Land, Inc. and was incorporated for the development of Ayala Malls Arca South.

On November 3, 2017, Bay City Commercial Ventures Corp. (BCCVC), a wholly owned subsidiary of Ayala Land, Inc. was incorporated for the development of Ayala Malls Manila Bay.

On October 10, 2017, Makati North Hotel Ventures, a wholly owned subsidiary of AHRC was incorporated for the development of Seda Ayala North Exchange.

On September 28, 2017, One Makati Hotel Ventures, Inc., a wholly owned subsidiary of AHRC and was incorporated for the development of Seda One Ayala.

On September 6, 2017, Bay Area Hotel Ventures, a wholly owned subsidiary of AHRC was incorporated for the development of Seda Bay Area.

On July 7, 2017, AyalaLand Premier, Inc., a wholly owned subsidiary of Ayala Land was registered to engage primarily in general contracting services.

On June 5, 2017, Makati Cornerstone Leasing Corp., a wholly owned subsidiary of Ayala Land was incorporated to develop Circuit BPO Towers 1 and 2.

On March 1, 2017, MDBI Construction Corp., formerly MDC Triangle, Inc., was incorporated. The company is 67% owned by Makati Development Corp., and 33% owned by Bouyges Batiment International, a Europe-based company which is also a subsidiary of Bouyges Construction. MDBI was organized to engage in general contracting services.

2016

Ayala Land grew its revenues by 16% to P124.6 billion and its net income by 19% to P20.9 billion. Property sales grew 3% to P108.0 billion. Its leasing business expanded, closing 2016 with shopping centers GLA of 1.62 million sq. meters, office leasing GLA of 836 thousand sq. meters and total hotels and resorts rooms of 2,027. Ayala Land spent P85.4 billion in capital expenditures.

On October 10, 2016, Lio Tourism Estate Management Corp. is a wholly owned subsidiary of Ten Knots Phils., Inc. (TKPI) and was incorporated.

On March 9, 2016, Altaraza Prime Realty Corporation, a wholly owned subsidiary of the Company, was incorporated on to develop Altaraza IT Park, Bulacan.

Bankruptcy, Receivership or Similar Proceedings

None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

2018

In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million increasing its ownership to 95%.

On November 7, 2018, Ayala Land, Inc., in partnership with Ayala Corporation, launched its 26th estate, Habini Bay in Misamis Oriental. The 526-hectare estate is positioned as a new center of trade and commerce in Northern Mindanao.

On November 6, 2018, SEC approved the merger between CHI and CPVDC with CHI as the surviving entity. ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares were acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

On May 11, 2018, Ayala Land entered into a Memorandum of Understanding with Green Square Properties Corporation (GSPC) and Green Circle Properties and Resources, Inc. (GCPRI) for the formation of a joint-venture company (JVC) that will own and develop 27,852 hectares of land (the Properties), specifically located in Dingalan Aurora and General Nakar, Province of Quezon. ALI will own 51%, and GSPC and GCPRI will jointly own 49% of the JVC.

On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of P3.0 billion in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the SEC of the confirmation of valuation of the shares.

On April 27, 2018 Ayala Land, Inc. issued and listed on the Philippine Dealing & Exchange Corp. a P10 billion bond due April 2028 with a coupon rate of 5.9203% p.a. for the initial five-year period of the ten-year term of the bond. The coupon rate will reprice on April 27, 2023, the fifth anniversary of the Issue Date, at the higher of (a) 5.9203% or (b) the prevailing 5-year benchmark plus 75 bps which shall apply to all interest payments thereafter. The Bond was assigned an issue credit rating of PRS AAA, with a Stable Outlook, by Philratings, the highest investment grade indicating minimal credit risk. The issuance is the fifth tranche of the Fixed Rate Bond series of the Company's P50 billion Debt Securities Program as approved by the Securities and Exchange Commission (SEC) in March 2016.

On April 4, 2018, Ayala Land, Inc. (ALI) signed a Deed of Absolute Sale with Central Azucarera de Tarlac, Inc. for the acquisition of several parcels of land with an aggregate area of approximately 290 hectares located in Barangay Central, City of Tarlac, Province of Tarlac.

On March 23, 2018, the Executive Committee of Ayala Land approved the exchange of its 75% equity interest in Laguna Technopark, Inc. (LTI) into additional shares of stock in Prime Orion Philippines, Inc. (POPI). The value of the transaction is P3.0 billion where POPI will issue 1,225,370,620 common shares to ALI in exchange for 30,186 LTI common shares and bring ALI's direct ownership in POPI to 63.90% from 54.91%.

On February 26, 2018, the Board of Directors of Cebu Holdings, Inc. (CHI) during its meeting, approved the merger of Cebu Property Ventures Development Corp. (CPVDC) with CHI as the surviving entity. The merger will consolidate CHI's portfolio under one listed entity, creating a unified portfolio for its investments and is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies, as a result of the merger. The plan of merger shall be submitted for approval of the stockholders of the two companies during their respective annual stockholders' meeting to be held on April 10, 2018.

On February 20, 2018, the Philippine Competition Commission (PCC) approved the setting up of a joint venture between the Company and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.

On January 11, 2018, SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

On January 2, 2018, Ayala Land, Inc., (ALI) through its wholly-owned subsidiary, Regent Wise Investments Limited (RWIL), signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT), subject to completion of certain conditions. This will bring ALI's shareholding in MCT to 50.19% from 32.95%. Subsequently, on January 5, 2018, Regent Wise Investments Limited (RWIL), issued a notice of an unconditional mandatory take-over offer to the Board of Directors of MCT Bhd (MCT), to acquire all remaining shares of the company that are not already held by RWIL, following the completion of certain conditions to the share purchase agreement. The take-over offer is made in connection to the acquisition of additional shares in MCT, which increased ALI's shareholding in MCT to 50.19%. On March 23, 2018, Ayala Land completed the acquisition process, increasing its ownership stake in MCT to 66.25%.

2017

On October 30, 2017, SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation entered into a Memorandum of Agreement (MOA) to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX). SIAL CVS Retailers, Inc., a 50-50 joint venture company between ALI Capital Corp. (a 100% subsidiary of Ayala Land, Inc.) and SSI Group, Inc. (SSI), currently owns 60% of PFM, while Japanese companies, FamilyMart Co., Ltd. and ITOCHU Corporation, own 37.6% and 2.4% respectively.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45/share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debt to equity reserve of ₱405.18 million. This increased ALI's effective share ownership to 63.05%.

On February 23, 2017, Ayala Land together with BPI Capital Corporation and Kickstart Ventures, Inc. signed an investment agreement to acquire ownership stakes in BF Jade E-Service Philippines, Inc, owner and operator of online fashion platform, Zalora Philippines. ALI will own 1.91% of Zalora Philippines through this transaction.

On February 22, 2017, Ayala Land signed an investment agreement to acquire a 1.91% ownership stake in BF Jade E-Service Philippines, Inc, the owner and operator of the online fashion platform Zalora Philippines (Zalora), subject to the fulfillment of certain conditions precedent, including obtaining the approval or deemed approval of the Philippine Competition Commission.

On February 20, 2017, The Board of Directors during its meeting approved the raising of up to ₱20.00 billion through (i) retail bonds, (ii) corporate notes and/or (iii) bilateral term loans with a term of up to ten (10) years, to partially finance general corporate requirements. The Board also approved the raising of up to ₱10.00 billion through the issuance of short dated notes with a tenor of up to 21 months to refinance the Corporation's short-term loans.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of total POPI's outstanding capital stock.

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up ALI's ownership to 72% of the total outstanding capital stock of CHI.

2016

On August 19, 2016, The Board of Directors during its meeting approved the terms and conditions of the ₱7.0 billion third tranche of the Fixed-rate Bonds Series and ₱3.0 billion Homestarter Bonds under the Corporation's ₱50.0 Billion Debt Securities Program as approved by the SEC in March 2016.

On June 1, 2016, Ayalaland Mall Synergies, Inc., a wholly owned subsidiary of Ayala Land, Inc, was incorporated. The company will house the Commercial Business Group's allied businesses such as but not limited to the partnership with Mercato, LED, and operations of upcoming mall's foodcourt.

On May 19, 2016, additional ESOWN shares were subscribed under the ESOWN totaling 3,110,756 common shares.

On May 18, 2016, additional ESOWN shares were subscribed totaling 293,919 common shares at ₱26.27 per share by four (4) grantees.

On May 11, 2016, 137 ESOWN grantees subscribed to 13,646,546 common shares at ₱26.27 per share.

In April 2016, Ayala Land purchased 6,000,000 common shares and 24,000,000 preferred redeemable shares, with par value of P10 per share each of Prow Holdings, Inc. (PHI) for P300,000,000. Further, on May 23, 2016, additional 3,000,000 common shares and 12,000,000 preferred redeemable shares with par value of P10 per share were acquired by ALI. Subsequently in August 2016, Ayala Land acquired 9,150,931 common shares and 12,876,456 preferred redeemable shares in Prow Holdings, Inc. (PHI) for a total consideration of P220,273,870 which brought ALI's ownership to 55% of the total outstanding capital stock in relation to the joint venture agreement for the development of Alviera Estate in Porac, Pampanga.

In March 2016, ALI bought additional 200,953,364 common shares of CHI. This increased the Company's stake from 56.40% to 66.87% of the total outstanding capital stock of CHI.

On March 14, 2016, the Company acquired 55% interest in Prow Holdings, Inc. for a purchase price of ₱150 million. The acquisition was made in line with the Company's partnership with Leonio Land, Inc. to develop a mixed-use community in Porac, Pampanga.

On March 1, 2016, SIAL Specialty Retailers, Inc. ("SIAL"), a joint venture company between ALI and the SSI Group, Inc., entered into a Deed of Absolute Sale with Metro Retail Stores Group, Inc. to sell fixed assets including fit-outs, furniture, fixtures and equipment in SIAL's department stores located at Fairview Terraces and UP Town Center.

In March 2016, the Company acquired an 18% stake in OCLP Holdings, Inc. (OHI), consistent with its thrust of expanding operations into other areas within and outside Metro Manila through partnerships. OHI holds 99.51% equity interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses.

On February 24, 2016, Ayala Land and Prime Orion Philippines, Inc. ("POPI") executed a Deed of Subscription and a Supplement to the Deed of Subscription whereby ALI subscribed to 2,500,000,000 common shares of stock of POPI, which will represent 51.06% of the total outstanding shares of POPI. The consideration for the ALI subscription is PhP2.25 per share or a total subscription price of

PhP5,625,000,000.00 of which 25% or PhP1,406,250,000.00 was paid on February 24 and the 75% to be paid upon fulfillment of certain terms and conditions. Consequently, on July 4, 2018, the SEC approved Ayala Land's increase in shares in POPI and issued a certificate of increase in capital stock.

In February 2016, the Company purchased additional 906,000 common shares of CHI from BPI Securities totaling ₱4.06 million. This brings ALI's ownership from 56.36% to 56.40% of total outstanding capital stock of CHI.

On January 21, 2016, Ayala Land and LT Group, Inc. (LTG) entered into an agreement to jointly develop a 35-hectare township that spans portions of Pasig City and Quezon City. On March 13, 2016, ALI-ETON Property Development Corporation was incorporated.

On January 12, 2016, Ayala Land, and its subsidiaries and affiliates together with Cebu Holdings, Inc., and Cebu Property Ventures and Development Corporation, (the "ALI Group") signed a Memorandum of Agreement ("MOA") with Manila Water Philippine Ventures, Inc. ("MWPV"), a wholly-owned subsidiary of Manila Water Company, Inc. Under the Agreement, MWPV shall provide water and used water services to all ALI Group projects nationwide.

On January 21, 2016, ALI and LT Group, Inc. ("LTG") entered into an agreement to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

<u>Various diversification/ new product lines introduced by the company during the last three years</u>

The Flats
Ayala Land opened its first co-living product, branded as "The Flats" on September 2018. It is located in Amorsolo, Makati and offers a total of 898 beds across 196 multiple occupancy rooms and communal spaces.

Clock In
In 2017, Ayala Land launched a co-working space product branded as "Clock In" with three operating branches in Makati and BGC with a total of 433 seats. In 2018, it launched three new sites in Vertis North Quezon City, 30Th Corporate Center in Pasig and Ayala North Exchange in Makati.

Standard Factory Buildings and Warehouses
In 2018, Ayala Land started to offer standard factory buildings (SFB) and warehouses for lease inside industrial parks to capture the growing opportunities in manufacturing and logistics. Ayala Land has a total of 136,864 sq. meters of SFB and warehouse GLA across various locations such as Laguna Technopark, Cavite Technopark, the Tutuban complex in Manila, and the Lepanto Ceramics facility in Laguna.

Hospitals/Clinics
Ayala Land entered into a strategic partnership with the Mercado Group in July 2013 to establish hospitals and clinics located in the Company's integrated mixed-use developments branded as QualiMed. In 2014, QualiMed opened three (3) clinics in Trinoma, Fairview Terraces, McKinley Exchange Corporate Center, and Qualimed General Hospital in Atria Park, Iloilo while UP Town Center Clinic in Quezon City was opened in the end of 2015. In the 2nd Quarter of 2016, Qualimed opened a hospital in Altaraza San Jose Del Monte Bulacan. In the 3rd Quarter of 2017, Qualimed opened its 102-bed hospital in Nuvali, Sta. Rosa, Laguna.

Supermarkets
ALI Capital Corporation (formerly Varejo Corporation), a subsidiary of Ayala Land, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly-owned entity of Puregold Price Club, Inc., to develop and operate mid-market supermarkets for some of Ayala Land's mixed-use projects

branded as Merkado Supermarket. The first supermarket was opened in the 3rd quarter of 2015 at UP Town Center while its second store was opened in December 2017 at Ayala Malls Vertis North.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its shopping center business, Ayala Land's main competitor is SM which owns numerous shopping centers around the country. Ayala Land is able to effectively compete for tenants given that most of its shopping centers are located inside its mixed-used estates, populated by residents and office workers. The design of Ayala Land's shopping centers also features green open spaces and parks.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld, SM and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner and the quality of support services provided by its property manager, rental and other charges.

With respect to residential lots and condominium products, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the affordable housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

BellaVita, a relatively new player in the socialized housing market, will continue to aggressively expand its geographical footprint with product launches primarily located in provincial areas.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Transactions with related parties

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

Government approvals/regulations

The Company secures various government approvals such as the environmental compliance certificate, development permits, license to sell, etc. as part of the normal course of its business.

Employees

Ayala Land has a total workforce of 362 regular employees as of December 31, 2018. The breakdown as follows:

Senior Management	26
Middle Management	212
Staff	124
Total	362

Employees take pride in being an ALI employee because of the company's long history of bringing high quality developments to the Philippines. With the growth of the business, career advancement opportunities are created for employees. These attributes positively affect employee engagement and retention.

The Company aims that its leadership development program and other learning interventions reinforce ALI's operating principles and provide participants with a set of tools and frameworks to help them develop skills and desired qualities of an effective leader. The programs are also venues to build positive relations and manage networks within the ALI Group.

ALI has a healthy relation with its employees' union. Both parties openly discuss employee concerns without necessity of activating the formal grievance procedure.

Further, employees are able to report fraud, violations of laws, rules and regulations, or misconduct in the organization thru reporting channels under the ALI Business Integrity Program.

Ayala Land is subject to significant competition in each of its principal businesses of property development, commercial leasing and services. In property development, Ayala Land competes with other developers to attract condominium and house and lot buyers. In commercial leasing, it competes for shopping center and office space tenants, as well as customers of the retail outlets, restaurants, and hotels and resorts across the country.

However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

Risks

Ayala Land is subject to significant competition in each of its principal businesses. Ayala Land competes with other developers and developments to attract land and condominium buyers, shopping center and office tenants, and customers of retail outlets, restaurants, and hotels and resorts across the country. However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

High-End, Middle-Income, Affordable Residential, and Economic and Socialized Housing Developments
With respect to high-end and middle-income land and condominium sales, Ayala Land competes for buyers primarily on the basis of reputation, reliability, price, quality, and the location of the community in which the relevant site is located. For the affordable, economic and socialized housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units and availability of financing.

Ayala Land is also actively tapping the overseas Filipino market. In addition, it has seen demand from foreign buyers both residing in the country and abroad.

Shopping Center, Office Space and Land Rental
For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the shopping center to attract customers. This is typically hinged on the location and the tenant-mix of the retail center, the reputation of the retail center owner, as well as rental and other charges. The market for shopping centers has become competitive and with the growing number of pipeline and new shopping center openings across the country. Some competing shopping centers are located within relatively close proximity of Ayala Land's commercial centers.

With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs and corporate by providing fully integrated and well-maintained developments (high rise or campus facility) in key locations in the country.

Hotel and Resort Operations
The local hotel and resort sector is largely driven by foreign and local travel for leisure or business purposes. Any slowdown in tourism and business activity due to global financial and local political turmoil and security concerns could potentially limit growth of the Company's hotels and resorts.

Construction
Ayala Land's construction business, Makati Development Corporation (MDC), is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sector. With booming construction across the country, Ayala Land must manage the risk of providing enough skilled workers to deploy to its various projects. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.

Property Management
Ayala Land directly manages its properties as well as other third-party properties through Ayala Property Management Corporation (APMC). Its employees directly interface with customers and must ensure that Ayala Land's brand, quality and reputation are upheld in the regular upkeep of managed properties. Employees must continuously be trained to be able to provide high-quality service in order to preserve Ayala Land's brand equity.

Other risks that the company may be exposed to are the following:
- Changes in Philippine and international interest rates
- Changes in the value of the Peso versus other currencies
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above-mentioned risks, Ayala Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Working Capital

Ayala Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures agreements, borrowings and issuance of bond proceeds from the sale of non-core assets.

Domestic and Export Sales

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for the years ended December 31, 2018, 2017, 2016: (in ₱'000)

	2018	**2017**	**2016**
Consolidated revenues			
Domestic	156,142,062	139,131,909	122,873,268
Foreign	7,604,756	241,432	392,627
	163,746,818	139,373,341	123,265,895
Net operating income			
Domestic	52,436,826	43,071,498	38,271,169
Foreign	1,129,534	(90,142)	343,765
	53,566,360	42,981,356	38,614,934
Net Income Attributable to Equity Holders of ALI			
Domestic	28,283,472	25,321,099	20,509,657
Foreign	957,408	(16,134)	398,854
Total	29,240,880	25,304,965	20,908,511
Total Assets			
Domestic	636,521,219	564,182,334	527,825,623
Foreign	32,299,263	9,810,000	8,607,372
Total	668,820,482	573,992,334	536,432,995

Item 2. Properties

LAND BANK / PROPERTIES WITH MORTGAGE OF LIEN

The following table provides summary information on ALI's land bank as of December 31, 2018. Properties included are either wholly-owned or part of a joint venture and free of lien unless noted.

In Estates	Location	Hectares	Outside Estates	Hectares
Metro Manila		**168**	**Metro Manila**	**162**
Makati CBD	Makati City	46	Las Pinas	89
BGC	Taguig City	27	QC	25
Parklinks	Quezon City - Pasig City	35	Muntinlupa	18
Arca South	Taguig City	21	Manila	16
Vertis North	Quezon City	16	Pasig	8
Circuit Makati	Makati City	11	Paranaque	4
Cloverleaf	Quezon City	7	Makati	3
Southpark District	Muntinlupa City	4	Mandaluyong	1
			Pasay	0.1
Luzon		**5,298**	**Luzon**	**4,427**
Nuvali	Sta. Rosa, Laguna	1545	Cavite	1,953
Alviera	Porac, Pampanga	1468	Batangas	909
Altaraza	San Jose Del Monte, Bulacan	844	Laguna	665
Lio	El Nido, Palawan	837	Tarlac	290
Vermosa	Imus, Cavite	426	Bulacan	230
Evo City	Kawit, Cavite	180	Bataan	220
			Pampanga	81
			Camarines Sur	29
			Rizal	26
			Quezon	20
			Cagayan - Tuguegarao	2
			Nueva Ecija	2
Visayas		**851**	**Visayas**	**101**
Sicogon Island Resort	Iloilo	662	Cebu	71
North Point	Talisay, Negros Occidental	130	Iloilo	19
Cebu Park District	Cebu City, Cebu	19	Negros Occidental	11
Atria Park District	Mandurriao, Iloilo	10		
Gatewalk Central	Mandaue, Cebu	13		
Seagrove	Mactan, Cebu	13		
Capitol Central	Talisay, Negros Occidental	4		
Mindanao		**172**	**Mindanao**	**445**
Habini Bay	Laguindingan, Misamis Oriental	134	Misamis Oriental	230
Azuela Cove	Davao City, Davao del Sur	25	Davao del Sur	215
Abreeza	Davao City, Davao del Sur	9		
Centrio	Cagayan de Oro, Misamis Oriental	3		
2018 Land Bank: 11,624		**6,489**		**5,135**

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to P106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to the Company for the P4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew 58,000 square meters for another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

(For the complete list of leased properties, please refer to Audited FS)

Rental Properties

The Company's properties for lease are largely shopping centers, office buildings and hotels and resorts. As of December 31, 2018, rental revenues from these properties amount to 34.9 billion or 15% consolidated revenues before intercompany adjustments, 17% higher than P29.9 billion recorded in 2017.

Property Acquisitions

With 11,624 hectares in its land bank as of December 31, 2018, Ayala Land believes that it has sufficient properties for development in next 25 years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

On May 15, 2018, Ayala Land, Inc. ("ALI") entered into a Memorandum of Understanding with Green Square Properties Corporation ("GSPC") and Green Circle Properties and Resources, Inc. ("GCPRI") on May 11, 2018 for the formation of a Joint-Venture Company ("JVC") that will own and develop 27,852 hectares of land ("the Properties"), specifically located in Dingalan, Aurora and General Nakar, Province of Quezon. ALI will own 51%, and GSPC and GCPRI will jointly own 49% of the JVC.

On April 4, 2018, Ayala Land, Inc. (ALI) signed a Deed of Absolute Sale with Central Azucarera de Tarlac, Inc. for the acquisition of several parcels of land with an aggregate area of approximately 290 hectares located in Barangay Central, City of Tarlac, Province of Tarlac.

On February 20, 2018, the Philippine Competition Commission (PCC) approved the setting up of a joint venture between the Company and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.

In June 2015, ALI, through SM-ALI Group consortium, participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963 (the "Property"). SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc. ("SM"), Ayala Land, and Cebu Holdings, Inc. ("CHI", together with ALI collectively referred to as the "ALI Group"). The SM-ALI Group will co-develop the property pursuant to a joint master plan.

In April 2015, ALI purchased all of the 8.2 million common shares of Aegis PeopleSupport Realty Corporation amounting to ₱435 million. Aegis PeopleSupport Realty Corporation is a PEZA-registered entity and the owner of Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 sqm and is largely occupied by Teleperformance under a long-term lease.

On February 6, 2015, ALI purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229 million. This brings ALIC) consisting of 167,548 common shares and 703,904 total outstanding capital stock of NTDCC.

In January 2014, ALI entered and signed into a 50-50% joint venture agreement with AboitizLand, Inc. for the development of a 15-hectare mixed-use community in Mandaue City, Cebu. The first project of this joint venture will involve the construction of a mall and a residential condominium unit with an estimated initial cost of ₱3 billion.

On November 23, 2013, ALI, through its wholly-owned subsidiary, Ayala Hotels and Resorts Corp, (AHRC) signed an agreement to acquire 100% interest in Asian Conservation Company, Inc. (ACCI) which effectively consolidates the remaining 40% interest in Ten Knots Development Corp. (TKDC) and Ten Knots Philippines Inc. (TKPI) (60%-owned subsidiary of the Company prior to this acquisition). The agreement resulted in the Company effectively obtaining 100% interest in TKPI and TKDC.

On April 16, 2013, ALI entered into a Sale and Purchase Agreement (SPA) with Global International Technologies Inc. (GITI) to acquire the latter’s 32% interest in ALI Property Partners Co. (APPCo) for ₱3.52 billion. GITI is a 100% owned company of the Goldman Sachs Group Inc. The acquisition increased ALI’s stake in APPCo from 68% to 100%. APPCo owns BPO buildings in Makati, Quezon City and Laguna with a total gross leasable area of around 230,000 sqm. The carrying amount of the non-controlling interest is reduced to nil as APPCo became wholly owned by the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱2,722.6 million.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

The Company has certain properties in Makati City that are mortgaged with BPI in compliance with BSP rules on directors, officers, stockholders and related interests.

Item 3. Legal Proceedings

As of December 31, 2018, ALI, its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

However, there are certain litigation ALI is involved in which it considers material, and though the events giving rise to the said litigation occurred beyond the five (5) year period, the same are still unresolved, as follows:

Las Piñas Property

Certain individuals and entities have claimed an interest in ALI’s properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning October 1993, ALI filed petitions in the Regional Trial Court of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. These cases are at various stages of trial and appeal. Some of these cases have been decided by the Supreme Court. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The remaining pending cases involve the remaining area of approximately 126 hectares.

Ayala Property Management Corp.(APMC)

As a result of the explosion which occurred on October 19, 2007 at the basement of the Makati Supermarket Building, the Philippine National Police has filed a complaint with the Department of Justice ("DOJ") and recommended the prosecution of certain officers/employees of Makati Supermarket Corporation, the owner of the building, as well as some employees of ALI's subsidiary, APMC, among other individuals, for criminal negligence. In a Joint Resolution dated April 23, 2008, the DOJ special panel of prosecutors ruled that there was no probable cause to prosecute the APMC employees for criminal negligence. This was affirmed by the DOJ Secretary in a Resolution dated November 17, 2008. A Motion for Reconsideration was filed by the Philippine National Police which remains pending with the DOJ. To date, no civil case has been filed by any of the victims of the incident.

ALI has made no allowance in respect of such actual or threatened litigation expenses.

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

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF THE REGISTRANT

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

Market Information

Ayala Land common shares are listed with the Philippine Stock Exchange.

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
First Quarter	47.50	37.95	39.75	31.25	41.10	33.05
Second Quarter	43.35	42.40	36.05	33.15	37.90	39.75
Third Quarter	45.00	46.10	36.55	39.10	40.05	43.50
Fourth Quarter	43.20	46.00	38.00	41.00	40.60	44.60

The market capitalization of ALI as of end-2018, based on the closing price of ₱40.60/share, was approximately ₱598.2 billion .

The price information as of the close of the latest practicable trading date April 11, 2019 is ₱46.70 per share.

Stockholders

The following are the top 20 registered holders of the common equity securities of the Company:

Common Stockholders: There are 9,095 registered holders of common shares of the Company as of January 31, 2019:

	Stockholder Name	**No. of Common Shares**	**Percentage (of common shares)**
1.	Ayala Corporation*	6,891,880,451	46.773%
2.	PCD Nominee Corporation (Non-Filipino)	5,510,752,668	37.399%
3.	PCD Nominee Corporation (Filipino)	2,044,618,116	13.876%
4.	ESOWN Administrator 2009	16,480,097	0.112%
5.	ESOWN Administrator 2012	14,629,575	0.099%
6.	ESOWN Administrator 2015	13,169,178	0.089%
7.	ESOWN Administrator 2010	13,158,784	0.089%
8.	ESOWN Administrator 2016	12,363,048	0.084%
9.	ESOWN Administrator 2013	11,361,655	0.077%
10.	ESOWN Administrator 2011	10,279,971	0.070%
11.	ESOWN Administrator 2017	10,238,821	0.069%
12.	ESOWN Administrator 2014	9,989,115	0.068%
13.	ESOWN Administrator 2018	8,316,310	0.056%
14.	Emilio Lolito J. Tumbocon	7,340,134	0.050%
15.	Estrellita B. Yulo	5,732,823	0.039%
16.	Jose Luis Gerardo Yulo	5,326,367	0.036%
17.	Ma. Angela Y. La'o	3,728,620	0.025%
18.	Lucio W. Yan	3,483,871	0.024%
19.	Telengtan Brothers and Sons, Inc.	3,480,000	0.024%
20.	Ma. Lourdes G. Latonio	3,124,650	0.021%

**245,155 shares held by Ayala Corporation (or 0.0017% of the outstanding common shares) are lodged with PCD Nominee Corporation.*

Voting Preferred Stockholders: There are approximately 2,844 registered holders of voting preferred shares of the Company as of January 31, 2019.

	Stockholder Name	No. of Voting Preferred Shares	Percentage (of voting preferred shares)
1.	Ayala Corporation	12,163,180,640	93.08679%
2.	HSBC Manila OBO A/C 000-171512-554	512,777,000	3.92437%
3.	Government Service Insurance System	156,350,871	1.19658%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.11519%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.11480%
6.	Wealth Securities, Inc.	14,825,373	0.11346%
7.	Deutsche Bank AG Manila OBO SSBTC Fund OD67 AC 12087020417	13,670,744	0.10462%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.09185%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.06503%
10.	Investors Securities, Inc.	6,251,770	0.04785%
11.	First Metro Securities Brokerage Corp.	5,103,853	0.03906%
12.	Deutsche Regis Partners Inc.	3,961,757	0.03032%
13.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.03024%
14.	Papa Securities Corporation	3,536,538	0.02707%
15.	DB MLA OBO SSBTC Fund FA2N	3,534,608	0.02705%
16.	Ansaldo, Godinez & Co. Inc.	3,388,848	0.02594%
17.	HSBC Manila OBO A/C 000-171512-551	2,940,048	0.02250%
18.	Belson Securities, Inc.	2,800,874	0.02144%
19.	CBNA FAO 6002079572 CITIMNFOR c/o Carmelynna C. Malabanan	2,725,700	0.02086%
20.	Maybank ATR Kim Eng Securities, Inc.	2,666,714	0.02041%

Dividends

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.2380	Feb. 26, 2016	March 11, 2016	March 23, 2016
0.2380	Aug. 18, 2016	Sept. 02, 2016	Sept. 16, 2016
0.2400	Feb. 20, 2017	Mar. 06, 2017	Mar. 22, 2017
0.2400	Aug. 18, 2017	Sept. 05, 2017	Sept. 15, 2017
0.2520	Feb. 20, 2018	Mar. 12, 2018	April 3, 2018
0.2520	Aug. 17, 2018	Sep. 6, 2018	Oct. 2, 2018
0.2600	Feb. 27, 2019	Mar. 13, 2019	March 29, 2019

CASH DIVIDEND (Per Voting Preferred Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.00474786	Feb. 26, 2016	June 15, 2016	June 29, 2016
0.00474786	Feb. 20, 2017	June 15, 2017	June 29, 2017
0.00474786	Feb. 20, 2018	June 15, 2018	June 29, 2018

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's CAPEX and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Securities

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP* (exercised)	ESOWN (subscribed)
2017	-	12.3 Million
2018	-	9.9 Million

**not offered starting 2015*

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

On March 12, 2013, Ayala Corporation executed the placement of, and subscription to the Company's 399,528,229 common shares at ₱30.50 per share or an aggregate of ₱12.2 billion. The placement price of ₱30.50 per share was at a 3.6% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS Investment Bank.

On January 12, 2015, Ayala Corporation executed the placement of, and subscription to the Company's 484,848,500 common shares at ₱33.00 per share or an aggregate of ₱16 billion. The placement price of ₱33.00 per share was at a 3.9% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS AG.

The Company filed Notices of Exemption with the SEC for the issuance of the 399,528,229 and 484,848,500 common shares under the following provisions of the SRC:

SRC Subsection 10.1 (e), The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

SRC Subsection 10.1 (h), "Broker's transaction, executed upon customer's orders, on any registered Exchange or other trading market."

SRC Subsection 10.1 (k), "The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period."

SRC Subsection 10.1 (l), "The sale of securities to banks, insurance companies, and investment companies."

Corporate Governance

i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the Annual Corporate Governance Report to the Securities and Exchange Commission.

ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation

Review of 2018 operations vs 2017

2018 was another year of robust growth for Ayala Land, Inc. (ALI or "the Company"), posting total revenues of ₱166.25 billion and net income of ₱29.24 billion, for a solid top line and bottomline growth of 17% and 16%, respectively.

The strong performance of property development and commercial leasing, supported by the full consolidation of Malaysia-based subsidiary MCT Bhd, boosted revenues from Real Estate by 17% to ₱155.96 billion.

Earnings before interest and taxes (EBIT) margin improved by a quarter percentage point, to 30.37% from 30.11% in 2017.

BUSINESS SEGMENTS

Property Development. This segment includes the sale of residential lots and units, office spaces, commercial and industrial lots, and the operations of MCT Bhd. Total revenues from Property Development grew by 18%, to ₱113.36 billion from ₱96.39 billion previous year.

Residential. Driven by new bookings and project completions, revenues from the sale of Ayala Land residential lots and units and from MCT Bhd's operations reached ₱94.63 billion, an 18% growth from previous year's ₱79.90 billion.

Revenues generated by **AyalaLand Premier (ALP)** rose by 6% to ₱28.00 billion from ₱26.50 billion previous year, due to bookings from The Courtyards in Vermosa, Cavite and The Alcoves in Cebu Business Park and higher completion of The Suites at the Bonifacio Global City, Taguig, Metro Manila.

Alveo posted slightly higher revenues at ₱26.29 billion from previous year's ₱26.17 billion. The increase is attributed to bookings from Orean Place Tower 1 at Vertis North, Quezon City, Metro Manila and Travertine Tower at Portico, Pasig City, Metro Manila, and higher completion at The Residences at Evo City in Kawit, Cavite.

Bookings from Avida Towers Sola Tower 2 at Vertis North; Altura Tower 2 at South Park District, Muntinlupa City, Metro Manila; Asten Tower 3 at Makati City; and higher completion of Sola Tower 1 at Vertis North fueled **Avida**'s 16% revenue growth to ₱24.22 billion from previous year's ₱20.84 billion.

Amaia posted a 20% improvement in revenues, to ₱7.36 billion from ₱5.74 billion, as a result of bookings and higher completion from Amaia Skies Shaw Tower 1 in Mandaluyong City, Metro Manila; Amaia Skies Cubao Tower 2 in Quezon City; Amaia Scapes General Trias in Cavite; and Amaia Steps Nuvali, Laguna. Meanwhile, bookings from **BellaVita**'s projects in Pililia, Rizal; Cabanatuan East, Nueva Ecija; and Iloilo almost doubled its revenues to ₱1.15 billion from ₱652 million previous year.

Overall, the average GP (gross profit) of Ayala Land's vertical projects improved to 34% from 30% due to higher margins from Alveo's High Park Tower 2, Orean Place Tower 1 and Avida's Sola Tower 2 in Vertis North and Avida's project in Southpark District, Altura Tower 2. On the other hand, the average GP of horizontal projects decreased to 44% from 47% due to the lower contribution of higher margin projects.

MCT Bhd recognized revenues of ₱7.60 billion from sales and completion progress of its projects in Cybersouth, an integrated development in Southern Klang Valley, and Lakefront, a residential project in Cyberjaya.

Office for Sale. Higher bookings from One Vertis Plaza in Vertis North and The Stiles East Enterprise Plaza in Circuit Makati and higher completion progress of Park Triangle Corporate Plaza in BGC and the Alveo Financial Tower in Makati CBD hiked revenues from the sale of office spaces by 16%, to ₱11.00 billion from ₱9.45 billion previous year. However, the lack of higher margin inventory resulted in a lower GP margin of 33% from 37% the previous year.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial lots grew by 10% to ₱7.73 billion from ₱7.04 billion, driven by commercial lot sales in the Vis-Min estates and in Evo City, Cavite, and industrial lot sales in Alviera, Pampanga and in the Cavite Technopark. The sale of commercial lots in Arca South, Alviera, Evo City and Lio and of industrial lots in Alviera and Cavite Technopark moved the GP margin of this segment upwards to 50% from previous year's 40%.

Strong demand from both local and overseas Filipinos fueled a full-year 16% increase in sales reservations, reaching ₱141.9 billion from previous year's ₱121.96 billion. In the fourth quarter alone, reservation sales grew by 21% to PHP 33.8 billion. On the other hand, net booked sales reached P110.8 billion, a 14% increase from previous year's ₱96.9 billion, with the fourth quarter number growing by 9% to ₱32.7 billion.

In 2018, Ayala Land launched ₱139.4-billion worth of residential and office-for-sale projects.

Commercial Leasing. This segment covers the operation of shopping centers, office buildings, and hotels and resorts. Total revenues from commercial leasing amounted to ₱34.91 billion, 17% higher than ₱29.94 billion posted a year ago.

Shopping Centers. The contribution of Greenbelt and Glorietta in Makati City and the improved performance of newly opened malls in Quezon City, such as UP Town Center, Ayala Malls Cloverleaf and Vertis North, and in Pasig City, namely Ayala Malls Feliz and The 30th boosted the segment's revenues by 13% to ₱19.91 billion from ₱17.66 billion. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin was maintained at 66%.

The average monthly lease rate was at ₱1,073 per sq. meter, while same mall rental grew by 6%. The average occupancy rate for all malls was 89%, while the occupancy rate of stable malls was higher at 95%.

The Company opened three new malls in 2018—Circuit Mall in Makati with 52,000 sq. meters of gross leasable area (GLA), Capitol Central Mall in Bacolod with 67,000 sq. meters, and One Bonifacio High Street in Taguig with 23,000 sq. meters—bringing the shopping centers' year-end GLA to 1.90 million sq. meters.

Offices. Revenues from office leasing rose by 29% to ₱8.61 billion from ₱6.66 billion due to the stabilized occupancy of new offices such as Vertis Corporate Center in Quezon City, Circuit Corporate Center in Makati City, and The 30th Corporate Center in Pasig City. Office leasing EBITDA margin was sustained at 91%.

The monthly lease rate for offices averaged ₱755 per sq. meter. The average occupancy rate for all offices was 91%, while the occupancy rate of stable offices was 96%. The Company completed four new offices in 2018—Bacolod Capitol Corporate Center with 11,000-sq. meters GLA, Vertis North Corporate Center 3 with 38,000 sq. meters, Ayala North Exchange HQ Tower with 20,000 sq. meters and another 22,000 sq. meters in its BPO Tower—bringing the offices' year-end GLA to 1.11 million sq. meters.

Hotels and Resorts. Full-year operations of Seda Vertis North, Seda Capitol Central Bacolod and the recently renovated Apulit Island Resort in El Nido, Palawan coupled with the improved performance of our B&B's nudged revenues from our hotels and resorts higher by 14%, to reach ₱6.39 billion from previous year's ₱5.62 billion. Average revenue-per-available-room (REVPAR) of all hotels and resorts slightly decreased by 1% to ₱3,531 and ₱7,989 a night, respectively. Meanwhile, REVPAR of stable hotels increased by 6% to ₱4,369 a night; that of stable resorts increased by 12% to ₱10,896. EBITDA margin of this segment improved to 29% from 28% previous year.

The average room rate a night of all hotels was ₱5,020, while that of stable hotels was PHP 5,593. Meanwhile, the average room rate a night of all resorts was ₱12,593, while that of stable resorts was ₱17,035. The average occupancy rates of all hotels and resorts were at 70% and 63%, respectively, while those of stable hotels and stable resorts were at 78% and 64%, respectively.

A total of 390 rooms were added to the portfolio—Seda Capitol Central, 108; Seda Lio, 118; Circuit Residences, 80; Lio Dormitel, 42; Huni Sicogon, 19; Drift Hostel Sicogon, 16; and Sicogon Dormitel, 7—bringing the total number of rooms in operation to 2,973 by end-2018.

The hotels and resorts business operates 660 hotel rooms under its international brand segment—312 for Fairmont Hotel and Raffles Residences, and 348 for Holiday Inn & Suites, both locked in Ayala Center, Makati CBD. Our homegrown Seda Hotels operates 1,828 rooms—Atria, Iloilo, 152; BGC, Taguig, 179; Centrio, Cagayan de Oro, 150; Abreeza, Davao, 186; Nuvali, Santa Rosa, Laguna, 150; Vertis North, Quezon City, 438; Capitol Central, Bacolod, 154; Lio, Palawan, 118; and Ayala Center Cebu, 301. El Nido Resorts operates 193 rooms in its four island resorts (Pangulasian, Lagen, Miniloc and Apulit), and Lio Tourism Estate currently has 144 rooms under its Bed and Breakfast (B&B) category and Dormitel offerings. Lastly, the Sicogon Tourism Estate in Iloilo currently operates 68 B&B rooms.

Services. This segment is composed of the Company's construction business through Makati Development Corporation (MDC); property management, through Ayala Property Management Corporation (APMC), power services, through Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy); and airline services firm AirSWIFT, for the hotels and resorts business. Total revenues of this segment rose by 5% to ₱76.72 billion from ₱72.81 billion previous year.

Construction. The increased order book of projects from the Ayala Land group resulted in a corresponding increase in construction revenues, reaching ₱71.42 billion, 6% more than previous year's ₱67.40 billion.

Property Management and Others. APMC, the power services companies, and AirSWIFT together posted revenues of ₱5.30 billion, a slight 2% decrease from the year-ago figure of ₱5.41 billion due to decreasing external retail electricity supply contracts.

Blended EBITDA margins of the Services business slightly declined to 9% from 10%.

Equity in Net Earnings of Investees, Interest, Interest on Real Estate Sales, Fees, Investment, and Other Income

The full consolidation of MCT Bhd into Ayala Land resulted in a 13% decrease in equity in net earnings of associates and JVs, to ₱750 million from previous year's ₱866 million. Meanwhile, interest, interest from real estate sales and investment income increased by 31% to ₱8.00 billion from ₱6.09 billion previous year due to higher interest income from money market placements and accretion on installment sales. Other income reached ₱1.54 billion, 31% lower year-on-year.

Project and Capital Expenditures

Ayala Land spent ₱110.1 billion in capital expenditures to support the aggressive completion of new projects, 41% of which was spent on residential projects; 23% on commercial projects; 15%, land acquisition; 12%, development of estates; and 9%, on investments.

Financial Condition

Ayala Land's balance sheet solidly positions the Company to pursue its growth plans.

Cash and cash equivalents, including short-term investments and UITF investments classified as FVPL, stood at P27.56 billion, resulting in a current ratio of 1.26:1.

Total borrowings amounted to ₱187.10 billion, translating to a debt-to-equity ratio of 0.85:1 and a net debt-to-equity ratio of 0.72:1.

Return on equity as of December 31, 2018 was at 16.5%.

	End-December 2018	*End-December 2017*
Current ratio [1]	1.26:1	1.30:1
Debt-to-equity ratio [2]	0.85:1	0.91:1
Net debt-to-equity ratio [3]	0.72:1	0.77:1
Profitability Ratios:		
Return on assets [4]	5.35%	5.07%
Return on equity [5]	16.52%	16.09%
Asset to Equity ratio [6]	3.04:1	2.99:1
Interest Rate Coverage Ratio [7]	6.1	6.0

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2017.

Causes for any material changes (+/- 5% or more) in the financial statements

Real estate revenues increased by 17% due to the consistent growth of property development and commercial leasing. Property development grew by 18% driven by new bookings and project completions from residential projects and sales of office spaces, commercial and industrial lots. Commercial leasing was higher by 17% coming from improved performance of newly opened malls.

Interest income from real estate sales and interest & investment income higher by 31% mainly due to higher rate in 2018 from short-term investments.

Equity in net earnings of associates and joint ventures went down by 13% primarily due to the consolidation of ALI's investment in MCT Bhd in 2018 from equity pickup treatment in 2017.

Other Income lower by 31% mainly due to the impact of the reversal of Comtrust impairment in 2017.

Real estate costs increased by 15% primarily driven by higher sales and incremental project completions from residential and leasing businesses.

General and administrative expenses higher by 25% due to the consolidation of ALI's investment in MCT Bhd in 2018.

Interest and other financing charges and other charges grew by 19% due to the increase in interest expense on banks as a result of higher average loan balance and bank rate in 2018.

Provision for income tax increased by 22% due to higher taxable income driven by higher real estate revenues.

Non-controlling interests higher by 39% as a result of the consolidation of ALI's investment in MCT Bhd in 2018.

<u>Balance Sheet items</u> – December 2018 versus December 2017

Cash and cash equivalents up by 14% primarily due to the consolidation of ALI's investment in MCT Bhd in 2018.

Short-term investments went down by 35% mainly coming from matured money market placements of Ayala Hotels Inc., BG West Properties, Inc., and Roxas Land Corp.

Financial assets at fair value through profit or loss lower by 12% due to the maturity of some investments in ARCH Capital Funds.

Real estate Inventories higher by 15% primarily due to the impact of PIC Q&A No. 2018-11 on the classification of land by real estate developer.

Other current assets lower by 8% mainly due to the decrease in input VAT, partly offset by increase in CWT mostly from residential projects.

Non-current accounts and notes receivable went down by 92% due to reclass to Contract asset, impact of the PFRS 15 Revenue from Contracts with Customers implementation in 2018.

Investments in associates and joint ventures lower by 13% driven by the consolidation of ALI's investment in MCT Bhd in 2018 from equity pickup treatment in 2017.

Investment properties up by 12% primarily due to the impact of PIC Q&A No. 2018-11 on the classification of land by real estate developer.

Property and equipment increased by 25% mainly coming from inclusion of ALI's investment in MCT Bhd in 2018.

Deferred tax assets higher by 22% due to additional DTA from PAS Straight-line recognition of revenue (Accounting Standard vs BIR) of leasing group.

Other noncurrent assets grew by 36% due to the increase in bookings of pre-operating expenses, deferred input VAT and deferred charges.

Account and other payables up by 25% mostly due to the consolidation of ALI's investment in MCT Bhd in 2018.

Short-term debt dropped by 18% due to conversion to long term debt from short term debt.

Income tax payable up by 165% due to higher taxable income primarily from real estate revenues.

Current portion of long-term debt increased by 254% due to incremental debt (bonds and loans) of Ayala Land Inc., Amorsedia Development Corp., and Alveo Land Corp., and inclusion of ALI's investment in MCT Bhd in 2018.

Deposit and other current liabilities declined by 69% due to the decrease in customers' deposits from real estate customers who reached the 10% threshold for sales bookings.

Deferred tax liabilities higher by 66% primarily coming from the recognition of deferred tax liability for the uncollected receivables from residential development.

Total Equity attributable to equity holders of Ayala Land, Inc. grew by 12% due to the increase in equity reserve as a result of the consolidation of ALI's investment in MCT Bhd in 2018.

Non-controlling interests up by 29% largely due to NIAT share of subsidiaries and consolidation of ALI's investment in MCT Bhd in 2018.

Review of 2017 operations vs 2016

Ayala Land, Inc. (ALI or "the Company") posted a net income of ₱25.30 billion, a solid earnings growth of 21% in 2017. The Company sustained a healthy topline with ₱142.30 billion in total consolidated revenues, 14% higher than 2016. Real Estate revenues likewise increased 13% to ₱133.1 billion, driven by the resurgence of property sales and the strong growth of its leasing business. Meanwhile, earnings before interest and taxes (EBIT) margin registered at 30.1% compared to 29.7% last year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial lots.

Total revenues from Property Development amounted to ₱96.39 billion, 24% higher than ₱77.73 billion last year.

Residential. Revenues from the sale of residential lots and units reached ₱79.90 billion, 25% higher than P64.08 billion last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of ₱26.50 billion, 7% higher than ₱24.86 billion last year given higher completion from its subdivision projects such as Cerilo in Nuvali and The Courtyards Phase 2 in Vermosa and its condominium projects such as Park Central North in Makati and Arbor Lanes 3 in Arca South.

Alveo meanwhile recorded revenues of P26.17 billion, a robust gain of 45% from ₱18.03 billion last year due to higher completion of its subdivision projects such as Ardia in Vermosa, Cavite and Montala in Alviera, Porac Pampanga and its condominium projects such as High Park Tower 2 in Vertis North, Quezon City, Verve Residences 2 and Veranda Phase 2.

Avida posted revenues of ₱20.83 billion, a strong growth of 22% from ₱17.07 billion last year on the account of combined higher bookings and incremental completion of its condominium projects such as Avida Towers Turf 1, The Montane and Avida Tower Verte in Bonifacio Global City, Avida Tower Sola 1 in Vertis North, Avida Towers Riala 3 in Cebu City, and Avida Towers One Union Place 1 and 2 in Arca

South and its subdivision projects such as Hillcrest Estates, Woodhill Settings, and Southfield Settings in Nuvali.

Amaia generated revenues of ₱5.74 billion, a significant increase of 72% from P3.35 billion last year as a result of higher bookings and completion Skies Towers in Avenida, Shaw, Sta. Mesa and Cubao and Steps projects in Bicutan, Sucat, Nuvali Parkway and Capitol Central in Bacolod City. BellaVita meanwhile reached revenues of P652 million, 16% lower than ₱776 million last year.

The average gross profit margin of horizontal projects improved to 47% from 43% due to the higher contribution of The Courtyards and Ardia in Vermosa, Riomonte in Nuvali and Montala in Alviera while the average gross profit margin of vertical developments declined to 30% from 35% in recognition of higher project costs.

Office for Sale. Revenues from the sale of office spaces reached ₱9.45 billion, 15% higher than P8.20 billion last year driven by higher completion of Alveo's High Street South Corporate Plaza 2, Alveo Financial Tower in Makati CBD, and Avida's Capital House in BGC. Gross profit margin of offices for sale was maintained at 37%.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial lots reached P7.04 billion, 29% higher than ₱5.45 billion last year due to higher lot sales in Arca South, Taguig, Vermosa, Cavite and industrial lots in Cavite. Gross profit margin slightly declined to 40% from 41% due to the mix of projects sold.

A resurgence of property sales was seen in 2017 as reservation sales increased 13% to ₱121.96 billion from ₱108.05 billion in 2016 which only posted an annual growth of 3%. Total reservation sales in 2017 translated to an average of ₱10.2 billion in monthly sales. Net booked sales grew 16% to ₱96.86 billion from ₱83.33 billion in the previous year. In the fourth quarter of 2017, property sales also notably increased, sales take-up grew 17% to ₱27.78 billion and net booked sales grew 18% to ₱29.92 billion.

Commercial Leasing. This includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations.

Total revenues from commercial leasing amounted to ₱29.94 billion, 7% higher than ₱28.07 billion last year.

Shopping Centers. Revenues from shopping centers reached ₱17.66 billion. 10% higher than ₱16.08 billion last year due to the improved performance of the new malls such as The 30th, Tutuban Center and UP Town Center.

Shopping Centers EBITDA margin slightly decreased to 66% from 67% due to early-stage operations of newly opened malls.

The average monthly lease rate registered at ₱1,087 per square meter while same mall rental growth is at 5%. The average occupancy rate for all malls is at 92% while the occupancy rate of stable malls is at 97%. The Company opened 5 new malls in 2017, namely, The 30th in Pasig, Ayala Malls Vertis North and Ayala Malls Cloverleaf in Quezon City, Ayala Malls Marikina and Ayala Malls Feliz, Marikina. This brings the total gross leasable area (GLA) of Shopping Centers to 1.80 million square meters at the end of 2017.

Offices. Revenues from office leasing reached ₱6.66 billion, 12% higher than ₱5.94 billion last year due to the stabilized occupancy of the new offices namely, UP Town Center BPO, Cebu eBloc 4 and ATC BPO.

Office leasing EBITDA margin was maintained at 91% given the stabilized occupancy of new offices.

The average monthly lease rate registered at ₱739 per square meter. The average occupancy rate for all offices is at 86% while the occupancy rate of stable offices is at 97%. The Company completed 6 new offices in 2017, namely, Circuit BPO Tower 1 and 2 in Makati, The 30th Corporate Center in Pasig, One Bonifacio High Street in BGC, Tech Tower Cebu and Vertis North BPO 2 in Quezon City. This brings the total gross leasable area (GLA) of Office Leasing to 1.02 million square meters at the end of 2017.

Hotels and Resorts. Revenues from hotels and resorts reached ₱6.64 billion, 10% higher than ₱6.05 billion last year, due to the higher occupancy and average room rate of El Nido resorts and the opening of Seda Vertis North. Revenue-per-available-room (REVPAR) of hotels decreased by 6% to ₱3,576 per night mainly due to the lower occupancy of its internationally-branded hotels in Makati. Meanwhile, the REVPAR of resorts barely declined, settling at ₱8,052 per night. (2017 revenues of Hotels and Resorts restated to P5.62 billion to carve-out AirSWIFT's revenues of P1.02 billion)

Hotels and resorts EBITDA margin was maintained at 28% given its sustained performance from last year.

The average room rate per night of hotels and resorts is ₱5,050 and ₱13,210 respectively. The occupancy of hotels registered at an average of 71% while the occupancy of resorts registered at an average of 61%.

The hotels and resorts segment operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holliday Inn & Suites Makati, 1,301 rooms from Seda Hotels located in Atria in Iloilo, BGC in Taguig, Centrio in Cagayan de Oro, Abreeza in Davao, Nuvali in Santa Rosa Laguna, Vertis North in Quezon City and Seda Bacolod, 213 island resort rooms at El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands and 82 rooms at Lio Tourism Estate, both in Palawan and 26 rooms at Sicogon Island Resort in Iloilo. In 2017, The Company opened Seda Vertis North, initial rooms in Seda Bacolod, additional rooms in Casa Kalaw, Balai Adlao and Hotel Covo in Lio, Palawan and additional rooms in Balay Kogon, Sicogon. This brings the total number of rooms to 2,583 at the end of 2017.

Services. This includes the Company's wholly-owned construction and property management companies; Makati Development Corporation and Ayala Property Management Corporation.

Total revenues from the services segment amounted to ₱71.80 billion, 5% higher than P68.49 billion last year.

Construction. Revenues reached ₱67.40 billion, 3% higher than ₱65.32 billion due to increased order book and higher completion of projects within the Ayala Land group.

Property Management. Revenues from property management registered at ₱4.39 billion, 38% higher than ₱3.17 billion in the previous year due to more managed properties from completed projects.

Blended EBITDA margins of the services segment registered at 10%, a slight decline from 11% in the previous year due to project mix.

Equity in Net Earnings of Investees, Interest, Interest on Real Estate Sales, Fees, Investment, and Other Income

Equity in net earnings of associates and joint ventures substantially increased by 56% to ₱865.57 million from ₱554.41 million last year due to the higher net income contribution of non-consolidated associates while interest, interest on real estate sales, investment and other income reached ₱8.33 billion, 31% higher than ₱6.37 billion last year. Interest, Interest on Real Estate Sales and Investment income grew due to higher interest income from money market placements and accretion income while other income increased due to higher marketing and management fees.

Expenses

Total expenses registered at ₱104.31 billion, 13% higher than ₱91.97 billion last year mainly due to higher real estate expenses which grew 15% to ₱87.92 billion from ₱76.57 billion last year.

General and administrative expenses (GAE) increased by only 3% to ₱7.28 billion from ₱7.03 billion last year. This resulted into further improvement in the GAE ratio to 5.1% from 5.6% in 2016.

Interest expense, financing and other charges meanwhile posted a 9% increase to ₱9.11 billion from ₱8.37 billion last year as a result of higher interest expense from the higher average daily loan balance. The average cost of debt registered at 4.6%, slightly higher than 4.5% in the previous year as a result of higher interest rates.

Project and Capital Expenditures

Ayala Land spent ₱91.4 billion in capital expenditures, higher than its estimated budget of ₱88.0 billion at the start of 2017, to support the aggressive completion of new projects in its pipeline. 48% was spent on residential projects, 29% on commercial projects, 17% for land acquisition and other investments and 6% for the development of the estates.

Financial Condition

The Company's balance sheet continues to be solidly positioned to support its growth plans.

Cash and cash equivalents, including short-term investments and UITF investments classified as FVPL, stood at ₱25.82 billion resulting in a current ratio of 1.30:1.

Total borrowings registered at ₱174.39 billion which translated to a debt-to-equity ratio of 0.91:1 and a net debt-to-equity ratio of 0.77:1.

Return on equity was at 16.1% as of December 31, 2017.

	End-December 2017	*End-December 2016*
Current ratio [1]	1.30:1	1.12:1
Debt-to-equity ratio [2]	0.91:1	0.93:1
Net debt-to-equity ratio [3]	0.77:1	0.79:1
Profitability Ratios:		
Return on assets [4]	5.07%	4.99%
Return on equity [5]	16.09%	14.86%
Asset to Equity ratio [6]	2.99:1	3.11:1
Interest Rate Coverage Ratio [7]	6.0	5.9

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2017.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items **– 2017 versus 2016**

Real estate and hotel revenues grew by 13% primarily due to higher sales bookings, incremental project completion from residential projects and strong performance of malls, leasing and hotels & resorts business groups.

Interest and investment income improved by 6% due to the increase in interest income from money market placements due to higher ADB of 16.6B vs. 11.4B, YoY and yield of 2.1% vs. 1.6%, YoY, and increase in accretion income.

Equity in net earnings of associates and joint ventures higher by 56% largely due to increase in NIAT contribution from FBDC companies.

Other Income increased by 241% due to higher marketing and management fees and the one-time take up of negative goodwill from purchase price allocation on ALI's investment in OCLP Holdings Inc.

Real estate and hotel costs up by 15% primarily due to higher sales and incremental project completion coming from residential, malls, leasing and hotels & resorts business segments.

Interest and other financing charges and other charges increased by 9% mainly due to higher borrowings to finance various capital expenditures.

Provision for income tax increased by 19% largely due to increase in taxable income primarily from real estate.

Non-controlling interests lower by 19% mainly due to decrease in NIAT contribution from non-consolidated companies.

Balance Sheet items – 2017 versus 2016

Short-term investments grew by ₱4.5B primarily due to money market placements of AHI, BGWest, Alveo, RLC and MDC.

Financial assets at fair value through profit or loss decreased by 72% mainly due to the maturity of BG West, POPI, ALI Capital and APMC's UITF investment placements.

Real estate Inventories lower by 7% primarily due to higher sales despite lesser launches of RBG projects.

Other current assets up by 34% due to increase in input VAT and CWT mainly from residential projects and various prepayments (Taxes & Licenses, Ads and Promo, Marketing and Management fees, etc.).

Non-current accounts and notes receivable improved by 27% primarily due to higher bookings and increase in project POC.

Land and improvements declined by 7% mainly due to the transfer from unsubdivided land to investment properties.

Investments in associates and joint ventures higher by 7% due to the new investment in ALI Eton and contribution from ALI's share in the equity in net earnings for full year 2017.

Investment properties grew by 25% primarily due to the additional project costs on new and existing malls and buildings for lease.

Available-for-sale financial assets better by 7% mainly due to higher investments from ALI Capital and Ayalaland Malls Synergies Inc.

Property and equipment improved by 8% mainly coming from the increase in Hotel PPE and ALI Capital (Airswift).

Deferred tax assets higher by 8% due to leasing group's PAS Straight-line recognition of revenue (Accounting Standard vs BIR).

Other non-current assets lower by 20% due to transder of advances to other companies to investment properties.

Short-term debt down by 27% primarily due to Avida, ALI and Alveo's payment of short-term unsecured peso denominated bank loan availments.

Income tax payable decreased by 33% mainly due to payment of income taxes.

Deposit and other current liabilities up by 39% due to the increase in customers' deposits from real estate customers who reached the 10% threshold for sales bookings.

Current portion of long-term debt higher by 27% due to incremental debt of NTDCC, Phil. Energy, and Alveo.

Long-term debt – net of current portion grew by 15% largely due to ALI's additional long-term debt availments, ₱7B short-dated notes and ₱7B bond issuance on May 2017.

Pension liabilities increased by 14% due to additional provision based on actuarial valuation report.

Deposits and other non-current liabilities increased by 6% due to deposits from real estate customers and contribution from leasing group's advance rental and security deposits.

Net unrealized gain/loss on available for sale financial assets down by 7% mainly due to sale of SSI investment.

Review of 2016 operations vs 2015

Ayala Land, Inc. (ALI or “the Company”) generated a net income after tax (attributable to equity holders of ALI) of ₱20.91 billion in 2016, 19% higher than the ₱17.63 billion posted in 2015. Consolidated total revenues reached ₱124.63 billion, 16% higher than the ₱107.18 billion posted in the same period last year. Revenues from Real Estate increased by 17% to ₱117.70 billion driven by the steady performance of its Property Development, Commercial Leasing and Services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 5.6% from 6.2% while the Earnings before interest and taxes (EBIT) margin registered higher at 30% from 29% during the same period last year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial Lots. Total revenues from Property Development amounted to ₱79.24 billion in 2016, 17% higher than the ₱67.77 billion reported during the same period in 2015.

Revenues from the sale of residential lots and units reached ₱65.12 billion, 12% higher than ₱58.39 billion posted in the same period last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of ₱24.86 billion, slightly higher than the ₱23.40 billion posted in the same period in 2015 driven by higher bookings from projects such as Park Central Tower in Makati City and increased completion of residential buildings such as The Two Roxas Triangle and Garden Towers 1 & 2 in Ayala Center Makati, East and West Gallery Place in Bonifacio Global City, Arbor Lanes in Arca South, Taguig, and horizontal projects such as Riomonte and Soliento in Nuvali, Laguna and The Courtyards in Vermosa, Cavite.

Alveo meanwhile registered revenues of ₱18.57 billion, 29% higher than the ₱14.36 billion generated in the same period due to increased completion of residential towers such as Park Triangle Residences, One and Two Maridien and Two Serendra in Bonifacio Global City, Lerato Tower 3 and Kroma in Makati and Portico Tower 1 in Pasig and subdivision projects such as Lumira and Mondia in Nuvali, Laguna.

Avida recorded revenues of ₱17.07 billion, 16% higher compared to same period last year on the account of higher bookings from Avida Tower Sola 1 in Vertis North, Quezon City and One Union Place Tower 3 in Arca South, Taguig and increased completion of Vita Towers in Vertis North, Asten Towers in Makati, The Montane and Turf Tower 1 in Bonifacio Global City, Riala Tower 1 and 2 in Cebu IT Park, Avida Towers Davao and subdivision projects in Nuvali namely Hillcrest Estates and Southfield Settings.

Amaia posted revenues of ₱3.35 billion which is lower compared to same period in 2015 due to lower sales take-up from Amaia Scapes and Skies Projects.

BellaVita meanwhile significantly grew its revenues to ₱776.10 million, posting a 46% growth from ₱529.80 million last year due to higher bookings in General Trias Cavite, Alaminos Laguna, Tayabas Quezon, Cabanatuan City, Nueva Ecija and Cagayan De Oro City, Misamis Oriental.

Residential sales for 2016 reached a total of ₱108.00 billion, 3% higher year-on-year, equivalent to an average monthly sales take-up of ₱9.0 billion. Residential Gross Profit (GP) margins of vertical developments improved to 35% from 34% due to sale of higher margin projects such as Park Central Tower in Makati while horizontal projects slightly declined to 43% from 44% due to higher development and land cost of recently launched projects.

Revenues from the sale of office spaces reached ₱8.20 billion, posting a 28% growth from the ₱6.42 billion registered in the same period in 2015 driven by higher bookings from Alveo Financial Tower in Makati Central Business District, Alveo Park Triangle Tower and Alveo Park Triangle Corporate Plaza and higher completion of High Street South Corporate Plaza 1 and 2 in Bonifacio Global City. Avida's office projects in Bonifacio Global City also contributed significant revenues from higher bookings from Avida Capital House and higher completion of One Park Drive. Gross profit margins of offices for sale buildings declined to 37% from 38% during the same period last year.

Revenues from the sale of commercial and industrial lots doubled to ₱5.92 billion from ₱2.95 billion due to higher lot sales in Arca South, Naic and Altaraza in 2016. GP margins of Commercial and Industrial lots declined to 41% from 50% due to sale of higher margin commercial lots in Arca South and Nuvali in the same period last year.

Commercial Leasing. This includes shopping centers and office leasing as well as hotels and resorts operations. Total revenues from commercial leasing amounted to ₱26.56 billion in 2016, 8% higher than the ₱24.50 billion recorded in the same period last year.

Revenues from Shopping Centers reached ₱14.97 billion, 12% higher year-on-year from ₱13.37 billion due to the improved performance of stable malls and contribution of new malls such as UP Town Center in Quezon City, Ayala Malls Solenad in Nuvali, Santa Rosa Laguna, Tutuban Center, Manila, Ayala Malls Legazpi in Albay and the higher occupancy and average rental rates of existing malls. Shopping Centers EBITDA margin declined to 67% from 69% due to lower margins of newly opened malls. Monthly average lease rates registered 1% lower to ₱1,143 per square meter from ₱1,155 per square meter in the same period last year. Same mall rental growth increased by 5% year-on-year. Average occupancy rate registered at 91%. Total gross leasable area (GLA) of Shopping Centers registered at 1.62 million square meters for full year 2016.

Revenues from Office Leasing reached ₱5.54 billion, 7% higher year-on-year from ₱5.16 billion due to the higher average rental rates of existing buildings and the positive contribution of new offices such as Bonifacio Stopover, UP Technohub Building P and UP Town Center BPO in Quezon City. Office Leasing EBITDA margin improved to 91% from 90% last year. Monthly average lease rates of offices registered 4% higher to ₱725 per square meter from ₱698 per square meter in the same period last year. Average occupancy rate registered at 87%, 3% higher than previous year due to the completion of leased office spaces for tenant fit-out. Total gross leasable area (GLA) of Office Leasing registered at 836 thousand square meters for 2016.

Revenues from Hotels and Resorts reached ₱6.05 billion, 1% higher year-on-year from ₱5.97 billion due to the improved revenue-per-available-room (REVPAR) of hotel and resorts. REVPAR of hotels increased by 0.7% to ₱3,786 per night while REVPAR of resorts increased by 7% to ₱8,087 per night. Hotels and Resorts EBITDA margin was at 28%. Average occupancy rate of Hotels registered at 73% while Resorts registered at 59% during the period. Hotels and Resorts currently operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 213 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan, 30 bed and breakfast rooms in Casa Kalaw Lio El Nido and 6 bed and breakfast rooms from Balay Kogon Sicogon, Iloilo and 817 rooms from its Seda Hotels located in Iloilo, Bonifacio Global City, Taguig, Centrio Cagayan de Oro, Abreeza in Davao and Nuvali in Santa Rosa Laguna. Total rooms under the Hotels and Resorts portfolio registered at 2,027 as of December 31, 2016.

Services. This includes the Company's wholly-owned Construction and Property Management companies; respectively Makati Development Corporation and Ayala Property Management Corporation. Total revenues from the Services business amounted to P66.65 billion, 47% higher than the ₱45.25 billion reported in the same period in 2015.

Revenues from Construction reached ₱65.32 billion, 48% higher year-on-year from ₱44.07 billion due to the increase in order book of projects and higher completion within the Ayala Land Group. Revenues from Property Management reached ₱1.34 million, 14% higher year-on-year from ₱1.18 million due to the increase in managed properties from completed projects. Blended EBITDA margins of the Services businesses declined to 11% from 14%.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in net earnings of associates and JVs registered a 495% growth to ₱554 million in 2016 due higher net earnings from Modular Construction Technology (MCT) Bhd., Ortigas & Co. Ltd Partnership and Fort Bonifacio Development Corporation. Meanwhile, Interest, Investment and Other Income reached ₱6.37 billion, mainly due to higher interest income on accretion and installment sales.

Expenses

Total expenses registered at ₱91.97 billion in 2016, 16% higher than the ₱79.43 billion posted in the same period last year mainly driven by Real Estate and Hotels expenses which grew 17% to ₱76.57 billion from ₱65.34 billion last year.

General and Administrative Expenses (GAE) grew by 7% to ₱7.03 billion from ₱6.59 billion last year as a result of efficient cost management measures. GAE-to-revenue ratio further improved to 5.6% from 6.2% last year. Interest Expense, Financing and Other Charges meanwhile registered at ₱8.37 billion, 11% higher year-on year from ₱7.51 billion, mainly attributed to higher interest expense and a lower average interest rate of 4.49% compared to 4.71% during the previous year.

Project and Capital Expenditure

Ayala Land spent a total of ₱85.40 billion for project and capital expenditures in 2016. Of the total capital expenditure, 14% was spent on land acquisition, 5% was spent on the development of its estates, 43% was spent on the completion of residential projects and 30% was spent on commercial leasing projects with the rest of the amount disbursed for new businesses, services and other investments.

Financial Condition

Ayala Land posted a solid balance sheet position in 2016 which provides adequate capacity to support its growth plans in the coming years.

Cash and Cash Equivalents including short term investments and UITF investments classified as FVPL stood at ₱22.64 billion, resulting in a current ratio of 1.12:1. Total Borrowings stood at ₱159.80 billion as of December 31, 2016 from ₱130.99 billion as of December 2015, translating to a Debt-to-Equity Ratio of 0.93:1 and a Net Debt-to-Equity Ratio of 0.79:1. Return on Equity was at 14.9% as of December 31, 2016.

	End-December 2016	*End-December 2015*
Current ratio [1]	1.12:1	1.14:1
Debt-to-equity ratio [2]	0.93:1	0.87:1
Net debt-to-equity ratio [3]	0.79:1	0.74:1
Profitability Ratios:		
Return on assets [4]	5.0%	5.0%
Return on equity [5]	14.9%	14.7%
Asset to Equity ratio [6]	3.11	2.95
Interest Rate Coverage Ratio [7]	5.9	5.5

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2016.

Causes for any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – 2016 versus 2015

Real estate and hotel revenues increased by 17% mainly due to higher sales bookings and incremental project completion of residential projects and better performance of malls, leasing and hotels & resorts business groups.

Equity in net earnings of associates and joint ventures improved by 495% primarily due to higher equity from Malaysia (MCT-Modular Construction Technology) and China (Tianjin Eco-City Ayala) investments and contribution from Ortigas & Co. Ltd. Partnership and FBDC companies.

Real estate and hotel costs up by 17% due to higher costs coming from residential, malls, leasing and hotels & resorts business segments in 2016.

General and administrative expense higher by 7% primarily due to increase in contracted services, professional fees, insurance and repairs & maintenance.

Interest and other financing charges and other charges grew by 11% mainly due to the increased borrowings to finance various capital expenditures.

Provision for income tax increased by 20% largely due to higher taxable income mainly from real estate.

<u>Balance Sheet items</u> – 2016 versus 2015

Cash and cash equivalents improved by 10% largely due to bond issuance and loan availments made and the impact of the consolidation of POPI and Anvaya entities in 2016.

Short term investments up by 26% primarily due to additional money market placements and the impact of the consolidation of Anvaya companies in 2016.

Financial assets at fair value through profit or loss higher by 168% due to BG West, NUVALI companies, POPI, and APMC's UITF investment placements.

Accounts and notes receivables increased by 50% mainly due to higher sales and additional bookings from residential business group projects (subdivision, condominium, house & lot, and office building for sale) and improved performance of malls, leasing, and hotels & resorts business segments and increase in advances to contractors.

Real estate Inventories increased by 13% primarily due to new project launches of residential projects and incremental completion of the existing projects.

Other current assets up by 8% due to the increase in prepaid expenses and current project costs.

Non-current accounts and notes receivable decline by 15% largely due to the sale of real estate receivables on a without recourse basis, and contribution from decrease in advances to other companies.

Land and improvements increased by 9% primarily due to the consolidation of Prow Holdings, Inc. and additional acquisition of land parcels for future development.

Investments in associates and joint ventures higher by 43% due to the investments made with OCLP Holdings and ALI Eton and share in equity for full year 2016.

Investment properties up by 34% primarily due to the additional project costs on new & existing malls, buildings for lease and hotels and contribution from additional land acquisitions.

Available-for-sale financial assets improved by 177% due to Alviera country club share, Cebu City Sports Club and contribution from POPI.

Property and equipment higher by 9% largely due to increase in MDC's additional batching plants, machineries and equipment in response to capacity requirements brought about by new projects/contracts.

Deferred tax assets increased by 25% primarily due to higher deferred tax assets mainly from residential group’s tax effect of temporary difference arising from sale and collection on booked accounts and contribution from PAS Straight-line recognition of revenue per Accounting Standard vs BIR computation.

Other non-current assets up by 66% largely due to the increase in leasehold rights on the acquisition of Prime Orion Philippines, Inc., and increase in prepaid costs incurred for the unlaunched projects.

Account and other payables increased by 24% due to higher expenses related to the development and project costs of new and existing projects of the residential, commercial, hotels & resorts business group and contribution from the increase in accrued expenses, interest payable, taxes payable and higher payables to external suppliers/contractors due to increased volume of construction projects for ALI.

Short-term debt 131% increased primarily due to additional short-term unsecured peso denominated bank loan availments.

Income tax payable higher by 15% mainly due to higher taxable income from real estate.

Deposit and other current liabilities up by 40% due to the increase in advances and deposits for various residential projects.

Current portion of long-term debt decreased by 41% mainly due to loan payments made.

Deferred tax liabilities higher by 144% primarily due to POPI's stepped-up value based from purchase price allocation.

Long-term debt - net of current portion increased by 17% largely due to ALI's bond issuance amounting to ₱25B.

Deposits and other noncurrent liabilities grew by 25% due to higher non-current security deposits from residential customers and contribution from leasing group's increase in security deposits, reservations and advance rental deposits.

Non-controlling interest up by 55% mainly due to the increase in non-controlling interest's share in full year 2016 NIAT and contribution from NCI share of Prow Holdings, Nuevo Centro, Aviana, POPI and BG companies.

Item 7. Financial Statements

The 2018 consolidated financial statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

(a) The principal accountant and external auditor of the Company is SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-election at the annual stockholders' meeting.

(b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Michael C. Sabado is the Partner-in-charge for the audit year 2018 while Ms. Lucy L. Chan served as such for the audit years 2016 to 2017.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

(c) **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditor the following fees in the past two years: (in Php million; with VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2018	31.96*	-	9.37**
2017	29.33*	-	13.76**

** Pertains to audit fees.*
***SGV fees for the validation of stockholders' votes during the annual stockholders' meeting and other assurance fees.*

(d) **Tax Fees**

Tax consultancy services are secured from entities other than the external auditor.

Under paragraph 3.3 a of the ALI Audit Committee Charter, the Audit Committee (composed of Jaime C. Laya, Chairman, Rizalina G. Mantaring, and Antonino T. Aquino, members) recommends to the Board the appointment of the external auditor and the audit fees.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant

The write-ups below include positions held as of December 31, 2018 and in the past five years, and personal data as of December 31, 2018 of directors and executive officers.

Board of Directors

Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala
Bernard Vincent O. Dy
Antonino T. Aquino
Arturo G. Corpuz
Jaime C. Laya
Delfin L. Lazaro
Rizalina G. Mantaring
Cesar V. Purisima

Fernando Zobel de Ayala, Filipino, 58, has served as Chairman of the Board of ALI since April 1999. He holds the following positions in publicly listed companies: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., ALI Eton Property Development Corporation, Liontide Holdings, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties Inc., AC Ventures Holding Corp. and Bonifacio Art Foundation, Inc.; Director of LiveIt Investments Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., AC Education, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; Member of the Board for INSEAD and Georgetown University; Member of the International Advisory Board of Tikehau Capita; Member of the Philippine-Singapore Business Council, INSEAD East Asia Council, World Presidents' Organization; and Chief Executives Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Jaime Augusto Zobel de Ayala, Filipino, 59, has served as a Director, Vice Chairman and Member of the Executive Committee of ALI since June 1988. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Manila Water Company, Inc. He is also the Chairman of AC Education, Inc., Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, Mitsubishi Corporation International Advisory Council, and Council on Foreign Relations. He sits on the board of the Singapore Management University, the Global Advisory Board of University of Tokyo, and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific

Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Bernard Vincent O. Dy, Filipino, 55, is the President and Chief Executive Officer of ALI since April 7, 2014. Prior to this, he was the Head of Residential Business, Commercial Business and Corporate Marketing and Sales. He is also the Chairman of Ayala Property Management Corporation, Makati Development Corporation, Alveo Land Corporation, Amaia Land Corporation, AyalaLand Commercial Reit, Inc., Bellavita Land Corporation, Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp., Philippine Integrated Energy Solutions, Inc., Avencosouth Corp., and Nuevocentro, Inc. Mr. Dy also serves as Vice Chairman of Ayala Greenfield Development Corporation and Alviera Country Club, Inc. He is also President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation and Accendo Commercial Corp. Mr. Dy also serves as Director of Prime Orion Philippines, Inc., Cebu Holdings, Inc., and MCT Bhd of Malaysia, Avida Land Corporation, Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation., and AKL Properties Inc. Mr. Dy is the President of Hero Foundation Inc. and Bonifacio Art Foundation, Inc. He is also a member of Ayala Foundation, Inc. and Ayala Group Club, Inc. He has also been a Director of the Junior Golf Foundation of the Philippines since 2010 and serves as Vice Chairman since 2017.He earned a Bachelor’s Degree in Business Administration from the University of Notre Dame in 1985. He also received his MBA in 1989 and MAs International Relations in 1997, both from the University of Chicago.

Antonino T. Aquino*,* Filipino, 71, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1998. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, and Ayala Property Management Corporation from 1989 to 1999. He has served the Ayala group in various capacities for 38 years. Currently, he is a Board member of Nuevocentro, Inc., Anvaya Beach & Nature Club and Mano Amiga Academy, Inc. He is also a private sector representative in the Multi Sectoral Advisory Board of the Philippine Army and the Multi Sector Governance Council of the Armed Forces of the Philippines. He was named “Co-Management Man of the Year 2009” by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership. In 2015, Mr. Aquino was elected as Director of The Philippine American Life and General Insurance Company (Philam). He earned a degree in BS Management and completed academic requirements for Masters in Business from the Ateneo de Manila University in 1968 and 1975, respectively.

Arturo G. Corpuz, Filipino, 63, has served as a Director of ALI since April 2016. He was a member of the Management Committee of ALI from 2008 to December 31, 2016. He is also a member of the Board of Ceci Realty, Inc. Aurora Properties, Inc., Vesta Properties Holdings, Inc., Nuevocentro, Inc., Next Urban Alliance Development Corp. and Alviera Country Club, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning. Mr. Corpuz received his baccalaureate degree in Architecture from the University of the Philippines in 1977 and his masteral and doctoral degrees in urban and regional planning from Cornell University in 1984 and 1989.

Jaime C. Laya, Filipino, 79, has served as an Independent Director of ALI since April 2010 and as its Lead Independent Director since April 2017. He is member of the Board of Directors of publicly listed companies, being Independent Director of GMA Network, Inc., GMA Holdings, Inc. and Manila Water Company, Inc. and Regular Director of Philippine Trust Company (Philtrust Bank). His other significant positions are: Chairman and President of Philtrust Bank, Independent Director of Philippine AXA Life Insurance Co., Inc. and of Charter Ping An Insurance Corporation; and Trustee of Cultural Center of the Philippines, St. Paul's University - Quezon City, Ayala Foundation, Inc., Escuela Taller de Filipinas Foundation, Inc., Fundación Santiago, and other non-profit, non-stock corporations. He graduated magna cum laude from University of the Philippines in 1957 with a degree in B.S.B.A. (Accounting) and completed his M.S. in Industrial Management at Georgia Institute of Technology in 1960 and his Ph.D. in Financial Management at Stanford University in1967. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

Delfin L. Lazaro, Filipino, 72, has served as a member of the Board of ALI since May 1996. He is a Director of publicly listed companies namely, Ayala Corporation, Integrated Micro-Electronics, Inc. Manila Water Company, Inc., Globe Telecom, Inc. His other significant positions are Chairman of Atlas Fertilizer & Chemicals, Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; and Director of AYC Holdings, Inc. Ltd., AC International Finance, Ltd., Purefoods International, Ltd., AC Industrial Technology Holdings. Inv., Probe Productions, Inc. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Rizalina G. Mantaring, Filipino, 59, has served as an Independent Director of ALI since April 2014. Concurrently, she also holds the following positions: Chairman, Sun Life Financial Philippine Holding Co. Inc.; Chairman, Sun Life Financial Philippines Foundation Inc.; Director, Sun Life Grepa Financial, Inc.; and Independent Director of First Philippine Holdings Corp. Inc., East Asia Computer Center Inc., Roosevelt College Inc., and Microventures Foundation Inc. She is also President of the Management Association of the Philippines and a member of its Board of Governors; and a member of the Makati Business Club Board of Trustees and Philippine Business for Education Board of Trustees. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network CNBC, she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance, and was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering. She holds a BS Electrical Engineering degree from the University of the Philippines where she graduated with honors in 1982. She obtained her MS degree in Computer Science from the State University of New York at Albany in 1993.

Cesar V. Purisima, Filipino, 58, was appointed as an Independent Director of ALI. in April 18, 2018. He is an Asia Fellow at the Milken; Independent Director of AIA Group Limited; Independent Director of Universal Robina Corporation; Member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation; Executive-in-Residence of the Asian Institute of Management; Member of the Boards of Trustees of International School, Manila and De La Salle University; Member of International Advisory Council (Phils.), Singapore Management University; and Advisor of the Partners Group AG LIFE Council. He served the Philippine Government as a Secretary of Finance from February 2005 to July 2005 and from July 2010 to June 2016. As Secretary of Finance, he also served as a member of the Monetary Board of the Bangko Sentral ng Pilipinas, Governor for the Philippines of the World Bank Group and Asian Development Bank; and Chairman of various public finance sectors. He was also the Head of the Cabinet Economic Development Cluster of the Philippines from July 2010 to June 2016. He also served as the Secretary of the Department of Trade and Industry from January 2004 to February 20015. He was also the Alternate Governor for the International Monetary Fund. Prior to his stint in the government service, he was the Chairman & Country Managing Partner of SGV & Co., and was a member of the Global Executive Board and Global Practice Council of Ernst & Young. Mr. Purisima obtained his Bachelor of Science degree in Commerce Major in Accounting and Financial Institutions from De La Salle

University in 1979 and was among the top placers in the 1979 CPA Board Examination. He earned his Master of Business Administration degree from Kellogg School of Management, Northwestern University, Illinois in 1983 and was conferred the Doctor of Humanities Honoris Causa by Angeles University in 2012.

Nominees to the Board of Directors for election at the stockholders' meeting:

All the nominees are incumbent directors.

Management Committee Members / Key Executive Officers

Bernard Vincent O. Dy*	President and Chief Executive Officer
Dante M. Abando	Senior Vice President
Augusto D. Bengzon	Senior Vice President, Chief Finance Officer, Treasurer, & Chief Compliance Officer
Anna Ma. Margarita B. Dy	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Robert S. Lao	Senior Vice President
Jaime E. Ysmael	Senior Vice President
Lyle A. Abadia	Vice President
Leovigildo D. Abot	Vice President
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Ruby P. Chiong	Vice President
Dindo R. Fernando	Vice President
Javier D. Hernandez	Vice President
Joseph Carmichael Z. Jugo	Vice President
Michael Alexis C. Legaspi	Vice President
Christopher B. Maglanoc	Vice President
Romeo T. Menpin, Jr.	Vice President
Carol T. Mills	Vice President
William Thomas F. Mirasol	Vice President
Rodelito J. Ocampo	Vice President
Ginaflor C. Oris	Vice President
Angelica L. Salvador	Vice President
Eliezer C. Tanlapco	Vice President
Maria Rowena Victoria M. Tomeldan	Vice President
Jennylle S. Tupaz	Vice President
Amelia Ann T. Alipao	Chief Information Officer and Data Protection Officer
Solomon M. Hermosura	Group General Counsel & Corporate Secretary

**Member of the Board*

Dante M. Abando, Filipino, 54, is a Senior Vice President and Member of the Management Committee of ALI. He is the President of Makati Development Corporation. He is also the Chairman of MDC BuildPlus, Inc. and Chairman and President of MDC Concrete, Inc., MDC Equipment Solutions, Inc. and MDBI Construction Corp., a joint venture of Makati Development Corporation and Bouygues Batiment International. He was the past President and Board Member of Alveo Land Corporation. He is currently a Board Member of Avida Land Corporation, Serendra, Inc. and Anvaya Cove Golf & Sports Club, Inc. Since 2014, he has been a member of the Board of Trustees of the Philippine Constructors Association (PCA) and its subsidiaries and is currently its Chairman and President. He has also been a member of the Board of Trustees of the University of the Philippines Alumni Engineers (UPAE) since 2015. He graduated with a degree in Bachelor of Science in Civil Engineering from the University of the Philippines in 1986 and earned his Master's degree in Business Administration in 1995 from the same university. In 2012, he completed the Executive Program on Real Estate Management at Harvard University Graduate School of Design.

Augusto D. Bengzon, Filipino, 55, joined ALI in December 2004 and currently serves as its Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is a Director of Cebu Holdings Inc. and Prime Orion Philippines Inc., the publicly listed subsidiaries of ALI. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Vice Chairman of CMPI Holdings Inc.; Director, Treasurer & Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director & President of CMPI Land Inc.; Director & Assistant Treasurer of Ayala Greenfield Development Corp.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director of AG Counselors Corporation, Alabang Commercial Corporation, ALINet.Com Inc., Alviera Country Club Inc., Alveo Land Corp., Ayala Land Commercial Reit Inc., Ecozone Power Management Inc., Laguna Technopark Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of AKL Properties, Inc., Cebu Property Ventures and Development Corporation, and Hero Foundation, Inc., Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. Prior to joining ALI, he was Vice President and Credit Officer at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Corporate Finance and Relationship Management. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Master's in Business Management degree.

Anna Ma. Margarita B. Dy, Filipino, 49, is a Senior Vice President since January 1, 2015 and a member of the Management Committee of ALI since August 2008. She is the Head of the Strategic Landbank Management (SLMG) of ALI. She is also the Chairman of Cebu Holdings, Inc. one of the publicly listed subsidiaries of ALI. Her other significant positions are: Director and Executive Vice President of Fort Bonifacio Development Corporation; Director of AyalaLand Estates, Inc., Director and President of Nuevocentro, Inc., and Alviera Country Club, Inc; Director of Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc., AyalaLand Medical Facilities Leasing, Inc., Director of Anvaya and Next Urban Alliance Development Corp. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program. She earned her Master's degree in Economics from London School of Economics and Political Science UK 1991 and MBA at Harvard Graduate School of Business Administration in Boston.

Jose Emmanuel H. Jalandoni, Filipino, 51, is a Senior Vice President and a member of the Management Committee of ALI. He is the Group Head of commercial businesses including malls, offices, hotels, resorts and Chairman of ALI Capital Corporation. He is Director of Cebu Holdings, Inc. and Prime Orion Philippines, Inc., publicly listed subsidiaries of ALI. His other significant positions are: Chairman of the Board of ALI Commercial Center, Inc., ALI Makati Hotel and Residences, Inc., ALI Makati Hotel Property, Inc., ALI Triangle Hotel Ventures, Inc., Arca South Integrated Terminal, Inc., Arca South Hotel Ventures, Inc., Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, AyalaLand Medical Facilities Leasing, Inc., AyalaLand Offices, Inc., Bay Area Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Circuit Makati Hotel Ventures, Inc., Direct Power Services, Inc., Econorth Resort Ventures, Inc., EcoSouth Hotel Ventures, Inc., Ecozone Power Management, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., Integrated Eco-Resort Inc., Laguna Technopark, Inc., Makati North Hotel Ventures, Inc., North Triangle Hotel Ventures., Inc., Northgate Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., Orion Land, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Estate Corporation, Soltea Commercial Corporation, Southcrest Hotel Ventures, Inc., Tutuban Properties, Inc., Whiteknight Holdings, Inc., One Dela Rosa Property Development, Inc., One Makati Residential Ventures, Inc., He is also Chairman and President of ALINET.Com. Inc., He is also Director of the following companies: Accendo Commercial Corporation, Alabang Commercial Corporation ALI Eton Property Development Corporation, Ayagold Retailers, Inc., Ayala Property Management Corporation, AyalaLand Commercial Reit, Inc., Bacuit Bay Development Corporation, Berkshires Holdings, Inc., Bonifacio Land Corporation Cagayan de Oro Gateway Corporation, Cebu Holdings, Inc., Chirica Resorts Corporation, Columbus Holdings, Inc., Ecoholdings Company Inc., Emerging City Holdings, Inc., Fort Bonifacio Development Corporation, Lio Resort Ventures, Inc., Lio Tourism Estate Management Corporation, Makati Cornerstone Leasing Corporation, Makati Development Corporation, North Eastern Commercial Corporation (formerly Asterion), North Liberty Resort Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Philippine FamilyMart CVS, Inc., Philippine Integrated Energy Solutions, Inc., Regent Horizons Conservation Company, Inc., Sicogon Town Hotel, Inc., Station Square East Commercial Corporation, Ten Knots Development Corporation, Ten Knots Philippines, Inc. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master's Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

Robert S. Lao, Filipino, 45, has been Senior Vice President of ALI. and a member of the Management Committee of Ayala Land, Inc. since April 19, 2017. He is also the Group Head of Ayala Land's Residential Business Group and the Group Head of the Central Land Acquisition Unit. He is concurrently the President and a member of the Board of Directors of Alveo Land Corp, Chairman of Avida Land Corp., President and a member of the Board of Directors of Amaia Land Corp since January 2016, and President of BellaVita Land Corporation. He is also a member of the Board of Directors of Serendra, Inc. and Amaia Southern Properties Inc., President of BGSouth Properties, Inc., and the Chief Operating Officer of Portico Land Corp. Prior to joining Ayala Land, Inc., he served as a Senior Process Engineer of Fujitsu Computer Products Corporation of the Philippines (FCPP) and Lead Process Engineer of PT. Quantum Electronics in Indonesia. He is a licensed Real Estate Broker. He studied at the University of Santo Tomas (UST) and graduated cum laude in Bachelor of Science in Industrial Engineering in 1995. He completed his Master's in Business Management (MBM) degree in 2001 from the Asian Institute of Management (AIM) and attended the International Student Exchange Program from University of Cologne in Germany.

Jaime E. Ysmael, Filipino, 58, is a Senior Vice President of ALI. Concurrently, he is a Managing Director of Ayala Corporation and Chairman, President & Chief Executive Officer of OCLP Holdings, Inc., and Concrete Aggregates Corporation. His other significant positions include: Chairman of the Board of Directors of Anvaya Cove Beach and Nature Club, Inc. and Anvaya Golf and Sports Club, Inc.; Chairman and President of Tower One and Exchange Plaza Condominium Corporation; He is also a member of the Board of Directors of various Ayala Land subsidiaries and affiliates. Outside of the company, he is a Trustee of the Shareholders Association of the Philippines, FINEX Research and Development Foundation, Inc. and the CIBI Foundation. He is also a Trustee and President of the Alumni Tree Project. Mr. Ysmael holds a degree in Business Administration, Major in Accounting (Summa Cum Laude) at the University of the East, Manila, Philippines and is a Certified Public Accountant. He earned an MBA, Major in Finance, at The Wharton School and an MA in International Studies at The School of Arts and Sciences of the University of Pennsylvania in Philadelphia, USA, as a fellow of The Joseph H. Lauder Institute of Management and International Studies.

Lyle A. Abadia, Filipino, 61, has served as Vice President of ALI since November 2016. Currently, he is the Head of Special Projects reporting to the Office of the President. Likewise, he is a Board of Director of Amicassa Process Solutions, Inc. and BellaVita Land Corporation. Prior to joining Ayala Land, Inc. in 2004, he held various executive positions in two (2) ALI's subsidiaries, commencing in 1982 under Ayala Theatres Management, Inc. and moved to join Laguna Technopark, Inc. in 1991 as one of the pioneering executive officers who crafted the successful transformation of the 650 hectares former sugarcane plantation into what is now known as one of the word- class industrial estates in the country. He likewise set up BellaVita Land Corporation (a wholly-owned subsidiary of Ayala Land) and took the helm as President from 2011 to 2017.Mr. Abadia holds a degree in Bachelor of Science in Commerce, Major in Accounting at the Colegio De San Jose – Recoletos. He completed a Basic Management Program at the Asian Institute of Management (AIM) and in-house program for Harvard Leadership Acceleration Program (LEAP).

Leovigildo D. Abot, Filipino, 55, is currently a Vice President of ALI and Operations Management Control Head of Makati Development Corporation. Prior to this, he was ALI's Chief Audit Executive. He joined ALI in 2000 as Chief Finance Officer (CFO) of Ayala Hotels, Inc. Over the years in ALI, he occupied several

CFO positions in other ALI's business units such as Avida Land Corporation, Ayala Land Premier (formerly Land and Community Development Group) and Strategic Landbank Management Group (SLMG). He was also the Head of ALI's Corporate Accounting Division, concurrent to his CFO assignment in SLMG. As ALI's Principal Accounting Officer, he led the transformation initiative of consolidating the transactional accounting functions of more than 25 ALI companies into Aprisa Business Process Solutions, Inc. He also headed ALI's transition to international accounting and reporting standards). He graduated Magna Cum Laude from University of the East- Manila with BS in Business Administration, major in Accounting (Honors Program) in 1984. He is a Certified Public Accountant). He completed his Strategic Business Economics Program (SBEP) at University of Asia and the Pacific from 1999 to 2000. and attended Management Development Program at the Asian Institute of Management where he also completed his Strategic Finance Course. He was accepted as Fellow of the Institute of Corporate Directors (ICD) after his completion of the ICD's Professional Directors Program in 2016.

Aniceto V. Bisnar, Jr., Filipino, 55, is a Vice President of ALI since January 2009 and the Chief Operating Officer of its Visayas-Mindanao Group. He is currently the President Cebu Holdings, Inc., a publicly listed subsidiary of ALI. His other significant positions are: Chairman of Adauge Commercial Corp., Central Block Developers, Inc., Cebu Leisure Company, Inc. and Amaia Southern Properties, Inc.; Chairman and President of North Point Estate Association, Inc., Asian I-Office Properties, Inc., Cebu Business Park Association, Inc., and Asia Town I.T. Park Association, Inc. He is the Director and President of Aviana Development Corporation and Lagdigan Land Corporation. He is also the Vice President of Solinea, Inc. He holds the directorship of: Accendo Commercial Corporation, Cebu District Property Enterprise, Inc., Westview Commercial Ventures Corp., Cagayan de Oro Gateway Corp., Avenco South Corporation, Taft Punta Engaño Property, Inc., Bonifacio Estates Services Corp., Aurora Properties Inc., Ceci Realty, Inc., Vesta Property Holdings, Inc., and Board of Trustee of the Hero Foundation, Inc. He completed his Master in Business Management degree in 1989 from the Asian Institute of Management in Makati City and graduated in the top 5% of his class at the Philippine Military Academy in Baguio City in 1985. He also took up Master Planning and Mixed-Use Development at Harvard University School of Urban Design.

Manuel A. Blas II, Filipino, 64, serves as Vice President of and the Estate Head for Bonifacio Global City and Makati Projects of ALI. He is also a Managing Director of Bonifacio Arts Foundation, Inc. which manages the BGC Arts Center and The Mind Museum. He also holds the following positions in Fort Bonifacio Development Corporation Subsidiaries: President of Bonifacio Estate Services Corporation and Bonifacio Transport Corporation, Director of Bonifacio Global City Estate Association, Bonifacio Water Corporation and Bonifacio Gas Corporation. He graduated from De La Salle University and has a master's degree in Religious Studies from Maryhill School of Theology.

Ruby P. Chiong, Filipino, 51, has served as Vice President of ALI. since November 2016. She is the Chief Finance Officer of Ayala Land Inc.'s Commercial Business Group. Her other positions include: Directors of Ayala Land Malls, Inc. and Ayalaland Hotels and Resorts Corp; Director and Treasurer of ALI Commercial Center, Inc., Ayalaland Offices, Inc., North Triangle Depot Commercial Corporation~~,~~ Leisure and Allied Philippines, Inc., Ten Knots Development Corporation, Ayala Theatres Management, Inc., Laguna Technopark, Inc., Direct Powers Services, Inc., Ecozone Power Management, Inc., Director and Vice President of ALI Capital Corp.; Treasurer of Alabang Commercial Corporation, Station Square East Commercial Corporation, Prime Orion Philippines Inc. Prior to being Chief Finance Officer in ALI, she was an Associate Director of Corporate Strategy at Ayala Corporation. She earned a degree of BS in Business Administration and Accountancy from the University of the Philippines, Diliman in 1987 and took her Master's Degree in Management at the Asian Institute of Management in 1996.

Dindo R. Fernando*,* Filipino, 49, has been Vice President of ALI. since April 2017. He currently heads the company's External Affairs Division. Moreover, he is the Treasurer of Anvaya Beach and Nature Club, Corporate Secretary of Santa Rosa (Laguna) Business Club, Board Member of the Calamba City Business Club and Vice President of Avida Towers Makati West Condominium Corporation. Prior to joining ALI, he was Head of Political Research at the Makati Business Club where he oversaw congressional research, analysis and publication. He graduated with a degree in AB Political Science from the Lyceum of the Philippines in 1989.

Javier D. Hernandez*,* Filipino, 50, has been Vice President of ALI since April 2017. He is currently the President and Chief Executive Officer of the Ten Knots group, responsible for the overall management of El Nido Resorts and LIO Estate in El Nido, Palawan. In addition, he serves as Vice Chairman of Pangulasian Island Resort Corporation; Director, President and Treasurer of Sicogon Island Tourism Estate Corp.; Director and Treasurer of El Nido Foundation; and Vice President for Operations of Alabang Commercial Corporation. He holds Directorships in the following companies: South Innovative Theater Management, North Triangle Depot Commercial Corporation, Primavera Towncentre, Inc., Ayalaland Malls Vismin, Inc., Ten Knots Philippines, Inc., Bacuit Bay Development Corporation, Ecoholdings Company, Inc., Regent Horizons Conservation Company,Inc., LIO Tourism Estate Management Corp., Chirica Resorts Corporation, Pangulasian Island Resort Corp., LIO Resort Ventures, Inc., North Liberty Resort Ventures, Inc. and Paragua Eco-Resort Ventures, Inc. He has worked for Ayala Land for 25 years, spending seven years with Mall Operations, four years with the Sales and Marketing Group, thereafter rejoining the Malls group for another 13 years before transferring to AyalaLand Hotels and Resorts mid-2016. He graduated with a Bachelors Degree in Business Administration from the San Francisco State University.

Joseph Carmichael Z. Jugo, Filipino, 44, is a Vice President of ALI. and is currently the Managing Director of Ayala Land Premier. He is concurrently Chairman & President of Ayalaland Premier, Inc., Roxas Land Corp., OLC Development Corp., Southportal Properties, Inc.; Vice Chairman & President of Ayala Hotels., Inc.; Chairman of Ayalaland Sales, Inc., Ayalaland Club Management, Inc., Verde Golf Development Corp.; President, Chief Executive Officer & Director of Ayala Greenfield Development Corp., Ayala Greenfield Golf & Leisure Club, Inc.; President & Director of BGWest Properties, Inc., Anvaya Cove Golf & Sports Club, Inc.; Director of Anvaya Cove Beach & Nature Club, Inc., Amicassa Process Solutions, Inc., Serendra, Inc. and Ayala Center Estate Association. In his more than 15 years in the company, he has been a part of and handled various business lines including business development for the retail and malls group, project development for the residential business group, project development for the leisure group and sales for the local and international markets. He graduated from the Ateneo de Manila with a degree in Management Economics in 1997 and completed his MBM from the Asian Institute of Management (with Distinction) in 2002. He attended the International Graduate Student Exchange Program at the Tuck School of Business, Dartmouth College in 2002 and completed the INSEAD Asian International Executive Programme (AIEP) in 2015

Michael Alexis C. Legaspi, Filipino, 60, is the President and CEO of AyalaLand Hotels & Resorts Corporation (AHRC), owner of a portfolio of global hotel brands, and also owner, developer and operator of its home grown Seda Hotels. AHRC currently has 21 hotels and resorts in its portfolio with 12 more currently under construction. He is concurrently the Chairman of Ten Knots Development Corporation, owner-operator of the El Nido Resorts group in Palawan comprised of four eco-tourism island resorts: Miniloc Island Resort, Lagen Island Resort, Apulit Island Resort and Pangalusian Island Resort, as well as several boutique resorts in the Lio Tourisim Estate. Al also sits as President of the owning companies of the Fairmont and Raffles Hotels Makati, Holiday Inn & Suites Makati, and the various Seda Hotels in Bonifacio Global City, Nuvali, Davao, Cagayan de Oro, Iloilo, Quezon City, Bacolod, Cebu and Lio in El Nido. In addition, he serves as Vice President and Director of the Philippine Hotel Owners Association. He graduated with a degree of B.S. Hotel & Restaurant Administration from the University of the Philippines, Diliman and has been with Ayala Land for 21 years.

Christopher B. Maglanoc, Filipino, 47, is a Vice President of ALI since April 2013 and is currently President of Avida Land Corporation. He was Chief Operating Officer and Head of Project and Strategic Management in Avida Land before he was elected as President of the Company effective January 1, 2012. Prior to his stint in Avida in 2004, he occupied Management positions in various business units in Ayala Land, Inc. (i.e. Commercial Centers, Corporate Planning, and Alveo Land, Inc.). His other significant positions include: Chairman of Avida Sales Corp.; President of Avencosouth Corp.; Director of AmicaSSA Process Solutions, Inc., BellaVita, Blue Horizons Holdings Pte Ltd., and BGNorth Properties, Inc. He graduated from UP Los Baños with degrees in BA Sociology and BS Economics in 1990 and 1992, respectively. He finished his MBA from the Asian Institute of Management and attended the International Student Exchange Program in Copenhagen Business School in Denmark in 1997.

Romeo T. Menpin, Jr., Filipino, 49, is a Vice President of ALI since January 2014. He is currently the Head of the Construction Methods and Support Group of Makati Development Corporation (MDC). He is also currently the President of MDC Equipment Solutions, Inc. and MDC Conqrete, Inc. He is also a Director of Philipipine Integrated Energy Solutions, Inc. (PhilEnergy) Before joining MDC, he was a Director, President and Chief Operating Officer of Ayala Property Management Corporation (APMC) and also the President of PhilEnergy. He joined ALI in May 2008 from Kuok Group of Companies where he was a Vice President and Head of Mall Operations of Shangri-la Plaza Corporation. Prior to this, he also held various management positions from APMC and Laguna Technopark, Inc.. He graduated with a degree of Bachelor of Science in Mechanical Engineering from Mapua Institute of Technology and completed units in Masters in Business Administration from De La Salle University in 2001.

Carol T. Mills, Filipino, 46, has served as Vice President of ALI since November 2016. She is the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., One Dela Rosa Property Development Inc., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as a Director of North Triangle Depot Commercial Corp., ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls Group from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

William Thomas F. Mirasol, Filipino, 54, is a Vice President of ALI since January 2014 He was the Chief Operating Officer and Senior Vice President of Ortigas & Co. (OCLP Holdings, Inc.) and a director of a number of subsidiaries of ALI. In his 25 years with the company, he has handled various business lines including retail operations, commercial project development, commercial leasing and operations, Land & House development and sales force organization & management for local and international markets. He graduated from De La Salle University Manila with a degree in Commerce in 1989. He finished his MBM from the Asian Institute of Management in 1992.

Rodelito J. Ocampo, Filipino, 55, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's (MDC) Head of Construction Operations and the President of MDC BuildPlus. Before his MDC assignment, he served as Technical Services Head of Avida Land Corp. and Alveo Land Corp., wholly owned subsidiaries of ALI and Head of the Construction Management of ALI Residential Buildings. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years. He is a licensed Civil Engineer. He graduated from Mapua Institute of Technology with a degree in BS Civil Engineering in 1983.

Ginaflor C. Oris*,* Filipino, 51, is currently a Vice President of ALI and the Chief Finance Officer and Corporate Finance and Procurement Group Head of Makati Development Corporation (MDC). Prior to her assignment to MDC, she was the Managing Director for Corporate Finance and Asset Management of Ayala Corporation (AC). She was concurrently the CFO of Azalea Group, which held AC's various investments in information and communications technology (ICT), business process outsourcing (BPO), venture capital funds and emerging market funds. She brings with her more than 20 years of experience gained from AC and BPI Capital Corporation covering strategic financial management, execution of mergers, acquisitions and divestment transactions, financial reporting, controls, risk management and oversight of some of AC's portfolio investments and other assets. She graduated from Ateneo de Manila University with a degree of B.S Mathematics major in Computer Science in 1987. She completed Master in Business Management at Asian Institute of Management in 1992.

Angelica L. Salvador, Filipino, 56, is a Vice President of ALI, and is currently the Controller of the Company. Her other key functions are as President of Aprisa Business Process Solutions, Inc. and

Member of the Board of Directors of Amaia Land Corp and of AmicaSSa Process Solutions, Inc. Prior to her current assignment, she was the Chief Finance Officer of the ALI Residential Business Group and of various ALI-owned subsidiaries including Alveo Land Corp., Ayala Property Management Corp., Ayala Land International Sales, Inc, and Laguna Technopark, Inc. Before joining Ayala Land, she was part of the Internal Audit Team of Ayala Corporation. She graduated cum laude from the University of the Philippines Diliman with Bachelor of Science degree in Business Administration and Accountancy, and obtained her Master's in Business Management (MBM) degree from the Asian Institute of Management.

Eliezer C. Tanlapco, Filipino, 69, is the Group Head of Human Resources and Public Affairs and member of the Management Committee of ALI. Prior to this role, he was a Human Resources Consultant for Ayala Group Counselors Corporation and Ayala Corporation from which he retired as Employee Relations and Services Director. He was previously ALI VP for Human Resources. He is a member of the Board of Directors of Ayala Multi-Purpose Cooperative and was the Vice Chair of Ayala Group HR Council, Ayala Group Corporate Security Council, and Champion of Ayala Group Labor Relations Network. He has had extensive work experience as Senior Leader in Human Resources and Community Development for multinational companies locally and abroad. He practiced law with a law firm and with the Office of the President of the Philippines. He holds a Bachelor of Arts degree from the University of the Philippines and earned his Law Degree at Ateneo de Manila University. He completed his Management Development Program from the Asian Institute of Management, and Strategic Business Economics Program from the University of Asia and the Pacific, both with distinction.

Maria Rowena Victoria M. Tomeldan, Filipino, 57, is a Vice President of ALI and President and CEO of Prime Orion Philippines, Inc. Prior to this she was the Head of Ayala Malls Group of ALI. Her other significant positions include: Chairman and President of AMSI, Inc., Orion Property Development, Inc., LCI Commercial Ventures, Inc., FLT Prime Insurance Corporation and Bay City Commercial Ventures Corp.; Vice Chairman of the Board of Directors of Lagoon Development Corporation; Director and President of Laguna Technopark, Inc. and Orion Land Inc.; Director Ayalaland Commercial Reit, Inc.; and Governor of the Ayala Center Estate Association, Inc. Presently, she is a board member of the International Council of Shopping Centers (ICSC) - Asia Advisory Board and is a 2015 ICSC Trustees Distinguished Service Awardee. She was a cum laude graduate of Bachelor of Arts in Economics from the University of the Philippines in 1983 and earned her Masters in Business Administration (MBA) degree from the same university in 1988. She finished the Executive Development Program at the Aresty Institute of Executive Education in Wharton University, Pennsylvania, USA in 2005.

Jennylle S. Tupaz, Filipino, 46, is Vice President of ALI and head of the AyalaMalls Group. Prior to joining the commercial business of ALI in 2018, she was involved in the residential development business for over 21 years. She was president of Alveo Land Corp., ALI's upscale residential brand, where she spent 11 years leading project development. She held earlier positions in Avida and the Leisure & Lifestyle Communities Group (eventually merged with Ayala Land Premier). She holds a Bachelor of Science degree in Statistics from the University of the Philippines, and a Master's Degree in Business Administration from the University of Chicago Booth School of Business.

Amelia Ann T. Alipao, Filipino, 56 is currently Assistant Vice President and Chief Information Officer of ALI. She has been appointed as Group Data Protection Officer for ALI Group of Companies in 2017 and currently a member of the Data Privacy Council for Real Estate of the National Privacy Commission. She is also a member of the Board of Aprisa Business Process Inc. Prior to joining ALI she took on dual roles in SAP Philippines as Account Manager handling government accounts and as Project Manager for SAP Implementation. She also served as Assistant Vice President in Coca-Cola Bottlers Inc where she handled various IT systems implementation and delivery. Her IT career started as IT Instructor in I/Act of SGV. Her experience combines an agile exposure as an IT practitioner for over 2 decades. She holds a Bachelor in Arts in Biology and Bachelor of Science in Business Management from De La Salle University.

Solomon M. Hermosura, Filipino, 56, has served as the Corporate Secretary of the Company since April 2011 and the Group General Counsel of the Company since April 2015. He was the General Counsel from April 2014 to April 2015. He is a Managing Director of Ayala Corporation and a member of its

Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He also serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. He is currently a member of the faculty of the College of Law of San Beda University. He served as a Director of Bank of the Philippine Islands from April 18, 2013 to April 9, 2014. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.

c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

> "Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.
>
> The compensation and remuneration committee of the Board of Directors shall have

the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As amended on April 13, 2011.)

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	From	To
Retainer Fee:	₱ 500,000.00	₱ 1,000,000.00
Board Meeting Fee per meeting attended:	₱ 100,000.00	₱ 200,000.00
Committee Meeting Fee per meeting attended:	₱ 20,000.00	₱ 100,000.00

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

Officers.

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to P205.4 million in 2017 and P235.25 million in 2018. The projected total annual compensation for the current year is P243.86 million.

Total compensation paid to all senior personnel from Manager and up amounted to P1,064 million in 2017 and P1,125.52 million in 2018. The projected total annual compensation for the current year is P1,204.3 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Bernard Vincent O. Dy* President & CEO Dante M. Abando Senior Vice President Anna Ma. Margarita B. Dy Senior Vice President Jose Emmanuel H. Jalandoni Senior Vice President Jaime E. Ysmael Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2017	₱112.3M	₱93.1M
	Actual 2018	₱122.95M	₱112.3M
	Projected 2019	₱131.56M	**₱112.3M
All other officers*** as a group unnamed	Actual 2017	₱701.0M	₱363.0M
	Actual 2018	₱706.05M	₱419.47M
	Projected 2019	₱755.47M	**₱448.83M

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*
*** Exclusive of Stock Option exercise. *** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (guaranteed bonus and performance bonus).

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change-in-control of the Company or change in the officers' responsibilities following such change-in-control.

Options Outstanding

Since 1998, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP).

There were no ESOP shares available as of end-December 2018.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2019:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Corporation[14] 32/F to 35/F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[15]	Filipino	6,892,125,606	24.79059%
Preferred				12,163,180,640	43.75028%
Common	PCD Nominee Corporation (Non-Filipino)[16] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[17]	Various Non-Filipino	5,510,752,668	19.82187%
Common	PCD Nominee Corporation (Filipino)[16] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[17]	Filipino	2,044,372,961	7.35350%

[14] Ayala Corporation ("AC") is the parent of the Company.
[15] Under the By-Laws of AC and the Revised Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.
[16] PCD is not related to the Company.
[17] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote either in person or by proxy. Out of the 7,555,125,629 common shares registered in the name of PCD Nominee Corporation, 1,905,943,436 or 6.85557% of the voting stock is for the account of Deutsche Bank Manila (DB), 1,383,760,038 or 4.97731% of the voting stock is for the account of The Hongkong and Shanghai Banking Corporation (HSBC). As advised to the Company, none of HSBC, DB or any of its customers beneficially own more than 5% of the Company's common shares.

(b) Security Ownership of Directors and Management (Executive Officers) as of January 31, 2019.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
Common	Fernando Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Bernard Vincent O. Dy	(direct & indirect) 13,924,757	Filipino	0.05009%
Common	Antonino T. Aquino	(direct & indirect) 20,305,226	Filipino	0.07304%
Common	Arturo G. Corpuz	(direct & indirect) 6,253,511	Filipino	0.02249%
Common	Jaime C. Laya	(direct) 10,000	Filipino	0.00004%
Common	Delfin L. Lazaro	(direct) 1	Filipino	0.00000%
Common	Rizalina G. Mantaring	(direct) 1	Filipino	0.00000%
Common	Cesar V. Purisima	(direct) 1	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Bernard Vincent O. Dy	(direct & indirect) 13,924,757	Filipino	0.05009%
Common	Dante M. Abando	(direct & indirect) 5,062,611	Filipino	0.01821%
Common	Anna Ma. Margarita B. Dy	(indirect) 6,035,699	Filipino	0.02171%
Common	Jose Emmanuel H. Jalandoni	(direct & indirect) 6,497,357	Filipino	0.02337%
Common	Jaime E. Ysmael	(direct & indirect) 8,868,248	Filipino	0.03190%
Other Executive Officers				
Common	Augusto D. Bengzon	(indirect) 2,675,273	Filipino	0.00962%
Common	Robert S. Lao	(indirect) 1,335,685	Filipino	0.00480%
Common	Lyle A. Abadia	(indirect) 671,708	Filipino	0.00242%
Common	Leovigildo D. Abot	(direct & indirect) 1,224,876	Filipino	0.00440%
Common	Aniceto V. Bisnar, Jr.	(indirect) 2,064,357	Filipino	0.00742%
Common	Manny A. Blas II	(direct & indirect) 2,070,054	Filipino	0.00744%
Common	Ruby P. Chiong	(indirect) 1,006,719	Filipino	0.00362%
Common	Dindo R. Fernando	(indirect) 830,332	Filipino	0.00299%
Common	Javier D. Hernandez	(indirect) 302,609	Filipino	0.00109%
Common	Joseph Carmichael Z. Jugo	(indirect) 623,128	Filipino	0.00224%
Common	Michael Alexis C. Legaspi	(indirect) 4,351,313	Filipino	0.01565%
Common	Christopher B. Maglanoc	(indirect) 831,679	Filipino	0.00299%
Common	Romeo T. Menpin	(direct & indirect) 501,629	Filipino	0.00180%
Common	Carol T. Mills	(indirect) 733,193	Filipino	0.00264%
Common	William Thomas F. Mirasol	(direct & indirect) 377,958	Filipino	0.00136%
Common	Rodelito J. Ocampo	(direct & indirect) 2,676,837	Filipino	0.00963%
Common	Ginaflor C. Oris	(indirect) 636,135	Filipino	0.00229%
Common	Angelica L. Salvador	(direct & indirect) 1,114,010	Filipino	0.00401%
Common	Maria Rowena Victoria M. Tomeldan	(direct & indirect) 1,188,280	Filipino	0.00427%
Common	Jennylle S. Tupaz	(indirect) 579,188	Filipino	0.00208%
Common	Eliezer C. Tanlapco	(indirect) 205,651	Filipino	0.00074%
Common	Amelia Ann T. Alipao	(indirect) 1,399,828	Filipino	0.00504%
Common	Solomon M. Hermosura	(direct) 480	Filipino	0.00000%
Preferred		(direct) 480		0.00000%
All Directors and Officers as a group		**94,382,814**		**0.33949%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

(c) Voting Trust Holders of 5% or more

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

(d) Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

The Company and its subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Parent Company / Major Holders

As of January 31, 2019, Ayala Corporation owns 68.54% of the total outstanding voting shares of the Company.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with Philippine Accounting Standards. In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self-Assessment Survey by the Board of Directors and Board Committees, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance to good corporate governance. Ayala Land requires the observance of best practices and transparency in all of its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top-level management with its Revised Manual of Corporate Governance (the "Revised Manual") consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Revised Manual of the SEC.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also makes certain the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Revised Manual. The Company has adopted in the Revised Manual the leading practices and principles of corporate transparency, and full compliance therewith has been made since the adoption of the Revised Manual.

The Company is taking further steps to further strengthen adherence to principles and practices of good corporate governance.

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

2018 Consolidated Audited Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

The following current reports have been reported by Ayala Land during the year 2018.

Unstructured Disclosures
• Ayala Land acquires additional stake in MCT Bhd • Board Attendance for 2017 • Issuance of notice for unconditional mandatory take-over offer to MCT Bhd • Conclusion of FamilyMart sale transaction • MCT transfer of shares • MCT notice of take-over offer dispatch • Analysts' Briefing Invitation on FY 2017 results • Press Release on Ayala Land's FY 2017 results • Notice and Agenda of 2018 Annual Stockholders' Meeting • Declaration of Cash Dividends • Results of the Regular Meeting of the Board of Directors on Feb 2018 • Closing of MCT Bhd unconditional mandatory take-over offer • Disclosure on Ayala Land's Audited Financial Statements as of December 31, 2017 • Approval of exchange of shares in Laguna Technopark, Inc. (LTI) into additional shares in Prime Orion Philippines, Inc. (POPI) • Signing of Deed of Absolute Sale with Central Azucarera de Tarlac, Inc. • Results of the 2018 Annual Stockholders' Meeting • Results of the 2018 Organizational Meeting of Board of Directors • Analysts' Briefing Invitation on 1Q 2018 results • Amended results of the 2018 Organizational Meeting of Board of Directors • Press Release on Ayala Land's 1Q 2018 results • ALI enters into a Memorandum of Understanding with Green Square Properties

Corporation (GSPC) and Green Circle Properties Resources, Inc.
- Corporate Governance Training Attendance of Officer
- Analysts' Briefing Invitation on 1H 2018 results
- Press Release on Ayala Land's 1H 2018 results
- Results of the Regular Meeting of the Board of Directors on August 2018
- Declaration of Cash Dividends
- Analysts' Briefing Invitation on 9M 2018 results
- Press Release on Ayala Land's 9M 2018 results
- Notice of 2019 Annual Stockholders' Meeting

Clarification of News Reports

- Ayala, Eton to invest P53 billion in township (BusinessWorld)
- Its Final: Ayala Land loses Las Pinas golf course (The Manila Times Internet Edition)
- ALI spending record P110.8 billion this year (philSTAR.net)
- ALI purchase of Central Azucarera de Tarlac assets gets PCC OK (philSTAR.net)
- Ayala Land seeks SEC nod to issues P10-billion 10-year bonds (manilastandard.net)
- Ayala Land mulls P5-billion bond issuance (BusinessWorld Online)
- Ayala Land eyes fund-raising in early 2019 (BusinessWorld Online)
- Ayala Land pouring P18B for Habini Bay project (BusinessWorld Online)

(c) Reports under SEC Form 17-C filed

None.

(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period

On February 27, 2019, the Board of Directors of Ayala Land, Inc. (ALI) at its regular meeting approved the following:

1. The declaration of cash dividends of P0.26 per outstanding common share. This first half regular cash dividends reflect a 3% increase from last year's first half dividend per share of P0.252. The cash dividend will be payable on March 29, 2019 to stockholders of common shares as of record date March 13, 2019.

2. The Company's 2019 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to qualified executives, in accordance with the terms of the Plan, stock options covering up to a total of 14,430,750 common shares at a subscription price of P44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

3. The filing with the Securities and Exchange Commission ("SEC") of a 3-year shelf registration of up to P 50 billion of debt securities (the "Shelf Registration").

4. The raising of up to P45 billion through: (a) retail bonds of up to P16 billion under the Shelf Registration and listed on the Philippine Dealing and Exchange Corporation (PDEx), (b) SEC-exempt Qualified Buyer Notes of up to P4 billion for enrollment on the PDEx, and (c) bilateral term loans of up to P 25 billion to partially finance general corporate requirements and to refinance maturing loans.

On February 1, 2019, the Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of P800 million.

Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

This transaction will strengthen POPI's vision to be the leading real estate logistics and industrial estate developer and operator in the Philippines.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on APR 12 2019.

By:

Bernard Vincent O. Dy
President / Chief Executive Officer

Solomon M. Hermosura
Corporate Secretary

Augusto D. Bengzon
Chief Finance Officer, Treasurer and Chief Compliance Officer

Angelica L. Salvador
Comptroller

SUBSCRIBED AND SWORN to before me this APR 12 2019 affiants exhibiting to me their respective Passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Bernard Vincent O. Dy			
Solomon M. Hermosura			
Augusto D. Bengzon			
Angelica L. Salvador			

Notary Public

Doc. No. 356;
Page No. 74;
Book No. XXIX
Series of 2019.

ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-155 until December 31, 2020
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 7341707ME – 01/08/19-Makati City
MCLE Compliance No. VI –0005160 – 12/08/2017
3rd Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

AYALA LAND, INC.
INDEX TO EXHIBITS
Form 17-A – Item 7

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2018 Consolidated Financial Statements: Ayala Land, Inc. and Subsidiaries (with notarized Statement of Management Responsibility)	
	Attached 2018 Financial Statements of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	62
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

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n.a. Not applicable or require no answer.

AYALA LAND, INC. – SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES
(As of December 31, 2018)

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following subsidiaries, associates, and joint ventures as of December 31, 2018:

	Effective Ownership %
Real Estate:	
Alveo Land Corporation (Alveo)	**100%**
Serendra, Inc.	**39**
Solinea, Inc. (Solinea)	**65**
BGSouth Properties, Inc. (BGS)	**50**
Portico Land Corp. (Portico)	**60**
Serendra, Inc.	**28**
Amorsedia Development Corporation	**100**
OLC Development Corporation and Subsidiary	**100**
HLC Development Corporation	**100**
Allysonia International Ltd.	**100**
Avida Land Corporation (Avida)	**100**
Buklod Bahayan Realty and Development Corp.	**100**
Avida Sales Corp. and Subsidiaries	**100**
Amicassa Process Solutions, Inc.	**100**
Avencosouth Corp. (Avencosouth)	**70**
BGNorth Properties, Inc. (BGN)	**50**
Amaia Land Co. (Amaia)	**100**
Amaia Southern Properties, Inc. (ASPI)	**65**
AyalaLand Premier, Inc.	**100**
Ayala Land International Sales, Inc. (ALISI)	**100**
Ayalaland International Marketing, Inc. (AIMI)	**100**
Ayala Land International (Singapore) Pte. Ltd.	**100**
Ayalaland International Marketing (Hong Kong) Limited (ALIM HK)	**100**
Ayala Land International Marketing , SRL (ALIM SRL)	**100**
Ayala Land International Marketing London	**100**
Ayala Land Sales, Inc.	**100**
Southportal Properties, Inc.	**65**
Buendia Landholdings, Inc.	**100**
Crans Montana Holdings, Inc.	**100**
Crimson Field Enterprises, Inc.	**100**
Ecoholdings Company, Inc. (ECI)	**100**
NorthBeacon Commercial Corporation NBCC)	**100**
Red Creek Properties, Inc.	**100**
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**
North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated)	**100**
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	**100**
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	**100**
Hillsford Property Corporation (HPC)	**100**
Primavera Towncentre, Inc. (PTI)	**100**
Summerhill E-Office Corporation (Summerhill)	**100**
Sunnyfield E-Office Corporation (Sunnyfield)	**100**
Subic Bay Town Centre, Inc.	**100**
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**
AyalaLand Real Estate Investments Inc.	**100**
AyalaLand Advisory Broadway Inc.	**100**

AyalaLand Development (Canada) Inc.	**100**
AyalaLand OpenAsia Holdings PTE, Limited	**100**
Blue Horizons Holdings PTE, Limited	**100**
Modular Construction Technology (MCT) Bhd.	**66**
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**
Arvo Commercial Corporation (Arvo)	**100**
BellaVita Land Corporation (BellaVita)	**100**
Nuevo Centro, Inc. (Nuevo Centro)	**54**
Alviera Country Club, Inc.	**50**
Cavite Commercial Town Center, Inc.	**100**
One Dela Rosa Property Development, Inc.	**100**
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	**100**
One Dela Rosa Property Development, Inc.	**-**
Glensworth Development, Inc. (Glensworth)	**100**
UP North Property Holdings, Inc.	**100**
ALO Prime Realty Corporation	**100**
Makati Cornerstone Leasing Corp.	**100**
Arca South Commercial Ventures Corp.	**100**
Capitol Central Commercial Ventures Corp.	**100**
Bay City Commercial Ventures Corp.	**100**
Laguna Technopark, Inc. (LTI)	**95**
Ecozone Power Management, Inc.	**95**
Aurora Properties Incorporated	**80**
Soltea Commercial Corp.	**16**
Vesta Property Holdings, Inc.	**70**
Altaraza Prime Realty Corporation	**100**
Prow Holdings Inc	**55**
Station Square East Commercial Corporation (SSECC)	**69**
Next Urban Alliance Development Corp.	**100**
Accendo Commercial Corp. (Accendo)	**67**
Avencosouth Corp.	**20**
Aviana Development Corporation	**7**
Aviana Development Corporation	**50**
Cagayan de Oro Gateway Corp. (CDOGC)	**70**
Ceci Realty, Inc. (Ceci)	**60**
Soltea Commercial Corp.	**12**
Soltea Commercial Corp.	**60**
CMPI Holdings, Inc.	**60**
CMPI Land, Inc.	**36**
ALI-CII Development Corporation (ALI-CII)	**50**
Roxas Land Corporation (RLC)	**50**
Adauge Commercial Corporation (Adauge)	**60**
Ayalaland Estates, Inc. (formerly Southgateway Development Corp.)	**100**
Ayalaland MetroNorth, Inc. (AMNI)	**100**
Verde Golf Development Corporation	**100**
North Triangle Depot Commercial Corporation (NTDCC)	**73**
BGWest Properties, Inc. (BGW)	**50**
Lagdigan Land Corporation	**60**
Central Block Developers, Inc.	**45**
Cebu Holdings, Inc. (CHI)	**70**
Cebu Leisure Company, Inc.	**70**
CBP Theatre Management Inc.	**70**
Taft Punta Engaño Property Inc. (TPEPI)	**39**
Cebu Insular Hotel Company, Inc. (CIHCI)	**26**
Solinea, Inc.	**25**
Amaia Southern Properties, Inc. (ASPI)	**25**

Southportal Properties, Inc.	**25**
Central Block Developers, Inc.	**39**
Alabang Commercial Corporation (ACC)	**50**
South Innovative Theater Management (SITMI)	**50**
ALI Commercial Center Inc.	**100**
AMC Japan Concepts, Inc.	**75**
Prime Orion Philippines Inc.	**67**
FLT Prime Insurance Corp.	**55**
Orion Solutions, Inc	**70**
Orion I Holdings Philippines, Inc.	**70**
OE Holdings, Inc.	**70**
Orion Land Inc.	**70**
Lepanto Ceramics, Inc.	**70**
Ayalaland Malls Synergies, Inc.	**100**
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	**100**
AyalaLand Malls Vismin, Inc.	**100**
AyalaLand Malls NorthEast, Inc.	**100**
Construction:	
Makati Development Corporation (MDC)	**100**
MDC Subic, Inc.	**100**
MDC Build Plus, Inc.	**100**
MDC Conqrete, Inc. (MCI)	**100**
MDC Equipment Solutions, Inc. (MESI)	**100**
MDBI Construction Corp. (formerly MDC Triangle)	**67**
Hotels and Resorts:	
Ayala Hotels, Inc. (AHI)	**50**
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	**80**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**80**
Asian Conservation Company Limited and Subsidiary	**100**
Enjay Hotels, Inc. (Enjay)	**100**
Greenhaven Property Venture, Inc. (GPVI)	**100**
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**
Bonifacio Hotel Ventures, Inc.	**100**
Southcrest Hotel Ventures, Inc.	**67**
Northgate Hotel Ventures, Inc.	**70**
North Triangle Hotel Ventures, Inc.	**100**
Ecosouth Hotel Ventures, Inc.	**100**
Sentera Hotel Ventures Inc.	**100**
Econorth Resorts Ventures, Inc.	**100**
ALI Triangle Hotel Ventures, Inc.	**100**
Circuit Makati Hotel Ventures, Inc.	**100**
Capitol Centre Hotel Ventures, Inc.	**100**
Arca South Hotel Ventures, Inc.	**100**
Sicogon Town Hotel, Inc.	**100**
Bay Area Hotel Ventures, Inc.	**100**
Makati North Hotel Ventures, Inc.	**100**
One Makati Hotel Ventures, Inc.	**100**
Sicogon Island Tourism Estate, Corp.	**100**
Asiatown Hotel Ventures, Inc.	**100**
One Makati Residential Ventures, Inc.	**100**
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	**20**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**20**
Ten Knots Phils., Inc. (TKPI)	**60**

Bacuit Bay Development Corporation	**60**
Lio Resort Ventures Inc.	**60**
North Liberty Resort Ventures Inc.	**60**
Paragua Eco-Resort Ventures Inc.	**60**
Lio Tourism Estate Management Corp.	**60**
Ten Knots Development, Corp. (TKDC)	**60**
Chirica Resorts Corp.	**60**
Kingfisher Capital Resources Corp.	**60**
Pangalusian Island Resort Corporation	**60**
Property Management:	
Ayala Property Management Corporation (APMC)	**100**
Prime Support Services, Inc.	**100**
Ayala Theatres Management, Inc. and Subsidiaries	**100**
DirectPower Services, Inc. (DirectPower)	**100**
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**
Entertainment:	
Five Star Cinema, Inc.	**100**
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**
Others:	
ALInet.com, Inc. (ALInet)	**100**
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**
Green Horizons Holdings Limited	**100**
PCM Formosa Company Limited	**50**
Esta Galleria, Inc.	**50**
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**
AyalaLand Club Management, Inc.	**100**
ALI Capital Corp. (formerly Varejo Corp.)	**100**
Integrated Eco-resort Inc.	**100**
Island Transvoyager, Inc.	**100**
Arca South Integrated Terminal, Inc.	**100**
Whiteknight Holdings, Inc. (WHI)	**100**
Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.)	**100**
Anvaya Cove Beach and Nature Club, Inc.	**73**
Anvaya Cove Golf and Sports Club, Inc.	**76**

AYALA LAND, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Supplementary Schedules ***(For schedules A-M please refer to 67 - 116)***

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 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
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated February 27, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332607, January 3, 2019, Makati City

February 27, 2019

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE A - Financial Assets
As of December 31, 2018

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	AMOUNT IN THE BALANCE SHEET		INCOME RECEIVED & ACCRUED	
Loans and Receivables				
A. Cash in Bank	**Php**	**14,461,268,770**	**Php**	**47,201,112**
BPI				
Peso		4,044,255,994		14,631,664
Foreign Currency		61,309,059		956,393
Other Banks				
Peso		6,161,305,015		30,723,814
Foreign Currency		4,194,398,702		889,241
B. Cash Equivalents 1/		**9,478,437,160**		**397,995,187**
BPI				
Special Savings Account				22,011,459
Time Deposits		3,312,149,958		100,937,212
Others				4,773,213
Other Banks				
Special Savings Account				295,817
Time Deposits		6,166,287,202		261,097,769
Others				8,879,717
C. Loans and receivable		**49,062,641,491**		**252,629,913**
Trade		49,062,641,491		252,629,913
Advances to other companies				
Investment in bonds classified as loans and receivables 2/		-		-
D . Financial Assets at FVPL		**476,245,089**		**910,377**
Investment in UITF		85,723,726		910,377
Investment in Funds		390,521,363		
E. AFS Financial assets		1,495,794,541		**-**
TOTAL :	**Php**	**74,974,387,051**	**Php**	**698,736,589**

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the group and earn interest at the respective short term rates.

2/ Investment in bonds classified as loans and receivables pertain to the Company's investment in unsecured subordinated notes of Land Bank of the Philippines and Development Bank of the Philippines and Company's investment in collateralized bonds of First Metro Investment Corp.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As of December 31, 2018

NAME	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE				TOTAL	
							CURRENT		NON-CURRENT			
Employees												
Notes Receivable	Php	496,082,656	Php	729,704,717	Php	332,809,216	Php	685,508,485	Php	207,469,672	Php	892,978,157
Accounts Receivable		335,777,630		1,149,496,021		1,265,046,855		207,469,672		12,757,125		220,226,796
	Php	**831,860,286**	**Php**	**1,879,200,738**	**Php**	**1,597,856,071**	**Php**	**892,978,157**	**Php**	**220,226,796**	**Php**	**1,113,204,954**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2018

	Amount Owed by Ayala Land, Inc. (ALI) Subsidiaries to ALI PARENT			
	Receivable Balance per ALI-PARENT	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp	1,106,979,387	1,106,979,387	1,106,979,387	
Adauge Commercial Corp.	9,077,616	9,077,616	9,077,616	
AKL Properties Inc.	56,000	56,000	56,000	
Alabang Commercial Corporation (Conso)	24,512,433	24,512,433	24,512,433	
ALI Capital Corp. (Conso)	50,240,816	50,240,816	50,240,816	
ALI Commercial Center, Inc.	58,893,474	58,893,474	58,893,474	
ALI-CII Development Corporation	11,023,909	11,023,909	11,023,909	
ALO Prime Realty Corporation	150	150	150	
Altaraza Prime Realty Corporation	236,317	236,317	236,317	
Alveo Land Corporation (Conso)	3,588,393,074	3,588,393,074	3,588,393,074	
Amaia Land Corporation (Conso)	1,214,882,987	1,214,882,987	1,214,882,987	
Amorsedia Development Corporation (Conso)	526,795,896	526,795,896	526,795,896	
Anvaya Cove Beach and Nature Club Inc	236,798	236,798	236,798	
Anvaya Cove Golf and Sports Club Inc.	76,995,384	76,995,384	76,995,384	
APRISA Business Process Solutions, Inc	209,119	209,119	209,119	
Arca South Commercial Ventures Corp.	230,237,231	230,237,231	230,237,231	
Arca South Integrated Terminal, Inc	12,482,712	12,482,712	12,482,712	
Arvo Commercial Corporation	91,741,748	91,741,748	91,741,748	
North Eastern Commercial Corp.	660,348,356	660,348,356	660,348,356	
Aurora Properties, Inc.	71,832,311	71,832,311	71,832,311	
Aviana Development Corporation	95,423,536	95,423,536	95,423,536	
Avida Land Corporation (Conso)	5,490,884,025	5,490,884,025	5,490,884,025	
Ayala Hotels Inc.	415,797,195	415,797,195	415,797,195	
Ayala Land International Sales, Inc.(Conso)	123,292,180	123,292,180	123,292,180	
Ayala Land Sales Inc.	53,207,038	53,207,038	53,207,038	
Ayala Property Management Corporation (Conso)	92,592	92,592	92,592	
Ayala Theaters Management, Inc.	77,733	77,733	77,733	
AyalaLand Club Management, Inc.	24,894,573	24,894,573	24,894,573	
AyalaLand Commercial REIT, Inc.	304	304	304	
AyalaLand Hotels and Resorts Corp. (Conso)	100,955,569	100,955,569	100,955,569	
Ayalaland Malls Synergies, Inc.	34,399,901	34,399,901	34,399,901	
AyalaLand Malls, Inc. (Conso)	13,361,415	13,361,415	13,361,415	
Ayalaland Medical Facilities Leasing Inc.	10,563,108	10,563,108	10,563,108	
Ayalaland Metro North, Inc.	2,691,860	2,691,860	2,691,860	
AyalaLand Offices, Inc. (Conso)	180,683,399	180,683,399	180,683,399	
Bay City Commercial Ventures Corp.	1,444,544,573	1,444,544,573	1,444,544,573	
BellaVita Land Corp.	695,185,661	695,185,661	695,185,661	
BG West Properties, Inc	770,374,179	770,374,179	770,374,179	
Buendia Landholdings, Inc.	84,716	84,716	84,716	
Cagayan De Oro Gateway Corporation	456,876,226	456,876,226	456,876,226	
Capitol Central Commercial Ventures Corp.	1,539,337,167	1,539,337,167	1,539,337,167	
Cavite Commercial Towncenter Inc.	45,852,683	45,852,683	45,852,683	
Cebu Holdings, Inc. (Conso)	838,728,394	838,728,394	838,728,394	
CECI Realty Corp.	242,833,351	242,833,351	242,833,351	
Central Block Developers, Inc.	2,721,842	2,721,842	2,721,842	
CMPI Holdings, Inc (Conso)	-	-	-	
Crans Montana Property Holdings Corporation	544,671	544,671	544,671	
Crimson Field Enterprises, Inc.	195,444,766	195,444,766	195,444,766	
Direct Power Services Inc.	6,273,201	6,273,201	6,273,201	
Ecoholdings Company, Inc.	702,623	702,623	702,623	
First Longfield Investments Ltd. (Conso)	717,741	717,741	717,741	
FIVE STAR Cinema Inc.	2,587	2,587	2,587	
Hillsford Property Corporation	200,841	200,841	200,841	
Lagdigan Land Corporation	608,784	608,784	608,784	
Leisure and Allied Industries Phils. Inc.	817,791	817,791	817,791	
Makati Development Corporation (Conso)	99,623,196	99,623,196	99,623,196	
Next Urban Alliance Development Corp.	107,262	107,262	107,262	
North Triangle Depot Commercial Corp	859,999,707	859,999,707	859,999,707	
North Ventures Commercial Corp.	46,807,474	46,807,474	46,807,474	
NorthBeacon Commercial Corporation	4,708,568	4,708,568	4,708,568	
Nuevocentro, Inc. (Conso)	2,316,786,011	2,316,786,011	2,316,786,011	

Philippine Integrated Energy Solutions, Inc.	3,671,158	3,671,158	3,671,158	
Primavera Towncentre, Inc.	25,382,017	25,382,017	25,382,017	
Prime Orion Philippines, Inc. (Conso)	73,705,152	73,705,152	73,705,152	
Red Creek Properties, Inc.	232,798,709	232,798,709	232,798,709	
Regent Time International Ltd.	417,166	417,166	417,166	
Regent Time International, Limited	97,348,097	97,348,097	97,348,097	
Regent Wise Investments Limited(Conso)	62,915,189	62,915,189	62,915,189	
Roxas Land Corp.	51,144,409	51,144,409	51,144,409	
Serendra Inc.	144,589,902	144,589,902	144,589,902	
Soltea Commercial Corp.	8,864,124	8,864,124	8,864,124	
Ayalaland Estates, Inc.	1,623,992,114	1,623,992,114	1,623,992,114	
Southportal Properties, Inc.	242,553,175	242,553,175	242,553,175	
Station Square East Commercial Corp	1,176,947,707	1,176,947,707	1,176,947,707	
Subic Bay Town Center Inc.	343,000	343,000	343,000	
Summerhill Commercial Ventures Corp.	36,828,139	36,828,139	36,828,139	
Sunnyfield E-Office Corp	9,839,502	9,839,502	9,839,502	
Ten Knots Development Corporation(Conso)	41,057,365	41,057,365	41,057,365	
Ten Knots Philippines, Inc.(Conso)	1,044,372	1,044,372	1,044,372	
Verde Golf Development Corporation	94,416,964	94,416,964	94,416,964	
Vesta Property Holdings Inc.	14,076,108	14,076,108	14,076,108	
Westview Commercial Ventures Corp.	7,811,702	7,811,702	7,811,702	
Whiteknight Holdings, Inc.	32,531,075	32,531,075	32,531,075	
Ayalaland Premier, Inc.	9,470,368	9,470,368	9,470,368	
Makati Cornerstone Leasing Corp.	9,137,886,189	9,137,886,189	9,137,886,189	
Sub-Total	**36,981,017,862**	**36,981,017,862**	**36,981,017,862**	-

	Amount Owed by ALI PARENT to ALI SUBSIDIARIES			
	Receivable Balance per ALI Subsidiaries	**Payable Balance per ALI Parent**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp	14,218,195	14,218,195	14,218,195	
Adauge Commercial Corp.	253	253	253	
Alabang Commercial Corporation (Conso)	11,361,541	11,361,541	11,361,541	
ALI Capital Corp. (Conso)	67,073	67,073	67,073	
ALI Commercial Center, Inc.	47,704,674	47,704,674	47,704,674	
ALO Prime Realty Corporation	7,268	7,268	7,268	
Alveo Land Corporation (Conso)	2,935,510,865	2,935,510,865	2,935,510,865	
Amaia Land Corporation (Conso)	2,611,255	2,611,255	2,611,255	
Amorsedia Development Corporation (Conso)	120,706,662	120,706,662	120,706,662	
APRISA Business Process Solutions, Inc	1,152,487	1,152,487	1,152,487	
Arvo Commercial Corporation	978,397,598	978,397,598	978,397,598	
North Eastern Commercial Corp.	6,393,722	6,393,722	6,393,722	
Aurora Properties, Inc.	59,264,497	59,264,497	59,264,497	
Avida Land Corporation (Conso)	1,848,799,859	1,848,799,859	1,848,799,859	
Ayala Hotels Inc.	2,051,687,342	2,051,687,342	2,051,687,342	
Ayala Land International Sales, Inc.(Conso)	12,941,143	12,941,143	12,941,143	
Ayala Land Sales Inc.	21,911,132	21,911,132	21,911,132	
Ayala Property Management Corporation (Conso)	15,821,897	15,821,897	15,821,897	
AyalaLand Hotels and Resorts Corp. (Conso)	16,763,087	16,763,087	16,763,087	
AyalaLand Malls, Inc. (Conso)	2,082,761	2,082,761	2,082,761	
Ayalaland Metro North, Inc.	3,402,383	3,402,383	3,402,383	
AyalaLand Offices, Inc. (Conso)	3,218,273	3,218,273	3,218,273	
BellaVita Land Corp.	1,730,970	1,730,970	1,730,970	
BG West Properties, Inc	16,184,050	16,184,050	16,184,050	
Buendia Landholdings, Inc.	709,316	709,316	709,316	
Cagayan De Oro Gateway Corporation	5,187,649	5,187,649	5,187,649	
Cavite Commercial Towncenter Inc.	23,926	23,926	23,926	
Cebu Holdings, Inc. (Conso)	36,337,493	36,337,493	36,337,493	
CECI Realty Corp.	10,019,256	10,019,256	10,019,256	
Crans Montana Property Holdings Corporation	92,728,430	92,728,430	92,728,430	
Crimson Field Enterprises, Inc.	10,050,000	10,050,000	10,050,000	
Direct Power Services Inc.	7,854,659	7,854,659	7,854,659	
First Longfield Investments Ltd. (Conso)	15,362,571	15,362,571	15,362,571	
FIVE STAR Cinema Inc.	79,990	79,990	79,990	
Makati Development Corporation (Conso)	7,169,187,539	7,169,187,539	7,169,187,539	
North Triangle Depot Commercial Corp	183,984,912	183,984,912	183,984,912	
North Ventures Commercial Corp.	2,337,588	2,337,588	2,337,588	
NorthBeacon Commercial Corporation	7,097,951	7,097,951	7,097,951	
Nuevocentro, Inc. (Conso)	116,013	116,013	116,013	

Philippine Integrated Energy Solutions, Inc.	5,039,785	5,039,785	5,039,785	
Primavera Towncentre, Inc.	1,407,328	1,407,328	1,407,328	
Prime Orion Philippines, Inc. (Conso)	111,083,502	111,083,502	111,083,502	
Red Creek Properties, Inc.	18,000,592	18,000,592	18,000,592	
Regent Time International, Limited	427,170,848	427,170,848	427,170,848	
Serendra Inc.	99,970,995	99,970,995	99,970,995	
Soltea Commercial Corp.	463,752	463,752	463,752	
Ayalaland Estates, Inc.	1,603,565	1,603,565	1,603,565	
Southportal Properties, Inc.	57,882,000	57,882,000	57,882,000	
Station Square East Commercial Corp	2,456,544	2,456,544	2,456,544	
Subic Bay Town Center Inc.	3,030,017	3,030,017	3,030,017	
Summerhill Commercial Ventures Corp.	690,513	690,513	690,513	
Ten Knots Development Corporation(Conso)	73,563	73,563	73,563	
Verde Golf Development Corporation	142,445	142,445	142,445	
Vesta Property Holdings Inc.	29,949,661	29,949,661	29,949,661	
Westview Commercial Ventures Corp.	121,144	121,144	121,144	
Ayalaland Premier, Inc.	7,072,979	7,072,979	7,072,979	
Makati Cornerstone Leasing Corp.	189,650,352	189,650,352	189,650,352	
ONE DELA ROSA PROP INC	439,683,274	439,683,274	439,683,274	
Sub-Total	**17,108,509,138**	**17,108,509,138**	**17,108,509,138**	-

	Amount Owed by ALI SUBSIDIARIES TO MAKATI DEVELOPMENT CORP. AND SUBSIDIARIES			
	Receivable Balance per MDC & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corp	369,575,809	369,575,809	369,575,809	
Avida Land Corp. (Conso)	2,777,926,609	2,777,926,609	2,777,926,609	
Laguna Technopark, Inc.	165,267,074	165,267,074	165,267,074	
Amaia Land Corp. (Conso)	681,371,653	681,371,653	681,371,653	
BellaVita Land Corp.	45,299,055	45,299,055	45,299,055	
BG West Properties, Inc.	2,222,290,345	2,222,290,345	2,222,290,345	
Aurora Properties, Inc.	7,192,209	7,192,209	7,192,209	
Serendra Inc.	268,314,635	268,314,635	268,314,635	
Vesta Prop. Holdings, Inc	24,590,547	24,590,547	24,590,547	
Ceci Realty, Inc.	7,110,438	7,110,438	7,110,438	
Roxas Land Corporation	336,712,095	336,712,095	336,712,095	
Ayala Hotels, Inc.	503,532,793	503,532,793	503,532,793	
Southportal Properties	399,403,241	399,403,241	399,403,241	
AYALALAND HOTELS AND RES (Conso)	1,460,200,253	1,460,200,253	1,460,200,253	
Alveo Land Corp. (Conso)	4,583,290,035	4,583,290,035	4,583,290,035	
Leisure & Allied Ind.Phil	150,200,000	150,200,000	150,200,000	
Station Square East	368,400	368,400	368,400	
ALI Commercial Center,Inc	179,848,495	179,848,495	179,848,495	
Aviana Development Corp.	145,087,295	145,087,295	145,087,295	
Accendo Commercial Corp	134,230,994	134,230,994	134,230,994	
Adauge Commercial Corp.	6,690,624	6,690,624	6,690,624	
North Triangle Depot	111,545,883	111,545,883	111,545,883	
Cebu Holdings, Inc. (Conso)	922,496,514	922,496,514	922,496,514	
Ayala Land Intl Sales,Inc	5,524,043	5,524,043	5,524,043	
Primavera Towncentre, Inc	20,000,000	20,000,000	20,000,000	
Cavite Comml Town Center	189,351,025	189,351,025	189,351,025	
Ayalaland Metro North Inc	242,177,833	242,177,833	242,177,833	
Soltea Commercial Corp.	181,069,461	181,069,461	181,069,461	
AMSI, Inc.	56,649,934	56,649,934	56,649,934	
Capitol Central Commercial Ventures Corp.	856,759,759	856,759,759	856,759,759	
One Dela Rosa Property	2,019,459	2,019,459	2,019,459	
North Ventures Com Corp	3,111,587	3,111,587	3,111,587	
North Eastern Comm Corp	37,822,592	37,822,592	37,822,592	
Westview Comml Vents Corp	2,718,359	2,718,359	2,718,359	
Sunnyfield E-Office Corp.	3,702,028	3,702,028	3,702,028	
Summerhill Com. Ven. Corp	425,922,691	425,922,691	425,922,691	
Phil Integ Energy Sol,Inc	30,877,626	30,877,626	30,877,626	
Central Block Dev., Inc.	2,367,634,874	2,367,634,874	2,367,634,874	
Makati Cornerstone Leasin	72,970,173	72,970,173	72,970,173	
Ayala Greenfield Devt Cor (Conso)	261,134,154	261,134,154	261,134,154	
Ten Knots Philippines, In (Conso)	212,066,409	212,066,409	212,066,409	
Southgateway Dev. Corp	119,114,626	119,114,626	119,114,626	
Nuevocentro Inc. (Conso)	547,742,934	547,742,934	547,742,934	
Crans Montana Prop Hold	297,038,454	297,038,454	297,038,454	

CagayanDeOro Gateway Corp	356,610,721	356,610,721	356,610,721	
Lagdigan Land Corp.	48,324,953	48,324,953	48,324,953	
ALI Capital Corp. (Conso)	288,090,084	288,090,084	288,090,084	
Verde Golf Development Corporation	5,012,324	5,012,324	5,012,324	
Chirica Resorts Corporation - TKDC	20,000,000	20,000,000	20,000,000	
Arca South Integrated Terminal, Inc	15,204,960	15,204,960	15,204,960	
Ayalaland Medical Facilit	268,615,169	268,615,169	268,615,169	
Sub-Total	**22,439,811,227**	**22,439,811,227**	**22,439,811,227**	

	Amount Owed by ALI Subsidiaries to ACCENDO COMMERCIAL CORP.			
	Receivable Balance per ACCENDO	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Ayala Property Management Corporation	395,257	395,257	395,257	
Makati Development Corporation	178,854	178,854	178,854	
Avida Land Corporation (Conso)	3,307,459	3,307,459	3,307,459	
Alveo Land Corporation	28,600	28,600	28,600	
Station Square East Commercial Corp	5,000	5,000	5,000	
ALI Commercial Center, Inc.	80,367	80,367	80,367	
Aviana Development Corporation	2,664,621	2,664,621	2,664,621	
Adauge Commercial Corp.	21,163	21,163	21,163	
North Triangle Depot Commercial Corp	30,185	30,185	30,185	
Cebu Holdings, Inc. (Conso)	25,030,029	25,030,029	25,030,029	
Ayalaland Metro North, Inc.	5,456,553	5,456,553	5,456,553	
Soltea Commercial Corp.	5,009,451	5,009,451	5,009,451	
North Ventures Commercial Corp.	300	300	300	
North Eastern Commercial Corp.	300	300	300	
Westview Commercial Ventures Corp.	20,749	20,749	20,749	
Summerhill Commercial Ventures Corp.	55,154,216	55,154,216	55,154,216	
Philippine Integrated Energy Solutions, Inc.	361	361	361	
South Innovative Theater Management Inc.	6,865	6,865	6,865	
Ayala Hotels & Resorts (Conso)	137,394	137,394	137,394	
Cagayan De Oro Gateway Corporation	240,135	240,135	240,135	
HLC Development Corporation	30,177,388	30,177,388	30,177,388	
Airswift Transport, Inc.	31,397	31,397	31,397	
Sub-Total	**127,976,644**	**127,976,644**	**127,976,644**	-

	Amount Owed by ALI Subsidiaries to ADAUGE COMMERCIAL CORP.			
	Receivable Balance per ADAUGE	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corporation	5,157,432	5,157,432	5,157,432	
Makati Development Corporation	13,371	13,371	13,371	
Avida Land Corporation	50,361,638	50,361,638	50,361,638	
Alabang Commercial Corporation	10,000,000	10,000,000	10,000,000	
Accendo Commercial Corp	119,429	119,429	119,429	
Cebu Holdings, Inc.	10,000,000	10,000,000	10,000,000	
Ayalaland Metro North, Inc.	1,305	1,305	1,305	
Sunnyfield E-Office Corp	945,732	945,732	945,732	
Summerhill Commercial Ventures Corp.	7,120,588	7,120,588	7,120,588	
Sentera Hotel Ventures, Inc.	813,843	813,843	813,843	
Ten Knots Philippines, Inc.	25,190	25,190	25,190	
Panay Medical Ventures Inc.	6,471,275	6,471,275	6,471,275	
Airswift Transport, Inc.	5,478,133	5,478,133	5,478,133	
Sub-Total	**96,507,937**	**96,507,937**	**96,507,937**	-

	Amount Owed by ALI Subsidiaries to ALABANG COMMERCIAL CORP. & SUBSIDIARIES			
	Receivable Balance per ACC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corp	91,657	91,657	91,657	
Avida Land Corp.	28,026,436	28,026,436	28,026,436	
Amaia Land Corp.	70,950	70,950	70,950	
Serendra Inc.	160,294	160,294	160,294	
Alveo Land Corp.	111,498	111,498	111,498	
Five Star Cinema, Inc.	3,652,824	3,652,824	3,652,824	
Leisure & Allied Ind.Phil	89,720	89,720	89,720	
Station Square East	43,615	43,615	43,615	
ALI Commercial Center,Inc	1,763,083	1,763,083	1,763,083	

Orion Land Inc.	913	913	913	
Accendo Commercial Corp	20,589	20,589	20,589	
North Triangle Depot	349,495	349,495	349,495	
Cebu Leisure Co. Inc.	19,625	19,625	19,625	
Ayala Land Sales, Inc.	571,187	571,187	571,187	
Ayalaland Metro North Inc	4,700	4,700	4,700	
Soltea Commercial Corp.	26,320	26,320	26,320	
North Beacon Comml Corp.	41,800	41,800	41,800	
North Ventures Com Corp	2,100	2,100	2,100	
North Eastern Comm Corp	3,750	3,750	3,750	
Summerhill Com. Ven. Corp	271,435	271,435	271,435	
CagayanDeOro Gateway Corp	900	900	900	
Lautan Kuras Property Inc.	5,040	5,040	5,040	
Ten Knots Philippines, Inc.	288	288	288	
Ayalaland Malls Vismin, Inc.	384,345	384,345	384,345	
Sub-Total	**35,712,563**	**35,712,563**	**35,712,563**	

	Amount Owed by ALI Subsidiaries to ALI CAPITAL CORP.			
	Receivable Balance per ALI CAPITAL CORP.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	7,116,413	7,116,413	7,116,413	
Avida Land Corp.	80,049,279	80,049,279	80,049,279	
AYALALAND HOTELS AND RES (Conso)	2,810,307	2,810,307	2,810,307	
Ayalaland Metro North Inc	23,485,313	23,485,313	23,485,313	
Summerhill Com. Ven. Corp	74,425,752	74,425,752	74,425,752	
Ten Knots Philippines, In (Conso)	8,470,890	8,470,890	8,470,890	
Ten Knots Development Corporation (Conso)	20,237,199	20,237,199	20,237,199	
WhiteKnight Holdings, Inc	20,556,250	20,556,250	20,556,250	
Sub-Total	**237,151,402**	**237,151,402**	**237,151,402**	

	Amount Owed by ALI Subsidiaries to ALI COMMERCIAL CENTER INC.			
	Receivable Balance per ACCI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	16,925,245	16,925,245	16,925,245	
Ayala Property Management Corporation	29,260,908	29,260,908	29,260,908	
Makati Development Corporation	147,564	147,564	147,564	
Avida Land Corporation	244,425,898	244,425,898	244,425,898	
Amaia Land Corporation	7,272	7,272	7,272	
BellaVita Land Corp.	24,600	24,600	24,600	
Aurora Properties, Inc.	1,169	1,169	1,169	
Serendra Inc.	40,902	40,902	40,902	
CECI Realty Corp.	4,466	4,466	4,466	
Ayala Hotels Inc.	4,050	4,050	4,050	
Alveo Land Corporation	2,733,945	2,733,945	2,733,945	
Alabang Commercial Corporation (Conso)	15,700,568	15,700,568	15,700,568	
ALI-CII Development Corporation	3,251	3,251	3,251	
Ayala Theaters Management, Inc.	12,541	12,541	12,541	
FIVE STAR Cinema Inc.	859	859	859	
Leisure and Allied Industries Phils. Inc.	1,292,552	1,292,552	1,292,552	
Station Square East Commercial Corp	242,255	242,255	242,255	
ALI Commercial Center, Inc.	2,904	2,904	2,904	
Prime Orion Phils, Inc. (Conso)	16,218	16,218	16,218	
Accendo Commercial Corp	1,780,050	1,780,050	1,780,050	
North Triangle Depot Commercial Corp	2,368,246	2,368,246	2,368,246	
Subic Bay Town Center Inc.	176,428	176,428	176,428	
Cebu Holdings, Inc. (Conso)	41,012,535	41,012,535	41,012,535	
Ayalaland Metro North, Inc.	56,171,049	56,171,049	56,171,049	
Soltea Commercial Corp.	61,479,866	61,479,866	61,479,866	
Ayalaland Malls Synergies, Inc.	17,033,395	17,033,395	17,033,395	
NorthBeacon Commercial Corporation	85,000	85,000	85,000	
North Ventures Commercial Corp.	378,609	378,609	378,609	
North Eastern Commercial Corp.	271,875	271,875	271,875	
Westview Commercial Ventures Corp.	4,559	4,559	4,559	
Summerhill Commercial Ventures Corp.	147,558,910	147,558,910	147,558,910	
Makati Cornerstone Leasing Corp.	11,629	11,629	11,629	
Ayala Hotels & Resorts (Conso)	27,858,170	27,858,170	27,858,170	

Ten Knots Philippines, Inc. (Conso)	22,123	22,123	22,123	
Ayalaland Estates, Inc.	0	0	0	
Crans Montana Property Holdings Corporation	11,000,000	11,000,000	11,000,000	
Cagayan De Oro Gateway Corporation	24,065,220	24,065,220	24,065,220	
APRISA Business Process Solutions, Inc	10,400	10,400	10,400	
HLC Development Corporation	69,119,462	69,119,462	69,119,462	
Ten Knots Development Corporation	5,133,443	5,133,443	5,133,443	
Ten Knots Philippines, Inc.	11,739	11,739	11,739	
AyalaLand Malls, Inc.	99,546	99,546	99,546	
Airswift Transport, Inc.	41,134,986	41,134,986	41,134,986	
Sub-Total	**817,634,405**	**817,634,405**	**817,634,405**	

	Amount Owed by ALI Subsidiaries to ALI-CII DEVELOPMENT CORP			
	Receivable Balance per ALI-CII	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	36,000,000	36,000,000	36,000,000	
Amaia Land Corporation	6,048	6,048	6,048	
Avida Sales Corp	671,304	671,304	671,304	
Cebu Holdings, Inc.	13,600,000	13,600,000	13,600,000	
Ayalaland Metro North, Inc.	16,183,646	16,183,646	16,183,646	
Soltea Commercial Corp.	18,399,663	18,399,663	18,399,663	
Summerhill Commercial Ventures Corp.	1,410,284	1,410,284	1,410,284	
Sub-Total	**86,270,946**	**86,270,946**	**86,270,946**	-

	Amount Owed by ALI Subsidiaries to ALVEO LAND CORP. & SUBSIDIARIES			
	Receivable Balance per ALVEO LAND CORP. & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	156,650,000	156,650,000	156,650,000	
Ayala Prop. Mngt.Corp	1,824,717	1,824,717	1,824,717	
Makati Development Corp. (Conso)	8,616,428	8,616,428	8,616,428	
Avida Land Corp. (Conso)	1,204,313,450	1,204,313,450	1,204,313,450	
Amaia Land Corp.	35,000,000	35,000,000	35,000,000	
BellaVita Land Corp.	821,316,395	821,316,395	821,316,395	
Aurora Properties, Inc.	11,419,925	11,419,925	11,419,925	
Serendra Inc.	206,486,300	206,486,300	206,486,300	
Vesta Prop. Holdings, Inc	300,822,668	300,822,668	300,822,668	
AYALALAND HOTELS AND RES (Conso)	42,834,142	42,834,142	42,834,142	
Alveo Land Corp.	403,184	403,184	403,184	
KAWIT PRIME HOLDINGS, INC	8,377,626	8,377,626	8,377,626	
Station Square East	6,000,000	6,000,000	6,000,000	
ALI Commercial Center,Inc	1,725	1,725	1,725	
Accendo Commercial Corp	379,616,460	379,616,460	379,616,460	
Cebu Holdings, Inc.	191,150,000	191,150,000	191,150,000	
Ayala Land Intl Sales,Inc	550,371	550,371	550,371	
Ayalaland Metro North Inc	322,800,000	322,800,000	322,800,000	
Soltea Commercial Corp.	21,900,000	21,900,000	21,900,000	
AMSI, Inc.	20,000,000	20,000,000	20,000,000	
North Eastern Comm Corp	15,943,216	15,943,216	15,943,216	
Summerhill Com. Ven. Corp	550,600,000	550,600,000	550,600,000	
Ayala Greenfield Devt Cor (Conso)	414,604,290	414,604,290	414,604,290	
Nuevocentro Inc. (Conso)	157,853,596	157,853,596	157,853,596	
Crans Montana Prop Hold	72,171,743	72,171,743	72,171,743	
CagayanDeOro Gateway Corp	51,400,000	51,400,000	51,400,000	
Mercado Gen. Hospital Inc	55,690	55,690	55,690	
Ten Knots Philippines, Inc.	49,000,000	49,000,000	49,000,000	
AyalaLand Malls, Inc.	54,613	54,613	54,613	
Chirica Resorts Corporation - TKDC	10,084	10,084	10,084	
Airswift Transport, Inc.	180,250,000	180,250,000	180,250,000	
Ayalaland Medical Facilit	7,080,978	7,080,978	7,080,978	
Sub-Total	**5,239,107,601**	**5,239,107,601**	**5,239,107,601**	-

	Amount Owed by ALI Subsidiaries to AMAIA LAND, INC. & SUBSIDIARIES			
	Receivable Balance per AMAIA LAND, INC. & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				

Makati Development Corp. (Conso)	3,292,640	3,292,640	3,292,640	
Avida Land Corp. (Conso)	34,976,277	34,976,277	34,976,277	
Amaia Land Corp.	35,970	35,970	35,970	
BellaVita Land Corp.	73,890,341	73,890,341	73,890,341	
Alveo Land Corp.	150,000	150,000	150,000	
Ayala Land Intl Sales,Inc	282,463	282,463	282,463	
Long Land Realty Corp.	20,098,465	20,098,465	20,098,465	
Sub-Total	**132,726,157**	**132,726,157**	**132,726,157**	-

	Amount Owed by ALI Subsidiaries to AMORSEDIA DEVPT. CORP. & SUBSIDIARIES			
	Receivable Balance per AMORSEDIA DEVPT. CORP. & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corp.	63,000,000	63,000,000	63,000,000	
BellaVita Land Corp.	20,384,000	20,384,000	20,384,000	
Ayala Land Intl Sales,Inc	19,127	19,127	19,127	
Sub-Total	**83,403,127**	**83,403,127**	**83,403,127**	-

	Amount Owed by ALI Subsidiaries to ANVAYA COVE BEACH & NATURE CLUB, INC.			
	Receivable Balance per ANVAYA COVE BEACH	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Property Management Corporation	970,406	970,406	970,406	
Avida Land Corporation	82,000,000	82,000,000	82,000,000	
Anvaya Cove Golf and Sports Club, Inc.	20,943,354	20,943,354	20,943,354	
Sub-Total	**103,913,760**	**103,913,760**	**103,913,760**	

	Amount Owed by ALI Subsidiaries to ANVAYA COVE GOLF & NATURE CLUB, INC.			
	Receivable Balance per ANVAYA COVE GOLF	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	192,121	192,121	192,121	
Avida Land Corporation	20,000,000	20,000,000	20,000,000	
Anvaya Cove Beach and Nature Club, Inc	3,381,710	3,381,710	3,381,710	
Sub-Total	**23,573,830**	**23,573,830**	**23,573,830**	

	Amount Owed by ALI Subsidiaries to APRISA BUSINESS SOLUTIONS, INC.			
	Receivable Balance per APRISA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	172,701	172,701	172,701	
Ayala Property Management Corporation	583,493	583,493	583,493	
Makati Development Corporation (MDC)	3,712,476	3,712,476	3,712,476	
Avida Land Corporation (MDC)	79,925,326	79,925,326	79,925,326	
Amaia Land Corporation (MDC)	906,478	906,478	906,478	
BellaVita Land Corp.	63,974	63,974	63,974	
Aurora Properties, Inc.	379,260	379,260	379,260	
Serendra Inc.	768,823	768,823	768,823	
Vesta Property Holdings Inc.	406,002	406,002	406,002	
CECI Realty Corp.	549,992	549,992	549,992	
Roxas Land Corp.	179,317	179,317	179,317	
AyalaLand Hotels and Resorts Corp. (MDC)	113,758	113,758	113,758	
Alveo Land Corporation	626,996	626,996	626,996	
Alabang Commercial Corporation	525,633	525,633	525,633	
ALI-CII Development Corporation	449,129	449,129	449,129	
ALI Commercial Center, Inc.	2,361,918	2,361,918	2,361,918	
Prme Orion Phils., Inc. (Conso)	371,309	371,309	371,309	
Aviana Development Corporation	35,729	35,729	35,729	
Accendo Commercial Corp	148,337	148,337	148,337	
Adauge Commercial Corp.	6,451	6,451	6,451	
North Triangle Depot Commercial Corp	481,818	481,818	481,818	
Subic Bay Town Center Inc.	50,288	50,288	50,288	
Cebu Holdings, Inc.	792,120	792,120	792,120	
Cavite Commercial Towncenter Inc.	52,209	52,209	52,209	
Ayalaland Metro North, Inc.	73,706	73,706	73,706	
Soltea Commercial Corp.	80,262	80,262	80,262	
Capitol Central Commercial Ventures Corp.	51,576	51,576	51,576	
Bay City Commercial Ventures Corp.	6,227	6,227	6,227	

NorthBeacon Commercial Corporation	98,722	98,722	98,722	
North Eastern Commercial Corp.	1,962,847	1,962,847	1,962,847	
Westview Commercial Ventures Corp.	64,549	64,549	64,549	
Summerhill Commercial Ventures Corp.	25,825,049	25,825,049	25,825,049	
Central Block Developers, Inc.	20,790	20,790	20,790	
Makati Cornerstone Leasing Corp.	326,336	326,336	326,336	
Ayalaland Estates, Inc.	45,688	45,688	45,688	
Nuevocentro, Inc.	158,054	158,054	158,054	
Crans Montana Property Holdings Corporation	70,560	70,560	70,560	
Lagdigan Land Corporation	949	949	949	
Whiteknight Holdings, Inc.	62,049	62,049	62,049	
Ayalaland Medical Facilities Leasing Inc.	29,371	29,371	29,371	
Sub-Total	**122,540,271**	**122,540,271**	**122,540,271**	

	Amount Owed by ALI Subsidiaries to ARVO COMMERCIAL CORP.			
	Receivable Balance per ARVO COMMERCIAL CORP.	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Alabang Commercial Corporation (Conso)	81,440	81,440	81,440	
Leisure and Allied Industries Phils. Inc.	99,182	99,182	99,182	
Station Square East Commercial Corp	1,670	1,670	1,670	
ALI Commercial Center, Inc.	5,230	5,230	5,230	
North Triangle Depot Commercial Corp	1,470	1,470	1,470	
Primavera Towncentre, Inc.	308,275	308,275	308,275	
Cavite Commercial Towncenter Inc.	12,643	12,643	12,643	
Soltea Commercial Corp.	12,850	12,850	12,850	
Sub-Total	**522,760**	**522,760**	**522,760**	

	Amount Owed by ALI Subsidiaries to AURORA PROPERTIES, INC.			
	Receivable Balance per AURORA PROPERTIES, INC.	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	7,680	7,680	7,680	
Avida Land Corporation	121,996,669	121,996,669	121,996,669	
Vesta Property Holdings Inc.	27,739	27,739	27,739	
CECI Realty Corp.	167,851	167,851	167,851	
Alveo Land Corporation	1,003,294	1,003,294	1,003,294	
Accendo Commercial Corp	37,762	37,762	37,762	
Ayala Land International Sales, Inc	10,000,000	10,000,000	10,000,000	
Ayalaland Metro North, Inc.	158,600,871	158,600,871	158,600,871	
Summerhill Commercial Ventures Corp.	113,012,861	113,012,861	113,012,861	
Ayala Hotels and Resorts (Conso)	1,182,354	1,182,354	1,182,354	
Nuevocentro, Inc.	55,359	55,359	55,359	
HLC Development Corporation	5,032,430	5,032,430	5,032,430	
Chirica Resorts Corporation	726	726	726	
Airswift Transport, Inc.	15,061,241	15,061,241	15,061,241	
Sub-Total	**426,186,836**	**426,186,836**	**426,186,836**	

	Amount Owed by ALI Subsidiaries to AVIDA LAND CORP. & SUBSIDIARIES			
	Receivable Balance per AVIDA LAND CORP. & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	28,282,560	28,282,560	28,282,560	
Ayala Prop. Mngt.Corp	8,427,240	8,427,240	8,427,240	
Makati Development Corp. (Conso)	908,323	908,323	908,323	
Avida Land Corp. (Conso)	244,056	244,056	244,056	
Amaia Land Corp. (Conso)	59,171,216	59,171,216	59,171,216	
BellaVita Land Corp.	312,458,371	312,458,371	312,458,371	
BG West Properties, Inc.	72,451	72,451	72,451	
Aurora Properties, Inc.	38,574,705	38,574,705	38,574,705	
Serendra Inc.	1,682,303	1,682,303	1,682,303	
Vesta Prop. Holdings, Inc	14,652	14,652	14,652	
Ceci Realty, Inc.	7,589	7,589	7,589	
Roxas Land Corporation	2,032,853	2,032,853	2,032,853	
Ayala Hotels, Inc.	25,702	25,702	25,702	
Alveo Land Corp. (Conso)	46,835,486	46,835,486	46,835,486	

ALI-CII Development Corp.	75,000	75,000	75,000	
Ayala Theaters Mgt, Inc.	69,503	69,503	69,503	
Station Square East	420,337	420,337	420,337	
Orion Land Inc.	2,507,960	2,507,960	2,507,960	
Accendo Commercial Corp	269,380	269,380	269,380	
Cebu Holdings, Inc. (Conso)	43,699,203	43,699,203	43,699,203	
Ayala Land Intl Sales,Inc	13,133,221	13,133,221	13,133,221	
Ayalaland Metro North Inc	5,080,320	5,080,320	5,080,320	
Soltea Commercial Corp.	34,025	34,025	34,025	
AMSI, Inc.	10,082,732	10,082,732	10,082,732	
Summerhill Com. Ven. Corp	75,193,636	75,193,636	75,193,636	
Ayala Greenfield Devt Cor	180,978,578	180,978,578	180,978,578	
AyalaLand Estates, Inc.	355,353,089	355,353,089	355,353,089	
Nuevocentro Inc.	195,898,473	195,898,473	195,898,473	
Crans Montana Prop Hold	6,704	6,704	6,704	
CagayanDeOro Gateway Corp	305,097,177	305,097,177	305,097,177	
Airswift Transport, Inc.	30,207,110	30,207,110	30,207,110	
Sub-Total	**1,716,843,956**	**1,716,843,956**	**1,716,843,956**	-

	Amount Owed by ALI Subsidiaries to AYALA HOTELS, INC.			
	Receivable Balance per AHI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	85,653,768	85,653,768	85,653,768	
Avida Land Corporation	883,414,358	883,414,358	883,414,358	
Amaia Land Corporation	25,971,347	25,971,347	25,971,347	
BellaVita Land Corp.	2,000,000	2,000,000	2,000,000	
Ayalaland Commercial REIT, Inc.	109,474	109,474	109,474	
Cebu Holdings, Inc. (Conso)	225,696,618	225,696,618	225,696,618	
Ayala Land International Sales, Inc	3,000,000	3,000,000	3,000,000	
Ayalaland Metro North, Inc.	603,845,433	603,845,433	603,845,433	
Soltea Commercial Corp.	6,522,547	6,522,547	6,522,547	
Summerhill Commercial Ventures Corp.	433,980,467	433,980,467	433,980,467	
AyalaLand Hotels and Resorts Corp. (Conso)	134,662,478	134,662,478	134,662,478	
Ayalaland Estates, Inc.	26,194	26,194	26,194	
Crans Montana Property Holdings Corporation	3,003,790	3,003,790	3,003,790	
Mercado General Hospital, Inc.	18,062,437	18,062,437	18,062,437	
HLC Development Corporation	62,124,950	62,124,950	62,124,950	
Airswift Transport, Inc.	10,208,292	10,208,292	10,208,292	
Sub-Total	**2,498,282,153**	**2,498,282,153**	**2,498,282,153**	

	Amount Owed by ALI Subsidiaries to AYALA LAND INTERNATIONAL SALES, INC. & SUBS.			
	Receivable Balance per ALISI & Subs	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	93,867,792	93,867,792	93,867,792	
Amaia Land Corp.	10,550,629	10,550,629	10,550,629	
BellaVita Land Corp.	1,837,093	1,837,093	1,837,093	
Alveo Land Corp.	43,800,597	43,800,597	43,800,597	
Ayala Land Intl Sales,Inc. (Conso)	(93,574)	(93,574)	(93,574)	
Ayala Greenfield Devt Cor	316,989	316,989	316,989	
Sub-Total	**150,279,527**	**150,279,527**	**150,279,527**	

	Amount Owed by ALI Subsidiaries to AYALA LAND SALES, INC.			
	Receivable Balance per ALSI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	21,907,274	21,907,274	21,907,274	
BellaVita Land Corp.	44,100	44,100	44,100	
Alveo Land Corporation	8,824	8,824	8,824	
Aviana Development Corporation	259,728	259,728	259,728	
Soltea Commercial Corp.	50,000,000	50,000,000	50,000,000	
Ayala Greenfield Development Corp	2,650,083	2,650,083	2,650,083	
Nuevocentro, Inc.	1,649,182	1,649,182	1,649,182	
Sub-Total	**76,519,192**	**76,519,192**	**76,519,192**	

	Amount Owed by ALI Subsidiaries to AYALA PROPERTY MANAGEMENT CORP. & Subsidiaries			
	Receivable Balance per APMC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**

Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	235,200	235,200	235,200	
Avida Land Corp. (Conso)	963,534,649	963,534,649	963,534,649	
Amaia Land Corp. (Conso)	11,224,651	11,224,651	11,224,651	
BG West Properties, Inc.	28,000	28,000	28,000	
Aurora Properties, Inc.	298,628	298,628	298,628	
Serendra Inc.	1,763,823	1,763,823	1,763,823	
Vesta Prop. Holdings, Inc	392,267	392,267	392,267	
Ceci Realty, Inc.	614,606	614,606	614,606	
Alveo Land Corp. (Conso)	29,245,661	29,245,661	29,245,661	
Alabang Commercial Corp.	5,000	5,000	5,000	
ALI Commercial Center,Inc	3,499,428	3,499,428	3,499,428	
Tutuban Properties, Inc.	1,774,080	1,774,080	1,774,080	
Aviana Development Corp.	658,560	658,560	658,560	
Accendo Commercial Corp	6,581,377	6,581,377	6,581,377	
North Triangle Depot	268,310	268,310	268,310	
Cebu Holdings, Inc. (Conso)	63,913,575	63,913,575	63,913,575	
Cavite Comml Town Center	122,600	122,600	122,600	
Ayalaland Metro North Inc	259,399	259,399	259,399	
Soltea Commercial Corp.	496,720	496,720	496,720	
Captl Cntrl Com Vent Corp	354,101	354,101	354,101	
Ayala Land Offices (Conso)	6,949,074	6,949,074	6,949,074	
One Dela Rosa Property	626,661	626,661	626,661	
North Beacon Comml Corp.	50,960	50,960	50,960	
Hillsford Property Corp.	221,353	221,353	221,353	
North Eastern Comm Corp	19,313,198	19,313,198	19,313,198	
Sunnyfield E-Office Corp.	113,399	113,399	113,399	
Makati Cornerstone Leasin	687,493	687,493	687,493	
Ayala Greenfield Devt Cor	321,709	321,709	321,709	
Ayala Hotels & Resorts (Conso)	441,100	441,100	441,100	
AyalaLand Estates, Inc.	597,368	597,368	597,368	
Nuevocentro Inc.	5,400,996	5,400,996	5,400,996	
CagayanDeOro Gateway Corp	763,948	763,948	763,948	
AyalaLand Malls, Inc.	15,600,000	15,600,000	15,600,000	
Sub-Total	**1,136,357,895**	**1,136,357,895**	**1,136,357,895**	-

	Amount Owed by ALI Subsidiaries to AYALA THEATERS MANAGEMENT, INC.			
	Receivable Balance per ATMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	300	300	300	
Cebu Leisure Company, Inc.	499	499	499	
South Innovative Theater Management Inc.	1,434	1,434	1,434	
Sub-Total	**2,233**	**2,233**	**2,233**	

	Amount Owed by ALI Subsidiaries to AYALALAND CLUB MANAGEMENT, INC.			
	Receivable Balance per ACMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Land Sales Inc.	63,000	63,000	63,000	
AyalaLand Offices, Inc.	1,500	1,500	1,500	
Ayalaland Estates, Inc.	32,000	32,000	32,000	
APRISA Business Process Solutions, Inc	4,500	4,500	4,500	
Verde Golf Development Corporation	3,903,239	3,903,239	3,903,239	
AyalaLand Premier, Inc.	50,000	50,000	50,000	
Anvaya Cove Beach and Nature Club, Inc	2,375,410	2,375,410	2,375,410	
Anvaya Cove Golf and Sports Club, Inc.	6,153,728	6,153,728	6,153,728	
Sub-Total	**12,583,377**	**12,583,377**	**12,583,377**	-

	Amount Owed by ALI Subsidiaries to AYALALAND COMMERCIAL REIT, INC.			
	Receivable Balance per ALCRI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	240,700,000	240,700,000	240,700,000	
Ayalaland Metro North, Inc.	16,300,000	16,300,000	16,300,000	
Soltea Commercial Corp.	25,000,000	25,000,000	25,000,000	
Summerhill Commercial Ventures Corp.	20,000,000	20,000,000	20,000,000	
HLC Development Corporation	25,000,000	25,000,000	25,000,000	
Sub-Total	**327,000,000**	**327,000,000**	**327,000,000**	

	Amount Owed by ALI Subsidiaries to AYALALAND ESTATES, INC.			
	Receivable Balance per AEI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	326,800,000	326,800,000	326,800,000	
Amaia Land Corporation	50,000,000	50,000,000	50,000,000	
Ayalaland Metro North, Inc.	89,700,000	89,700,000	89,700,000	
North Eastern Commercial Corp.	17,202,807	17,202,807	17,202,807	
Summerhill Commercial Ventures Corp.	22,082,229	22,082,229	22,082,229	
Nuevocentro, Inc.	2,100	2,100	2,100	
HLC Development Corporation	34,201,039	34,201,039	34,201,039	
Sub-Total	**539,988,175**	**539,988,175**	**539,988,175**	

	Amount Owed by ALI Subsidiaries to AYALA HOTELS & RESORTS GROUP			
	Receivable Balance per AHRC & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Prop. Mngt.Corp	370,404	370,404	370,404	
Makati Development Corp.	4,553	4,553	4,553	
Avida Land Corp. (Conso)	50,000,000	50,000,000	50,000,000	
BellaVita Land Corp.	85	85	85	
Ayala Hotels, Inc.	362	362	362	
AYALALAND HOTELS AND RES (Conso)	(0)	(0)	(0)	
Accendo Commercial Corp	45,040	45,040	45,040	
Central Block Dev., Inc.	151,521	151,521	151,521	
Ten Knots Development Corporation (Conso)	8,100,203	8,100,203	8,100,203	
Lio Resort Ventures Inc - TKPI	2,836,034	2,836,034	2,836,034	
Sub-Total	**61,508,202**	**61,508,202**	**61,508,202**	**-**

	Amount Owed by ALI Subsidiaries to AYALALAND MALLS SYNERGIES, INC.			
	Receivable Balance per AMSI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Prime Orion (Conso)	1,501,782	1,501,782	1,501,782	
North Eastern Commercial Corp.	821,864	821,864	821,864	
Sub-Total	**2,323,647**	**2,323,647**	**2,323,647**	

	Amount Owed by ALI Subsidiaries to AYALALAND MALLS, INC.			
	Receivable Balance per ALMI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	4,423,931	4,423,931	4,423,931	
Alabang Commercial Corp. (Conso)	3,754,888	3,754,888	3,754,888	
Station Square East	1,785,352	1,785,352	1,785,352	
ALI Commercial Center,Inc	1,579,695	1,579,695	1,579,695	
Prime Orion Phils., Inc. (Conso)	2,506,279	2,506,279	2,506,279	
Accendo Commercial Corp	3,324,082	3,324,082	3,324,082	
Adauge Commercial Corp.	469,468	469,468	469,468	
North Triangle Depot	2,235,442	2,235,442	2,235,442	
Cebu Holdings, Inc.	3,503,712	3,503,712	3,503,712	
Cavite Comml Town Center	412,905	412,905	412,905	
Ayalaland Metro North Inc	1,934,791	1,934,791	1,934,791	
Soltea Commercial Corp.	1,097,921	1,097,921	1,097,921	
AMSI, Inc.	1,040,464	1,040,464	1,040,464	
Captl Cntrl Com Vent Corp	1,259,810	1,259,810	1,259,810	
Bay City Comm. Vent. Corp	1,405,128	1,405,128	1,405,128	
North Beacon Comml Corp.	2,588,022	2,588,022	2,588,022	
North Ventures Com Corp	1,383,030	1,383,030	1,383,030	
North Eastern Comm Corp	4,155,854	4,155,854	4,155,854	
Westview Comml Vents Corp	443,959	443,959	443,959	
Summerhill Com. Ven. Corp	429,594	429,594	429,594	
Central Block Dev., Inc.	627,456	627,456	627,456	
Makati Cornerstone Leasin	2,038,124	2,038,124	2,038,124	
Nuevocentro Inc.	2,415	2,415	2,415	
CagayanDeOro Gateway Corp	373,795	373,795	373,795	
AyalaLand Malls, Inc. (Conso)	-	-	-	
Sub-Total	**42,776,116**	**42,776,116**	**42,776,116**	

	Amount Owed by ALI Subsidiaries to AYALALAND METRO NORTH, INC.			
	Receivable Balance per AMNI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	984,767	984,767	984,767	
Avida Land Corporation	2,070	2,070	2,070	
Alveo Land Corporation	273,336	273,336	273,336	
Alabang Commercial Corporation (Conso)	103,950	103,950	103,950	
Station Square East Commercial Corp	2,900	2,900	2,900	
ALI Commercial Center, Inc.	282,209	282,209	282,209	
Accendo Commercial Corp	990	990	990	
North Triangle Depot Commercial Corp	66,282	66,282	66,282	
Cebu Leisure Company, Inc.	800	800	800	
Soltea Commercial Corp.	200	200	200	
NorthBeacon Commercial Corporation	594	594	594	
UP North Property Holdings, Inc.	6,862	6,862	6,862	
North Ventures Commercial Corp.	920	920	920	
North Eastern Commercial Corp.	64,514	64,514	64,514	
Summerhill Commercial Ventures Corp.	3,244	3,244	3,244	
Cagayan De Oro Gateway Corporation	900	900	900	
AyalaLand Malls, Inc.	22,543	22,543	22,543	
Sub-Total	**1,817,082**	**1,817,082**	**1,817,082**	

	Amount Owed by ALI Subsidiaries to AYALALAND OFFICES, INC. & SUBSIDIARIES			
	Receivable Balance per ALO & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	48,754,682	48,754,682	48,754,682	
Makati Development Corp.	560,464	560,464	560,464	
Avida Land Corp.	315,464,761	315,464,761	315,464,761	
Amaia Land Corp.	39,998,520	39,998,520	39,998,520	
Ceci Realty, Inc.	4,143	4,143	4,143	
Alabang Commercial Corp.	10,000	10,000	10,000	
ALI Commercial Center,Inc	7,840	7,840	7,840	
Orion Land Inc.	6,250	6,250	6,250	
Cebu Holdings, Inc. (Conso)	20,122,085	20,122,085	20,122,085	
Ayalaland Metro North Inc	109,287,813	109,287,813	109,287,813	
Soltea Commercial Corp.	34,500,000	34,500,000	34,500,000	
Ayalaland Offices Inc. (Conso)	400,058	400,058	400,058	
One Dela Rosa Property	447,454	447,454	447,454	
Hillsford Property Corp.	80,277,376	80,277,376	80,277,376	
North Ventures Com Corp	19,278	19,278	19,278	
North Eastern Comm Corp	689,197	689,197	689,197	
Westview Comml Vents Corp	439,490,972	439,490,972	439,490,972	
Sunnyfield E-Office Corp.	50,786,996	50,786,996	50,786,996	
Summerhill Com. Ven. Corp	29,597,334	29,597,334	29,597,334	
Central Block Dev., Inc.	1,141,003,579	1,141,003,579	1,141,003,579	
ALO Prime Realty Corporat	688,000,000	688,000,000	688,000,000	
Makati Cornerstone Leasin	7,140,666	7,140,666	7,140,666	
Ecosouth Ventures, Inc.	3,184,962	3,184,962	3,184,962	
Nuevocentro Inc.	432,600	432,600	432,600	
HLC Development Corporation	52,424,288	52,424,288	52,424,288	
Ayalaland Medical Facilit	39,555	39,555	39,555	
Sub-Total	**3,062,650,874**	**3,062,650,874**	**3,062,650,874**	

	Amount Owed by ALI Subsidiaries to BAY CITY COMMERCIAL VENTURES, INC.			
	Receivable Balance per BAY CITY COMM'L.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	5,000,000	5,000,000	5,000,000	
Arca South Commercial Ventures Corp.	144,895,152	144,895,152	144,895,152	
Summerhill Commercial Ventures Corp.	300,000,000	300,000,000	300,000,000	
Sub-Total	**449,895,152**	**449,895,152**	**449,895,152**	-

	Amount Owed by ALI Subsidiaries to BELLAVITA LAND CORP.			
	Receivable Balance per BELLAVITA	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation (Conso)	121,815	121,815	121,815	
Avida Land Corporation (Conso)	687,340	687,340	687,340	

Amaia Land Corporation	8,000	8,000	8,000	
Primavera Towncentre, Inc.	7,593,743	7,593,743	7,593,743	
Summerhill Commercial Ventures Corp.	55,000,000	55,000,000	55,000,000	
Ayala Greenfield Development Corp	27,825,000	27,825,000	27,825,000	
Red Creek Properties, Inc.	1,899,778	1,899,778	1,899,778	
Sub-Total	**93,135,677**	**93,135,677**	**93,135,677**	-

	Amount Owed by ALI Subsidiaries to BG WEST PROPERTIES, INC.			
	Receivable Balance per BG WEST	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
BG West Properties, Inc	194,500	194,500	194,500	
Ayala Greenfield Development Corp	20,126,580	20,126,580	20,126,580	
Sub-Total	**20,321,080**	**20,321,080**	**20,321,080**	-

	Amount Owed by ALI Subsidiaries to CAGAYAN DE ORO GATEWAY CORP.			
	Receivable Balance per CDOGC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	180	180	180	
Ayala Property Management Corporation	6,000	6,000	6,000	
Makati Development Corporation	4,000	4,000	4,000	
Avida Land Corporation	10,000	10,000	10,000	
Amaia Land Corporation	2,000	2,000	2,000	
Alveo Land Corporation	598,836	598,836	598,836	
Leisure and Allied Industries Phils. Inc.	(51,348)	(51,348)	(51,348)	
ALI Commercial Center, Inc.	12,475	12,475	12,475	
Accendo Commercial Corp	31,782	31,782	31,782	
North Triangle Depot Commercial Corp	5,820	5,820	5,820	
Cebu Holdings, Inc.	11,500	11,500	11,500	
North Ventures Commercial Corp.	2,500	2,500	2,500	
Philippine Integrated Energy Solutions, Inc.	1,091,444	1,091,444	1,091,444	
Ayala Hotels & Resorts (Conso)	11,600,823	11,600,823	11,600,823	
Lagdigan Land Corporation	3,925	3,925	3,925	
AyalaLand Malls, Inc.	18,142	18,142	18,142	
Sub-Total	**13,348,079**	**13,348,079**	**13,348,079**	

	Amount Owed by ALI Subsidiaries to CAPITOL CENTRAL COMMERCIAL			
	Receivable Balance per CAPITOL CENTRAL COMM'L.	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	22,489	22,489	22,489	
Avida Land Corporation	55,628,886	55,628,886	55,628,886	
Westview Commercial Ventures Corp.	5,809	5,809	5,809	
Summerhill Commercial Ventures Corp.	41,436,509	41,436,509	41,436,509	
Sub-Total	**97,093,693**	**97,093,693**	**97,093,693**	

	Amount Owed by ALI Subsidiaries to CAVITE COMMERCIAL TOWNCENTER, INC.			
	Receivable Balance per CCTCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Property Management Corporation	564,520	564,520	564,520	
Makati Development Corporation	39,280	39,280	39,280	
Avida Land Corporation	20,000	20,000	20,000	
Amaia Land Corporation	148,406	148,406	148,406	
Alveo Land Corporation	654,456	654,456	654,456	
Leisure and Allied Industries Phils. Inc.	268	268	268	
Soltea Commercial Corp.	16,000,000	16,000,000	16,000,000	
Ayalaland Malls Synergies, Inc.	266,173	266,173	266,173	
Sub-Total	**17,693,104**	**17,693,104**	**17,693,104**	

	Amount Owed by ALI Subsidiaries to CEBU HOLDINGS, INC.			
	Receivable Balance per CHI & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	13,723,816	13,723,816	13,723,816	
Ayala Prop. Mngt.Corp	31,191	31,191	31,191	
Makati Development Corp.	2,173,070	2,173,070	2,173,070	

Avida Land Corp. (Condo)	323,813,220	323,813,220	323,813,220	
Amaia Land Corp. (Condo)	636,101	636,101	636,101	
Serendra Inc.	18,854	18,854	18,854	
Southportal Properties	178,091,668	178,091,668	178,091,668	
Alveo Land Corp. (Condo)	251,866,236	251,866,236	251,866,236	
Leisure & Allied Ind.Phil	6,035	6,035	6,035	
Station Square East	5,890	5,890	5,890	
ALI Commercial Center,Inc	799,225	799,225	799,225	
Aviana Development Corp.	900	900	900	
Accendo Commercial Corp	366,135	366,135	366,135	
Adauge Commercial Corp.	23,271	23,271	23,271	
North Triangle Depot	829,886	829,886	829,886	
Subic Bay Town Centre Inc	943	943	943	
Cebu Holdings, Inc. (Condo)	150,814,565	150,814,565	150,814,565	
Ayala Land Sales, Inc.	1,911,454	1,911,454	1,911,454	
Ayala Land Intl Sales,Inc	5,046,010	5,046,010	5,046,010	
Ayalaland Metro North Inc	220,228,840	220,228,840	220,228,840	
Soltea Commercial Corp.	15,659,971	15,659,971	15,659,971	
Captl Cntrl Com Vent Corp	11,073	11,073	11,073	
North Beacon Comml Corp.	19,354	19,354	19,354	
North Ventures Com Corp	600	600	600	
Westview Comml Vents Corp	4,578	4,578	4,578	
Summerhill Com. Ven. Corp	248,872,056	248,872,056	248,872,056	
Central Block Dev., Inc.	21,351,681	21,351,681	21,351,681	
South Innovative Theater Management Inc.	5,560	5,560	5,560	
Ayala Hotels & Resorts (Conso)	343,613	343,613	343,613	
Ten Knots Philippines, Inc. (Condo)	218,110	218,110	218,110	
CagayanDeOro Gateway Corp	228,746	228,746	228,746	
HLC Development Corporation	4,530,963	4,530,963	4,530,963	
Airswift Transport, Inc.	37,483,975	37,483,975	37,483,975	
Ayalaland Medical Facilit	125,090	125,090	125,090	
Sub-Total	**1,479,242,679**	**1,479,242,679**	**1,479,242,679**	

	Amount Owed by ALI Subsidiaries to CECI REALTY CORP.			
	Receivable Balance per CECI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	4,475,350	4,475,350	4,475,350	
Avida Land Corporation	409,517,161	409,517,161	409,517,161	
Amaia Land Corporation	2,785,615	2,785,615	2,785,615	
Aurora Properties, Inc.	14,874,183	14,874,183	14,874,183	
Vesta Property Holdings Inc.	17,969,029	17,969,029	17,969,029	
CECI Realty Corp.	138	138	138	
Alveo Land Corporation	965	965	965	
Leisure and Allied Industries Phils. Inc.	108,300	108,300	108,300	
Cebu Holdings, Inc.	10,000,000	10,000,000	10,000,000	
Soltea Commercial Corp.	26,576,362	26,576,362	26,576,362	
Ayalaland Malls Synergies, Inc.	2,321,287	2,321,287	2,321,287	
Glensworth Development, Inc.	540,608	540,608	540,608	
Summerhill Commercial Ventures Corp.	75,186,953	75,186,953	75,186,953	
Ayalaland Hotels and Resorts Corp. (Conso)	102,796	102,796	102,796	
Ten Knots Philippines, Inc.	150,285	150,285	150,285	
Ayalaland Estates, Inc.	272	272	272	
Nuevocentro, Inc.	174,133	174,133	174,133	
Crans Montana Property Holdings Corporation	8,145	8,145	8,145	
Mercado General Hospital, Inc.	6,083,535	6,083,535	6,083,535	
HLC Development Corporation	2,975,101	2,975,101	2,975,101	
Airswift Transport, Inc.	20,081,655	20,081,655	20,081,655	
Sub-Total	**593,931,873**	**593,931,873**	**593,931,873**	

	Amount Owed by ALI Subsidiaries to CRANS MONTANA PROPERTY HOLDINGS, CORP.			
	Receivable Balance per CRANS MONTANA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Property Management Corporation	30,357	30,357	30,357	
Ayalaland Medical Facilities Leasing Inc.	153,655	153,655	153,655	
Sub-Total	**184,012**	**184,012**	**184,012**	**-**

	Amount Owed by ALI Subsidiaries to CRIMSON FIELD ENTERPRISES

	Receivable Balance per CFEI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Red Creek Properties, Inc.	5,369,406	5,369,406	5,369,406	
Sub-Total	**5,369,406**	**5,369,406**	**5,369,406**	-

	Amount Owed by ALI Subsidiaries to DIRECT POWER SERVICES INC.			
	Receivable Balance per DPSI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	11,735	11,735	11,735	
Avida Land Corporation	197,172,181	197,172,181	197,172,181	
Serendra Inc.	7,078,549	7,078,549	7,078,549	
Alveo Land Corporation	7,222,374	7,222,374	7,222,374	
Alabang Commercial Corporation	7,677,465	7,677,465	7,677,465	
ALI-CII Development Corporation	1,829,299	1,829,299	1,829,299	
Station Square East Commercial Corp	12,624,140	12,624,140	12,624,140	
ALI Commercial Center, Inc.	22,263,997	22,263,997	22,263,997	
North Triangle Depot Commercial Corp	13,628,241	13,628,241	13,628,241	
Cebu Holdings, Inc. (Conso)	5,091,031	5,091,031	5,091,031	
Cavite Commercial Towncenter Inc.	1,512,197	1,512,197	1,512,197	
Ayalaland Metro North, Inc.	61,815	61,815	61,815	
Ayalaland Offices (Conso)	27,659,046	27,659,046	27,659,046	
One Dela Rosa Property Development, Inc.	4,523,164	4,523,164	4,523,164	
NorthBeacon Commercial Corporation	5,894,627	5,894,627	5,894,627	
North Eastern Commercial Corp.	4,735,286	4,735,286	4,735,286	
Summerhill Commercial Ventures Corp.	5,915,768	5,915,768	5,915,768	
Philippine Integrated Energy Solutions, Inc.	10,511,542	10,511,542	10,511,542	
Makati Cornerstone Leasing Corp.	2,389,245	2,389,245	2,389,245	
Crans Montana Property Holdings Corporation	7,037,074	7,037,074	7,037,074	
Sub-Total	**344,838,777**	**344,838,777**	**344,838,777**	

	Amount Owed by ALI Subsidiaries to ECOHOLDINGS COMPANY, INC.			
	Receivable Balance per ECI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Ten Knots Philippines, Inc.	94,668,752	94,668,752	94,668,752	
Sub-Total	**94,668,752**	**94,668,752**	**94,668,752**	-

	Amount Owed by ALI Subsidiaries to FIRST LONGFIELD INVESTMENTS LTD.			
	Receivable Balance per FLIL	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Ayalaland Malls Synergies, Inc.	1,226,078	1,226,078	1,226,078	
ALI Capital Corp.	306,687,547	306,687,547	306,687,547	
Arca South Integrated Terminal, Inc.	10,798,555	10,798,555	10,798,555	
Sub-Total	**318,712,179**	**318,712,179**	**318,712,179**	

	Amount Owed by ALI Subsidiaries to FIVE STAR CINEMA			
	Receivable Balance per FSCI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Cebu Holdings, Inc.	17,011,398	17,011,398	17,011,398	
Soltea Commercial Corp.	2,790	2,790	2,790	
Summerhill Commercial Ventures Corp.	3,571,080	3,571,080	3,571,080	
South Innovative Theater Management Inc.	1,283,834	1,283,834	1,283,834	
Sub-Total	**21,869,102**	**21,869,102**	**21,869,102**	

	Amount Owed by ALI Subsidiaries to HILLSFORD PROPERTY CORP.			
	Receivable Balance per Hillsford	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
North Eastern Commercial Corp.	1,550	1,550	1,550	
Sub-Total	**1,550**	**1,550**	**1,550**	-

	Amount Owed by ALI Subsidiaries to LAGDIGAN LAND CORP.			
	Receivable Balance per LAGDIGAN	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				

Avida Land Corporation	78,000,000	78,000,000	78,000,000	
Sub-Total	**78,000,000**	**78,000,000**	**78,000,000**	-

	Amount Owed by ALI Subsidiaries to LEISURE & ALLIED INDUSTRIES PHILS. INC.			
	Receivable Balance per LAIP	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	22,000	22,000	22,000	
Sub-Total	**22,000**	**22,000**	**22,000**	-

	Amount Owed by ALI Subsidiaries to MAKATI CORNERSTONE LEASING CORP.			
	Receivable Balance per MCLC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	158,047	158,047	158,047	
Avida Land Corporation (Conso)	32,742,727	32,742,727	32,742,727	
BellaVita Land Corp.	19,944,476	19,944,476	19,944,476	
Station Square East Commercial Corp	1,600	1,600	1,600	
ALI Commercial Center, Inc.	169,620	169,620	169,620	
North Triangle Depot Commercial Corp	8,940	8,940	8,940	
Soltea Commercial Corp.	30,000,000	30,000,000	30,000,000	
Sub-Total	**83,025,409**	**83,025,409**	**83,025,409**	-

	Amount Owed by ALI Subsidiaries to NORTH EASTERN COMMERCIAL CORP.			
	Receivable Balance per NORTH EASTERN	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	843	843	843	
Ayala Property Management Corporation	58,768	58,768	58,768	
Makati Development Corporation	43,575,840	43,575,840	43,575,840	
Avida Land Corporation	440,229	440,229	440,229	
Alveo Land Corporation	490,422	490,422	490,422	
Leisure and Allied Industries Phils. Inc.	77,436	77,436	77,436	
Station Square East Commercial Corp	16,930	16,930	16,930	
ALI Commercial Center, Inc.	445,665	445,665	445,665	
North Triangle Depot Commercial Corp	118,773	118,773	118,773	
Subic Bay Town Center Inc.	843	843	843	
Cebu Leisure Company, Inc.	470	470	470	
Ayalaland Metro North, Inc.	9,703	9,703	9,703	
Soltea Commercial Corp.	1,550	1,550	1,550	
Ayalaland Malls Synergies, Inc.	676,749	676,749	676,749	
NorthBeacon Commercial Corporation	1,643	1,643	1,643	
North Ventures Commercial Corp.	3,123	3,123	3,123	
Summerhill Commercial Ventures Corp.	843	843	843	
South Innovative Theater Management Inc.	8,150	8,150	8,150	
North Triangle Hotel Ventures, Inc.	23,468,798	23,468,798	23,468,798	
Ayalaland Estates, Inc.	564,985	564,985	564,985	
Cagayan De Oro Gateway Corporation	300	300	300	
Sub-Total	**69,962,066**	**69,962,066**	**69,962,066**	

	Amount Owed by ALI Subsidiaries to NORTH TRIANGLE DEPOT COMMERCIAL CORP.			
	Receivable Balance per NTDCC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation (Conso)	73,768,979	73,768,979	73,768,979	
Amaia Land Corporation	1,341,516	1,341,516	1,341,516	
Alveo Land Corporation (Comso)	117,455	117,455	117,455	
Ayala Theaters Management, Inc.	99,971	99,971	99,971	
Leisure and Allied Industries Phils. Inc.	36,929	36,929	36,929	
Station Square East Commercial Corp	137,322	137,322	137,322	
ALI Commercial Center, Inc.	4,123,362	4,123,362	4,123,362	
Accendo Commercial Corp	7,367	7,367	7,367	
Subic Bay Town Center Inc.	400	400	400	
Cebu Holdings, Inc. (Conso)	3,028,881	3,028,881	3,028,881	
Ayalaland Metro North, Inc.	5,090,927	5,090,927	5,090,927	
Soltea Commercial Corp.	3,550	3,550	3,550	
NorthBeacon Commercial Corporation	6,221	6,221	6,221	
North Ventures Commercial Corp.	75,028	75,028	75,028	
North Eastern Commercial Corp.	15,177,838	15,177,838	15,177,838	

Summerhill Commercial Ventures Corp.	63,741,898	63,741,898	63,741,898	
Central Block Developers, Inc.	18,800,000	18,800,000	18,800,000	
Ecozone Power Management, Inc.	0	0	0	
South Innovative Theater Management Inc.	112,320	112,320	112,320	
Ayalaland Hotels and Resorts Corp. (Conso)	30,207,474	30,207,474	30,207,474	
Cagayan De Oro Gateway Corporation	28,046	28,046	28,046	
HLC Development Corporation	84,335,929	84,335,929	84,335,929	
Lio Resort Ventures Inc - TKPI	25,000,000	25,000,000	25,000,000	
Airswift Transport, Inc.	875,769	875,769	875,769	
Ayalaland Medical Facilities Leasing Inc.	119,340	119,340	119,340	
Sub-Total	**326,236,524**	**326,236,524**	**326,236,524**	

	Amount Owed by ALI Subsidiaries to NORTH VENTURES COMMERCIAL CORP.			
	Receivable Balance per NVCC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	21,322,506	21,322,506	21,322,506	
Ayala Property Management Corporation	1,790,801	1,790,801	1,790,801	
Makati Development Corporation	2,742,315	2,742,315	2,742,315	
Avida Land Corporation (Conso)	(889,504)	(889,504)	(889,504)	
Amaia Land Corporation	254,306	254,306	254,306	
Arca South Integrated Terminal, Inc	5,057,007	5,057,007	5,057,007	
Alabang Commercial Corporation (Conso)	13,730	13,730	13,730	
Leisure and Allied Industries Phils. Inc.	3,136,696	3,136,696	3,136,696	
Station Square East Commercial Corp	8,900	8,900	8,900	
ALI Commercial Center, Inc.	630,108	630,108	630,108	
Accendo Commercial Corp	520	520	520	
North Triangle Depot Commercial Corp	227,850	227,850	227,850	
Subic Bay Town Center Inc.	200	200	200	
Cebu Holdings, Inc. (Conso)	70,068,292	70,068,292	70,068,292	
Ayalaland Metro North, Inc.	70,501,721	70,501,721	70,501,721	
Soltea Commercial Corp.	31,180,363	31,180,363	31,180,363	
Ayalaland Malls Synergies, Inc.	65,422	65,422	65,422	
NorthBeacon Commercial Corporation	3,400	3,400	3,400	
North Eastern Commercial Corp.	5,300	5,300	5,300	
Summerhill Commercial Ventures Corp.	31,057,686	31,057,686	31,057,686	
Central Block Developers, Inc.	15,000,000	15,000,000	15,000,000	
Capitol Central Hotel Ventures, Inc.	76,995	76,995	76,995	
Cagayan De Oro Gateway Corporation	3,600	3,600	3,600	
HLC Development Corporation	38,368,381	38,368,381	38,368,381	
Airswift Transport, Inc.	45,939,174	45,939,174	45,939,174	
Ayalaland Medical Facilities Leasing Inc.	53,030	53,030	53,030	
Sub-Total	**336,618,800**	**336,618,800**	**336,618,800**	

	Amount Owed by ALI Subsidiaries to NORTHBEACON COMMERCIAL CORP.			
	Receivable Balance per NBCC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation (Conso))	39,026,596	39,026,596	39,026,596	
Amaia Land Corporation	10,173,753	10,173,753	10,173,753	
Alveo Land Corporation	565,447	565,447	565,447	
Alabang Commercial Corporation (Conso)	7,782	7,782	7,782	
Leisure and Allied Industries Phils. Inc.	128,828	128,828	128,828	
Station Square East Commercial Corp	10,248	10,248	10,248	
ALI Commercial Center, Inc.	113,894	113,894	113,894	
Tutuban Properties, Inc.	5,977	5,977	5,977	
Accendo Commercial Corp	11,252	11,252	11,252	
North Triangle Depot Commercial Corp	58,479	58,479	58,479	
Subic Bay Town Center Inc.	(34,773)	(34,773)	(34,773)	
Cebu Holdings, Inc.	5,000,201	5,000,201	5,000,201	
Ayalaland Metro North, Inc.	8,086,021	8,086,021	8,086,021	
Soltea Commercial Corp.	15,096,122	15,096,122	15,096,122	
Hillsford Property Corporation	5,898	5,898	5,898	
North Ventures Commercial Corp.	17,809	17,809	17,809	
North Eastern Commercial Corp.	61,515	61,515	61,515	
Summerhill Commercial Ventures Corp.	41,051,335	41,051,335	41,051,335	
Makati Cornerstone Leasing Corp.	106,486	106,486	106,486	
Nuevocentro, Inc.	2,304,948	2,304,948	2,304,948	
Cagayan De Oro Gateway Corporation	11,252	11,252	11,252	

APRISA Business Process Solutions, Inc	1,200	1,200	1,200	
AyalaLand Malls, Inc.	1,822	1,822	1,822	
Airswift Transport, Inc.	15,000,000	15,000,000	15,000,000	
Sub-Total	**136,812,092**	**136,812,092**	**136,812,092**	-

	Amount Owed by ALI Subsidiaries to NUEVOCENTRO, INC. & SUBSIDIARIES			
	Receivable Balance per NUEVOCENTRO & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	15,634	15,634	15,634	
Laguna Technopark, Inc.	2,417,272	2,417,272	2,417,272	
Aurora Properties, Inc.	100	100	100	
Vesta Prop. Holdings, Inc	26,154	26,154	26,154	
Ceci Realty, Inc.	136,990	136,990	136,990	
Alveo Land Corp.	9,000	9,000	9,000	
AyalaLand Estates, Inc.	1,100	1,100	1,100	
Prow Holdings, Inc.	122,764,360	122,764,360	122,764,360	
Sub-Total	**125,370,610**	**125,370,610**	**125,370,610**	

	Amount Owed by ALI Subsidiaries to ONE DELA ROSA PROPERTY DEVELOPMENT, INC.			
	Receivable Balance per ODR	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	36,824,515	36,824,515	36,824,515	
Ayala Property Management Corporation	119,260	119,260	119,260	
Avida Land Corporation	646,850,000	646,850,000	646,850,000	
Amaia Land Corporation	490,000,000	490,000,000	490,000,000	
Alveo Land Corporation	2,845,390	2,845,390	2,845,390	
Accendo Commercial Corp	348,293	348,293	348,293	
Cebu Holdings, Inc.	36,800,000	36,800,000	36,800,000	
Ayalaland Metro North, Inc.	5,000,000	5,000,000	5,000,000	
Hillsford Property Corporation	25,000,000	25,000,000	25,000,000	
Westview Commercial Ventures Corp.	20,632,975	20,632,975	20,632,975	
Sunnyfield E-Office Corp	35,000,000	35,000,000	35,000,000	
Summerhill Commercial Ventures Corp.	10,997,634	10,997,634	10,997,634	
Central Block Developers, Inc.	65,300,000	65,300,000	65,300,000	
Econorth Resorts Ventures, Inc.	157,495	157,495	157,495	
HLC Development Corporation	119,100,000	119,100,000	119,100,000	
Airswift Transport, Inc.	1,556,224	1,556,224	1,556,224	
Sub-Total	**1,496,531,785**	**1,496,531,785**	**1,496,531,785**	-

	Amount Owed by ALI Subsidiaries to PHIL. INTEGRATED ENERGY SOLUTIONS, INC.			
	Receivable Balance per PHIL. ENERGY	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	(610,875)	(610,875)	(610,875)	
Amaia Land Corporation	57,876	57,876	57,876	
Alabang Commercial Corporation	10,164,083	10,164,083	10,164,083	
Accendo Commercial Corp	8,794,362	8,794,362	8,794,362	
North Triangle Depot Commercial Corp	12,830,187	12,830,187	12,830,187	
Cebu Holdings, Inc.	29,564,112	29,564,112	29,564,112	
Ayalaland Metro North, Inc.	399,486	399,486	399,486	
North Eastern Commercial Corp.	96,883	96,883	96,883	
Summerhill Commercial Ventures Corp.	1,228,230	1,228,230	1,228,230	
Ayala Hotels & Resorts (Conso)	2,839,180	2,839,180	2,839,180	
Cagayan De Oro Gateway Corporation	1,971	1,971	1,971	
HLC Development Corporation	58,122	58,122	58,122	
Ten Knots Philippines, Inc.	122,931	122,931	122,931	
Sub-Total	**65,546,548**	**65,546,548**	**65,546,548**	

	Amount Owed by ALI Subsidiaries to PRIMAVERA CENTRE, INC.			
	Receivable Balance per PRIMAVERA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	401,906	401,906	401,906	
Avida Land Corporation	93,317	93,317	93,317	
Amaia Land Corporation	127,183	127,183	127,183	
First Gateway Real Estate Corp	837,584	837,584	837,584	

North Ventures Commercial Corp.	3,749	3,749	3,749	
AyalaLand Malls, Inc.	5,705	5,705	5,705	
Sub-Total	**1,469,444**	**1,469,444**	**1,469,444**	-

	Amount Owed by ALI Subsidiaries to PRIME ORION PHILS., INC. & SUBSIDIARIES			
	Receivable Balance per POPI & Subs.	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corp	54,957,764	54,957,764	54,957,764	
Ayala Prop. Mngt.Corp	1,233	1,233	1,233	
Makati Development Corp.	62,727	62,727	62,727	
Avida Land Corp.	445,354,919	445,354,919	445,354,919	
Amaia Land Corp.	3,229	3,229	3,229	
Laguna Technopark, Inc.	856,197	856,197	856,197	
Leisure & Allied Ind.Phil	78,701	78,701	78,701	
ALI Commercial Center,Inc	235,137	235,137	235,137	
Prime Orion Phils., Inc. (Conso)	(856,197)	(856,197)	(856,197)	
North Triangle Depot	20,540	20,540	20,540	
Cebu Holdings, Inc. (Conso)	28,003,409	28,003,409	28,003,409	
Ayalaland Metro North Inc	8,312,988	8,312,988	8,312,988	
Soltea Commercial Corp.	26,560,320	26,560,320	26,560,320	
AMSI, Inc.	54,271	54,271	54,271	
North Ventures Com Corp	400	400	400	
North Eastern Comm Corp	2,000	2,000	2,000	
Summerhill Com. Ven. Corp	197,030,665	197,030,665	197,030,665	
Central Block Dev., Inc.	54,000,000	54,000,000	54,000,000	
South Innovative Theater Management Inc.	6,340	6,340	6,340	
Ayalaland Hotels and Resorts Corp. (Conso)	124,323	124,323	124,323	
Ten Knots Philippines, In	36,227	36,227	36,227	
AyalaLand Estates, Inc.	1,131	1,131	1,131	
Nuevocentro Inc.	1,176,577	1,176,577	1,176,577	
HLC Development Corporation	10,090,565	10,090,565	10,090,565	
Airswift Transport, Inc.	20,401,799	20,401,799	20,401,799	
Sub-Total	**846,515,264**	**846,515,264**	**846,515,264**	-

	Amount Owed by ALI-Subsidiaries to RED CREEK PROPERTIES, INC.			
	Receivable Balance per RCPI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Crimson Field Enterprises, Inc.	24,420	24,420	24,420	
Sub-Total	**24,420**	**24,420**	**24,420**	-

	Amount Owed by ALI, ALI-Subsidiaries to SERENDRA, INC.			
	Receivable Balance per SERENDRA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Ayala Property Management Corporation	333,119	333,119	333,119	
Makati Development Corporation	183,195	183,195	183,195	
Avida Land Corporation (Conso)	732,266,447	732,266,447	732,266,447	
Amaia Land Corporation	1,659,970,133	1,659,970,133	1,659,970,133	
BellaVita Land Corp.	958	958	958	
BG West Properties, Inc	17,001,618	17,001,618	17,001,618	
Alveo Land Corporation	2,243,214	2,243,214	2,243,214	
Leisure and Allied Industries Phils. Inc.	56,967,551	56,967,551	56,967,551	
Cebu Holdings, Inc.	137,300,000	137,300,000	137,300,000	
Summerhill Commercial Ventures Corp.	173,463	173,463	173,463	
HLC Development Corporation	2,530,614	2,530,614	2,530,614	
Sub-Total	**2,608,970,311**	**2,608,970,311**	**2,608,970,311**	-

	Amount Owed by ALI, ALI-Subsidiaries to SOLTEA			
	Receivable Balance per SOLTEA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corporation	1,455,881	1,455,881	1,455,881	
Amaia Land Corporation	107,736	107,736	107,736	
Alveo Land Corporation	268,115	268,115	268,115	
Station Square East Commercial Corp	2,470	2,470	2,470	
ALI Commercial Center, Inc.	736,056	736,056	736,056	
North Triangle Depot Commercial Corp	58,550	58,550	58,550	

Cebu Leisure Company, Inc.	6,600	6,600	6,600	
Cavite Commercial Towncenter Inc.	17,785	17,785	17,785	
Ayalaland Malls Synergies, Inc.	181,008	181,008	181,008	
North Ventures Commercial Corp.	500	500	500	
North Eastern Commercial Corp.	4,540	4,540	4,540	
South Innovative Theater Management Inc.	5,950	5,950	5,950	
Sub-Total	**2,845,191**	**2,845,191**	**2,845,191**	-

	Amount Owed by ALI-Subsidiaries to SOUTHPORTAL PROPERTIES, INC.			
	Receivable Balance per SOUTHPORTAL	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corporation	86,011,775	86,011,775	86,011,775	
Ayalaland Metro North, Inc.	15,066,498	15,066,498	15,066,498	
Summerhill Commercial Ventures Corp.	37,029,951	37,029,951	37,029,951	
HLC Development Corporation	1,104,856	1,104,856	1,104,856	
Sub-Total	**139,213,080**	**139,213,080**	**139,213,080**	-

	Amount Owed by STATION SQUARE EAST COMMERCIAL CORP.			
	Receivable Balance per SSECC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corporation	107,375	107,375	107,375	
Makati Development Corporation (Conso)	548,000	548,000	548,000	
Avida Land Corporation (Conso)	2,505,501	2,505,501	2,505,501	
Amaia Land Corporation	186,107	186,107	186,107	
BellaVita Land Corp.	14,978	14,978	14,978	
Serendra Inc.	592,284	592,284	592,284	
Alveo Land Corporation (Conso)	1,211,374	1,211,374	1,211,374	
Alabang Commercial Corporation (Conso)	11,210	11,210	11,210	
Leisure and Allied Industries Phils. Inc.	1,126,681	1,126,681	1,126,681	
ALI Commercial Center, Inc.	1,446,263	1,446,263	1,446,263	
Accendo Commercial Corp	180	180	180	
North Triangle Depot Commercial Corp	333,467	333,467	333,467	
Cebu Holdings, Inc. (Conso)	25,016,575	25,016,575	25,016,575	
Ayalaland Metro North, Inc.	51,220	51,220	51,220	
Soltea Commercial Corp.	2,600,600	2,600,600	2,600,600	
NorthBeacon Commercial Corporation	3,390	3,390	3,390	
North Ventures Commercial Corp.	880	880	880	
North Eastern Commercial Corp.	2,700	2,700	2,700	
Summerhill Commercial Ventures Corp.	13,851,316	13,851,316	13,851,316	
Cagayan De Oro Gateway Corporation	1,300	1,300	1,300	
AyalaLand Malls, Inc.	19,118	19,118	19,118	
Sub-Total	**49,630,520**	**49,630,520**	**49,630,520**	

	Amount Owed by SUBIC BAY TOWN CENTER, INC.			
	Receivable Balance per SBTCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
MDC - Subic	854,410	854,410	854,410	
Avida Land Corporation	110,100,000	110,100,000	110,100,000	
Leisure and Allied Industries Phils. Inc.	227,698	227,698	227,698	
Station Square East Commercial Corp	780	780	780	
ALI Commercial Center, Inc.	41,580	41,580	41,580	
Accendo Commercial Corp	3,090	3,090	3,090	
North Triangle Depot Commercial Corp	34,005	34,005	34,005	
Cebu Holdings, Inc.	19,900,000	19,900,000	19,900,000	
Ayalaland Metro North, Inc.	15,000,000	15,000,000	15,000,000	
Soltea Commercial Corp.	5,044,175	5,044,175	5,044,175	
North Ventures Commercial Corp.	700	700	700	
Summerhill Commercial Ventures Corp.	40,425,468	40,425,468	40,425,468	
South Innovative Theater Management Inc.	1,740	1,740	1,740	
Econorth Resorts Ventures, Inc.	137,431	137,431	137,431	
Sub-Total	**191,771,076**	**191,771,076**	**191,771,076**	-

	Amount Owed by ALI-Subsidiaries to SUMMERHILL COMMERCIAL VENTURES CORP.			
	Receivable Balance per SUMMERHILL	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				

Arvo Commercial Corporation	22,963	22,963	22,963	
Makati Development Corporation	132,001	132,001	132,001	
Alabang Commercial Corporation (Conso)	4,970	4,970	4,970	
Leisure and Allied Industries Phils. Inc.	3,013,675	3,013,675	3,013,675	
Station Square East Commercial Corp	13,060	13,060	13,060	
ALI Commercial Center, Inc.	574,822	574,822	574,822	
North Triangle Depot Commercial Corp	112,555	112,555	112,555	
Subic Bay Town Center Inc.	1,380	1,380	1,380	
Cebu Holdings, Inc.	740	740	740	
Ayalaland Metro North, Inc.	41,220	41,220	41,220	
Soltea Commercial Corp.	250	250	250	
Ayalaland Malls Synergies, Inc.	8,715	8,715	8,715	
NorthBeacon Commercial Corporation	1,200	1,200	1,200	
North Ventures Commercial Corp.	2,280	2,280	2,280	
North Eastern Commercial Corp.	3,160	3,160	3,160	
AyalaLand Offices, Inc.	1,394	1,394	1,394	
North Triangle Hotel Ventures, Inc.	17,248	17,248	17,248	
Sub-Total	**3,951,633**	**3,951,633**	**3,951,633**	-

	Amount Owed by ALI to TEN KNOTS DEVELOPMENT CORP. & SUBSIDIARIES			
	Receivable Balance per TKDC & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corp.	21,000,000	21,000,000	21,000,000	
AYALALAND HOTELS AND RES	1,567,514	1,567,514	1,567,514	
Cebu Holdings, Inc.	7,000,000	7,000,000	7,000,000	
Summerhill Com. Ven. Corp	103,000,000	103,000,000	103,000,000	
DirectPower Services, Inc	9,458	9,458	9,458	
Ecoholdings Company, Inc.	700	700	700	
Ten Knots Philippines, Inc. (Conso)	670,082,282	670,082,282	670,082,282	
Airswift Transport, Inc.	4,484,290	4,484,290	4,484,290	
Sub-Total	**807,144,244**	**807,144,244**	**807,144,244**	-

	Amount Owed by ALI to TEN KNOTS PHILIPPINES, INC. & SUBSIDIARIES			
	Receivable Balance per TKPI & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI)				
Makati Development Corp.	123,712	123,712	123,712	
AYALALAND HOTELS AND RES (Conso)	913,154	913,154	913,154	
Ten Knots Philippines, Inc. (Conso)	59,899	59,899	59,899	
Ecoholdings Company, Inc.	649,444	649,444	649,444	
Ten Knots Development Corporation (Conso)	49,811,002	49,811,002	49,811,002	
Airswift Transport, Inc.	22,507,978	22,507,978	22,507,978	
Sub-Total	**74,065,189**	**74,065,189**	**74,065,189**	-

	Amount Owed by ALI to VESTA PROPERTIES INCORPORATED			
	Receivable Balance per VPHI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI)				
Arvo Commercial Corporation	53,119,613	53,119,613	53,119,613	
Avida Land Corporation (Conso)	523,321,500	523,321,500	523,321,500	
Aurora Properties, Inc.	150	150	150	
Alveo Land Corporation	34,841,018	34,841,018	34,841,018	
Accendo Commercial Corp	223,663	223,663	223,663	
Cebu Holdings, Inc.	146,250,000	146,250,000	146,250,000	
Ayala Land International Sales, Inc	6,300,000	6,300,000	6,300,000	
Ayalaland Metro North, Inc.	246,868,556	246,868,556	246,868,556	
Soltea Commercial Corp.	206,496,449	206,496,449	206,496,449	
North Eastern Commercial Corp.	35,150	35,150	35,150	
Summerhill Commercial Ventures Corp.	302,324,686	302,324,686	302,324,686	
Central Block Developers, Inc.	70,000,000	70,000,000	70,000,000	
North Triangle Hotel Ventures, Inc.	35,262,747	35,262,747	35,262,747	
Ten Knots Philippines, Inc. - Conso	625,826,608	625,826,608	625,826,608	
Nuevocentro, Inc.	1,535,095	1,535,095	1,535,095	
Panay Medical Ventures Inc.	348,087	348,087	348,087	
HLC Development Corporation	67,136,671	67,136,671	67,136,671	
Airswift Transport, Inc.	48,185,293	48,185,293	48,185,293	
Ayalaland Medical Facilities Leasing Inc.	2,795,983	2,795,983	2,795,983	
Sub-Total	**2,370,871,270**	**2,370,871,270**	**2,370,871,270**	-

	Amount Owed by ALI to WESTVIEW VENTURES COMMERCIAL CORP.			
	Receivable Balance per WESTVIEW	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI)				
Avida Land Corporation	645,930	645,930	645,930	
Amaia Land Corporation	577,624	577,624	577,624	
Leisure and Allied Industries Phils. Inc.	(895,040)	(895,040)	(895,040)	
North Triangle Depot Commercial Corp	5,210	5,210	5,210	
Subic Bay Town Center Inc.	9,983	9,983	9,983	
Cebu Holdings, Inc.	5,210	5,210	5,210	
Capitol Central Commercial Ventures Corp.	103,189	103,189	103,189	
Sub-Total	**452,106**	**452,106**	**452,106**	-

	Amount Owed by ALI to WHITEKNIGHT HOLDINGS, INC.			
	Receivable Balance per WHI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI)				
Summerhill Commercial Ventures Corp.	10,159,426	10,159,426	10,159,426	
Ayalaland Medical Facilities Leasing Inc.	2,928,214	2,928,214	2,928,214	
Sub-Total	**13,087,640**	**13,087,640**	**13,087,640**	-

TOTAL ELIMINATED RECEIVABLES	**107,069,941,229**	**107,069,941,229**	**107,069,941,229**	**-**

AYALA LAND, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
As of December 31, 2018

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Lease Right 1/	Php 4,463,862,293	Php -	**(384,034,065)**	Php -	Php -	Php 4,079,828,228
	Php 4,463,862,293	**Php -**	**Php (384,034,065)**	**Php -**	**Php -**	**Php 4,079,828,228**

1/ Includes the following intangible assets and classified under non-current assets.
- the right to use the property in Apulit Island expiring on December 31, 2029
- leasehold rights arising from the acquisition of POPI involving lease agreement with Philippine National Railways (PNR) expiring on September 5, 2039
- NTDCC's development rights on an 8.3-hectare portion of the MRT Development Corporation expiring on June 21, 2048

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of December 31, 2018

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE/ FACILITY AGREEMENT	CURRENT PORTION OF LONG-TERM DEBT (in '000)	LONG-TERM DEBT (NET OF CURRENT PORTION) (in '000)	Interest Rate	No. of Periodic Installment	Maturity Date
Ayala Land, Inc.:						
Bonds						
Philippine Peso	9,350,000	9,341,196	-	5.625%	N/A, Bullet	April 27, 2019
Philippine Peso	3,000,000	2,971,976	-	3.000%	N/A, Bullet	October 19, 2019
Philippine Peso	4,000,000	-	3,989,546	4.625%	N/A, Bullet	October 10, 2020
Philippine Peso	5,650,000	-	5,644,680	6.000%	N/A, Bullet	April 27, 2022
Philippine Peso	7,000,000	-	6,960,744	4.500%	N/A, Bullet	April 29, 2022
Philippine Peso	8,000,000	-	7,909,305	7.024%	N/A, Bullet	October 05, 2023
Philippine Peso	7,000,000	-	6,952,613	3.892%	N/A, Bullet	October 07, 2023
Philippine Peso	15,000,000	-	14,923,051	5.000%	N/A, Bullet	January 30, 2024
Philippine Peso	8,000,000	-	7,945,703	5.625%	N/A, Bullet	April 25, 2025
Philippine Peso	7,000,000	-	6,949,421	4.750%	N/A, Bullet	October 25, 2025
Philippine Peso	8,000,000	-	7,939,468	4.850%	N/A, Bullet	March 23, 2026
Philippine Peso	7,000,000	-	6,969,630	5.262%	N/A, Bullet	May 02, 2027
Philippine Peso	10,000,000	-	9,886,828	5.920%	N/A, Bullet	April 27, 2028
Philippine Peso	2,000,000	-	1,984,613	6.000%	N/A, Bullet	October 10, 2033
Fixed rate corporate notes (FXCNs)						
Philippine Peso	5,000,000	50,000	4,750,000	4.500%	33	March 10, 2023
Philippine Peso	1,000,000	10,000	954,859	7.525%	11	January 19, 2026
Philippine Peso	4,300,000	3,995,630		2.750%	N/A, Bullet	April 17, 2019
Philippine Peso	3,100,000	3,097,745	-	3.250%	N/A, Bullet	February 23, 2019
Bank loan -US Dollar						
Bank loan -Peso		-				
Bank Loan *(BDO)*	10,000,000	82,000	8,036,000	4.500%	8	February 28, 2026
Bank Loan *(BPI)*	609,875	30,494	500,533	4.500%	Various	Various from 2021 to 2023
Bank Loan *(DBP)*	4,789,500	278,725	3,751,425	4.725%	Various	Various from 2020 to 2021
Bank Loan *(LBP)*	5,000,000	50,000	4,877,091	6.906%	39	March 19, 2028
Bank Loan *(MBTC)*	10,000,000	-	9,957,171	4.949%	28	March 21, 2027
Bank Loan *(RCBC)*	1,900,000	47,500	1,776,500	4.500%	26	March 30, 2023
Sub-Total	**146,699,375**	**Php 19,955,266**	**Php 122,659,181**			
Subsidiaries:						
Bonds	5,000,000	-	4,980,702	5.320%	N/A, Bullet	June 06, 2021
Fixed rate corporate notes (FXCNs)	Various	37,500	1,350,000	Various fixed rates	Various	Various from 2018 to 2020
Bank loan -Peso						
Bank Loan *(BPI)*	Various	1,188,803	7,977,151	Various fixed and floating rates	Various	Various from 2015 to 2027
Bank Loan *(LandBank of the Phil)*	Various	184,175	4,030,700	Various fixed rates	Various	Various from 2020 to 2022
Bank Loan *(PNB)*	Various	313,125	3,901,250	Various fixed rates	Various	Various from 2020 to 2027
Bank Loan (UBP)	3,000,000	937,500	1,687,500	5.25%	Various	March 30, 2022
Bank Loan *(RCBC)*	1,143,000	6,800	116,882	5.000%	12	January 30, 2020
Bank loan -MYR	Various	616,021	2,769,566	Various	Various	Various
Sub-Total		**Php 3,283,924**	**Php 26,813,751**			
		Php 23,239,190	**Php 149,472,932**			

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE F - Indebtedness to Related Parties
(Long Term Loans from Related Companies)
As of December 31, 2018

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD (in '000)		BALANCE AT END OF PERIOD (in '000)	
Bank of the Philippine Islands	Php	12,292,473	Php	9,696,981

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2018

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NATURE OFGUARANTEE
	NOT APPLICABLE			

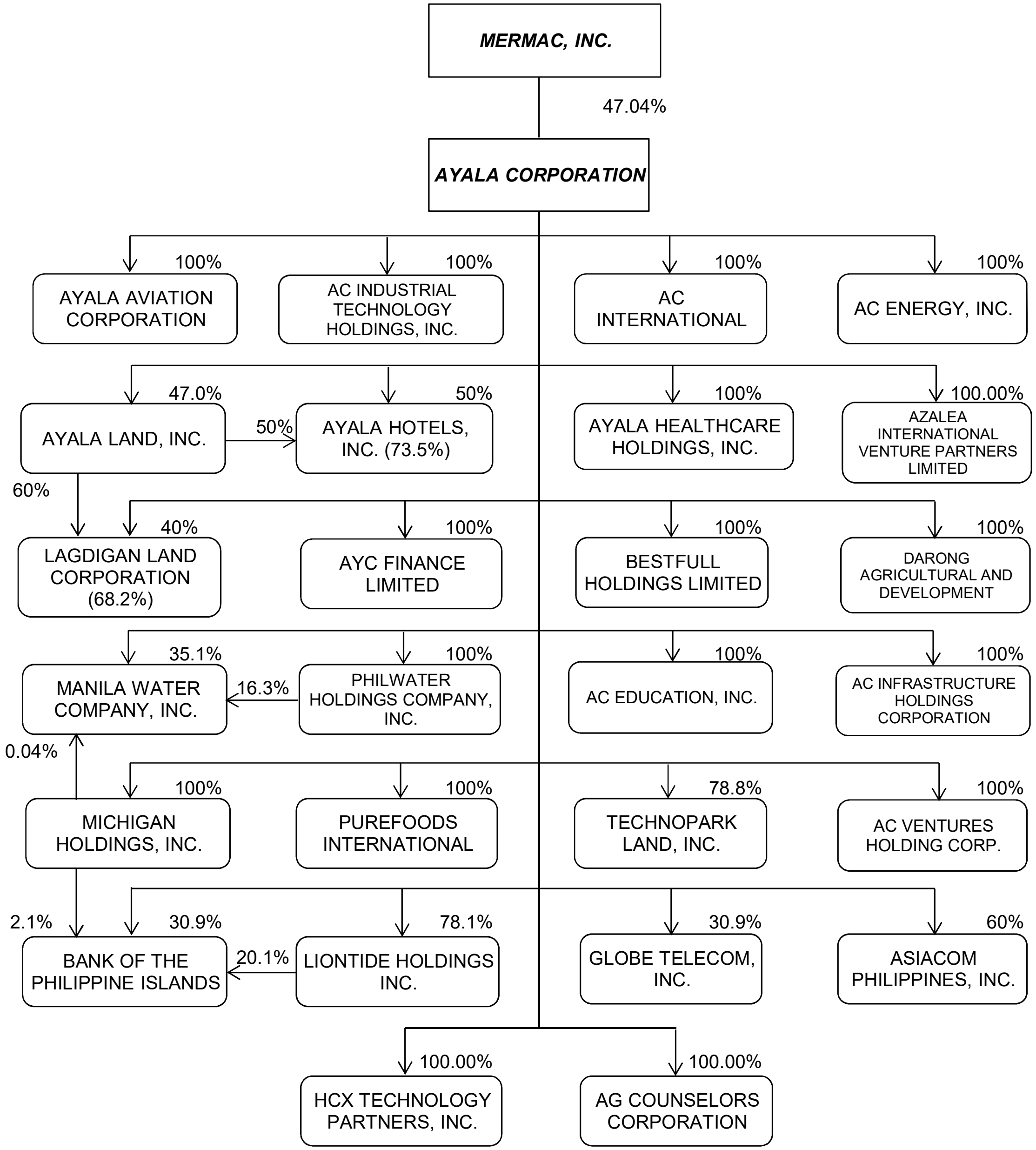
AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE H- CAPITAL STOCK
As of December 31, 2018

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	20,000,000,000	14,614,387,486	120,493,595		14,734,881,081	5,601,470	6,923,412,191	134,733,309	
Preferred Stock	15,000,000,000	13,066,494,759			13,066,494,759		12,163,180,640	480	

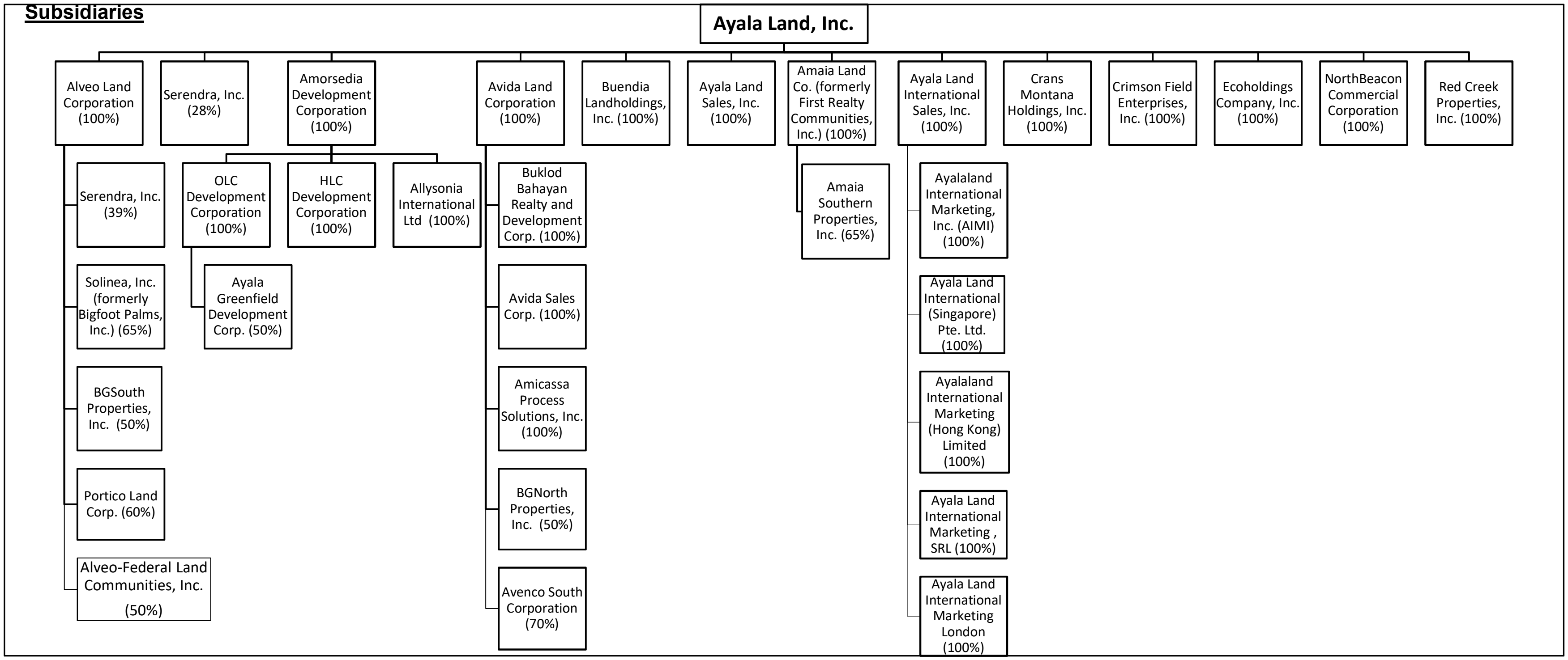
AYALA LAND, INC.
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31,2018
Schedule I - Reconciliation Of Retained Earnings Available For Dividend Declaration

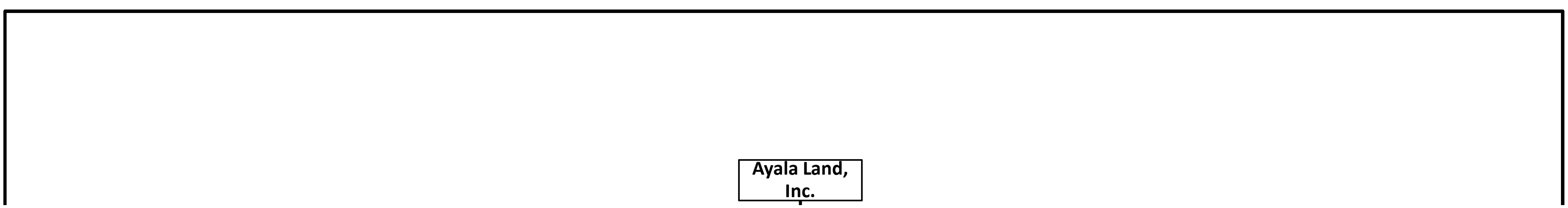
Items	Amount (In Thousands)	
Unappropriated Retained Earnings, beginning	**Php**	**48,563,943,910**
Less adjustments:		
Treasury shares		
Deferred tax assets		(2,628,917,293)
Fair Value adjustment		(593,852,588)
Unappropriated Retained Earnings, as adjusted, beginning		**45,341,174,030**
Net Income based on the face of AFS	Php	15,198,950,784
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the year		(381,935,670)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain		
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP – loss		
Loss on fair value adjustment of investment property (after tax)		
Net Income Actual/Realized	**Php**	**14,817,015,114**
Less: Other adjustments		
Dividend declarations during the period		(7,485,914,705)
Effects of prior period adjustments		
Reversal of Treasury shares		
		7,331,100,410
Unappropriated Retained Earnings, as adjusted, ending		**52,672,274,439**

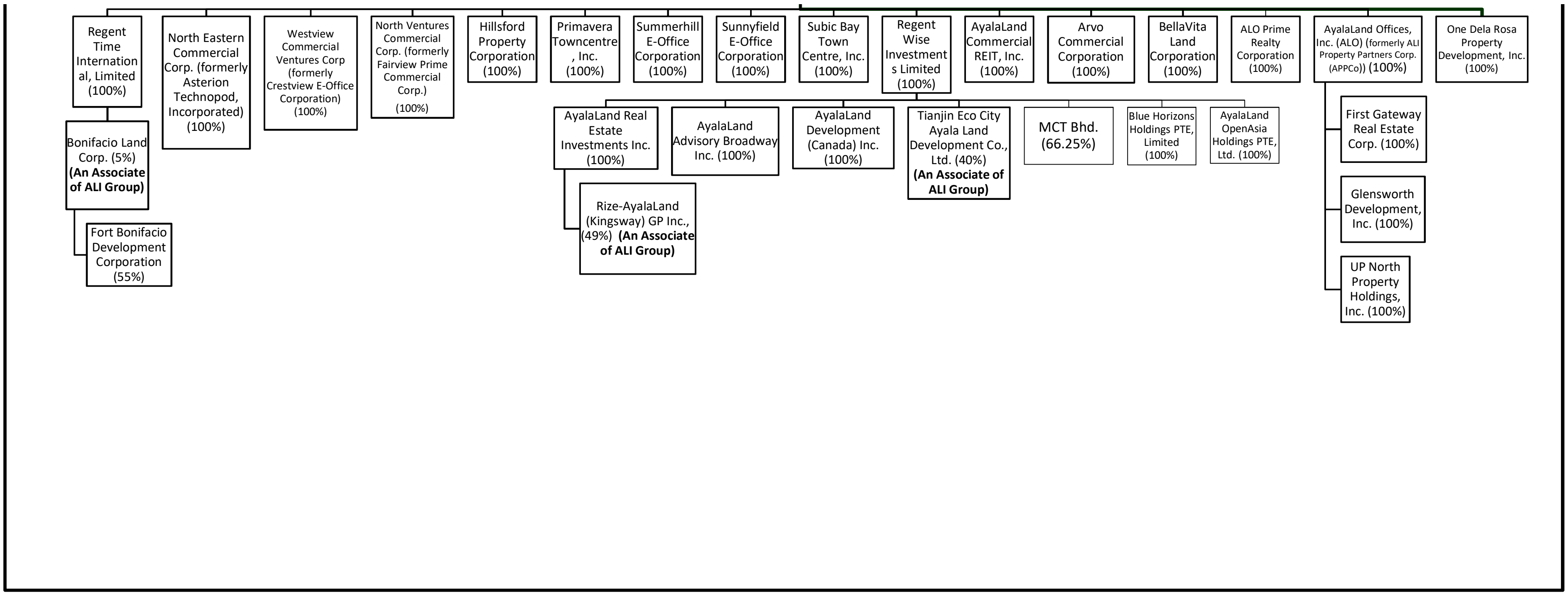
AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2018



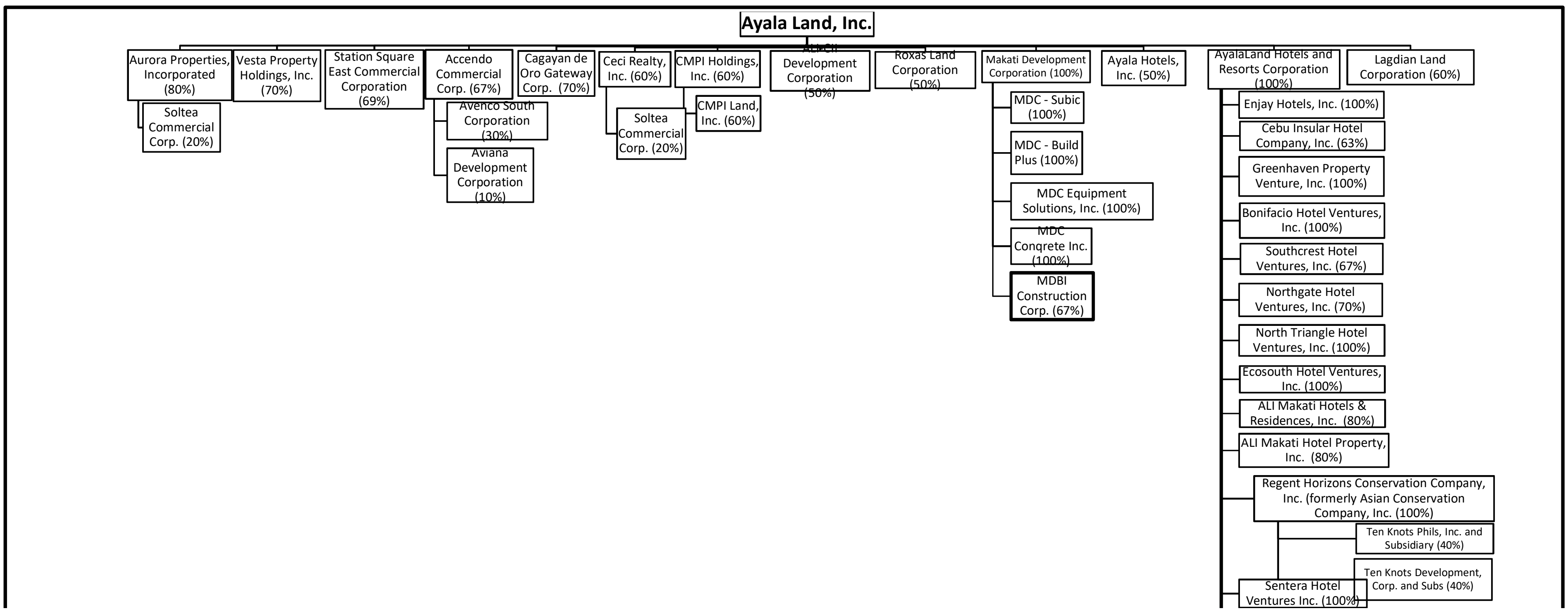
Legend:
% of ownership appearing outside the box - direct economic % of ownership
% of ownership appearing inside the box - effective % of economic ownership





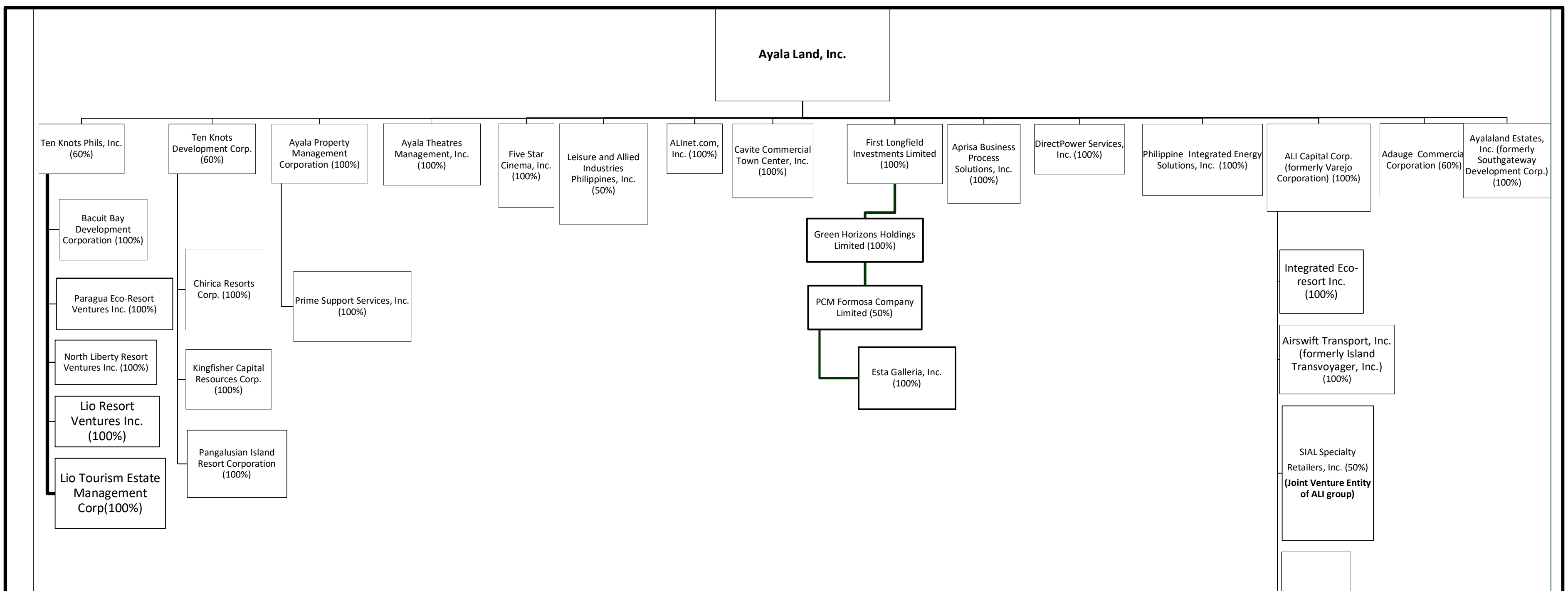


Regent Time International, Limited (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (55%)
North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) (100%)
Westview Commercial Ventures Corp (formerly Crestview E-Office Corporation) (100%)
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.) (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (49%) (An Associate of ALI Group)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
MCT Bhd. (66.25%)
Blue Horizons Holdings PTE, Limited (100%)
AyalaLand OpenAsia Holdings PTE, Ltd. (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
ALO Prime Realty Corporation (100%)
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)
One Dela Rosa Property Development, Inc. (100%)

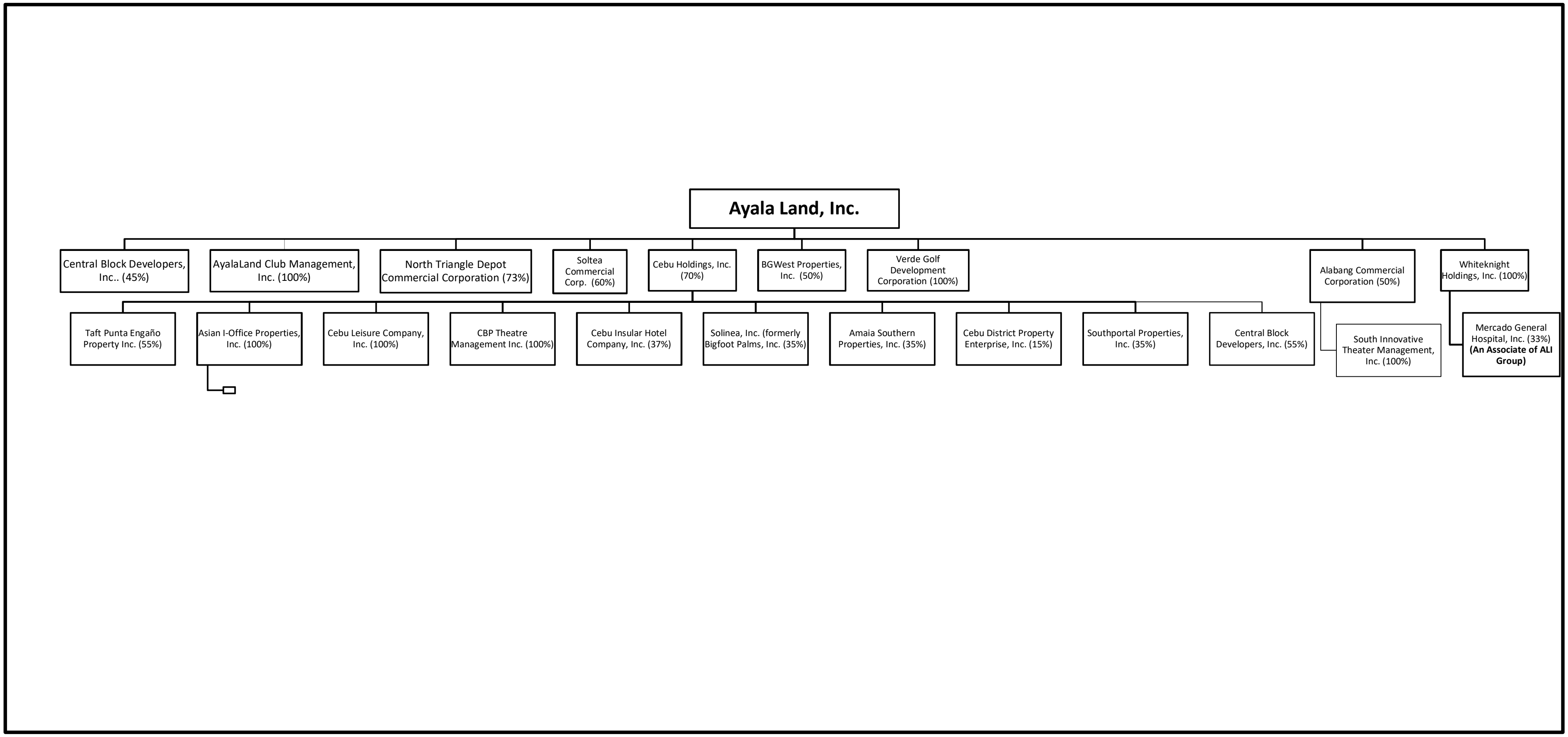


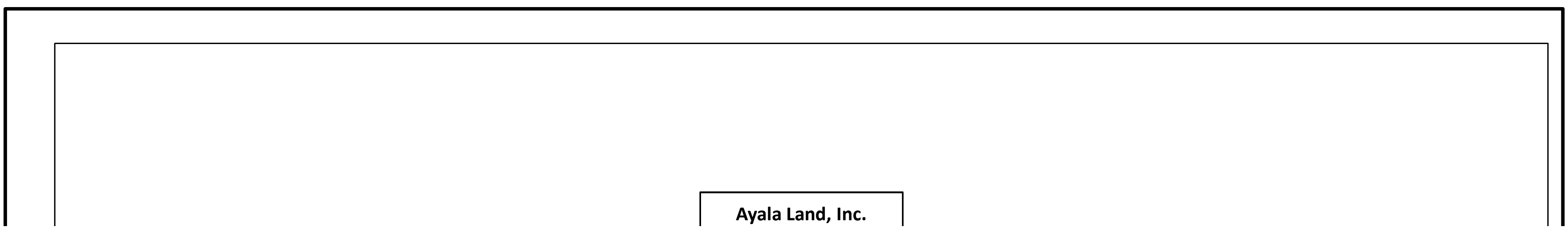
Ayala Land, Inc.
Aurora Properties, Incorporated (80%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (20%)
CMPI Holdings, Inc. (60%)
CMPI Land, Inc. (60%)
Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
MDBI Construction Corp. (67%)
Ayala Hotels, Inc. (50%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Regent Horizons Conservation Company, Inc. (formerly Asian Conservation Company, Inc. (100%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development, Corp. and Subs (40%)
Sentera Hotel Ventures Inc. (100%)
Lagdian Land Corporation (60%)

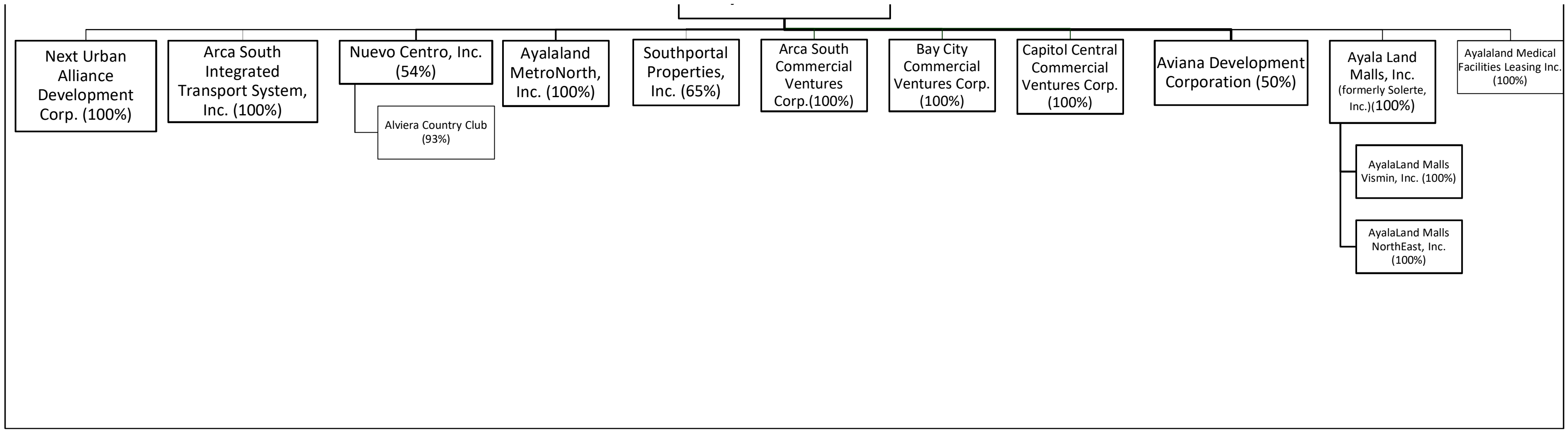

Econorth Resorts Ventures, Inc. (100)
ALI Triangle Hotel Ventures, Inc. (100%)
ArcaSouth Hotel Ventures, Inc. (ASHVI) (100%)
Capitol Central Hotel Ventures, Inc. (CCHVI) (100%)
Circuit Makati Hotel Ventures, Inc. (CMHVI) (100%)
Sicogon Town Hotel, Inc. (100%)
Sicogon Island Tourism Estate, Corp. (100%)
Bay Area Hotel Ventures, Inc. (100%)
Makati North Hotel Ventures, Inc. (100%)
One Makati Hotel Ventures, Inc. (100%)
One Makati Residential Ventures, Inc. (100%)
Asiatown Hotel Ventures, Inc. (100%)

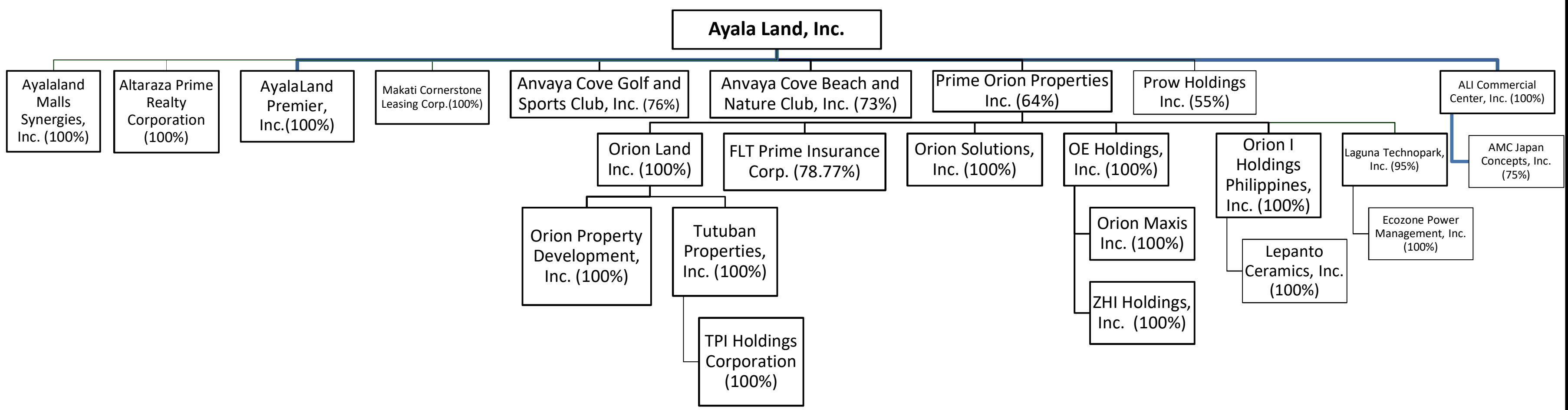

Ayala Land, Inc.
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Paragua Eco-Resort Ventures Inc. (100%)
North Liberty Resort Ventures Inc. (100%)
Lio Resort Ventures Inc. (100%)
Lio Tourism Estate Management Corp(100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (100%)
Pangalusian Island Resort Corporation (100%)
Ayala Property Management Corporation (100%)
Prime Support Services, Inc. (100%)
Ayala Theatres Management, Inc. (100%)
Five Star Cinema, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
ALInet.com, Inc. (100%)
Cavite Commercial Town Center, Inc. (100%)
First Longfield Investments Limited (100%)
Green Horizons Holdings Limited (100%)
PCM Formosa Company Limited (50%)
Esta Galleria, Inc. (100%)
Aprisa Business Process Solutions, Inc. (100%)
DirectPower Services, Inc. (100%)
Philippine Integrated Energy Solutions, Inc. (100%)
ALI Capital Corp. (formerly Varejo Corporation) (100%)
Integrated Eco-resort Inc. (100%)
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (100%)
SIAL Specialty Retailers, Inc. (50%)
(Joint Venture Entity of ALI group)
Adauge Commercial Corporation (60%)
Ayalaland Estates, Inc. (formerly Southgateway Development Corp.) (100%)


AyaGold Retailers, Inc. (50%) **(Joint Venture Entity of ALI group)**

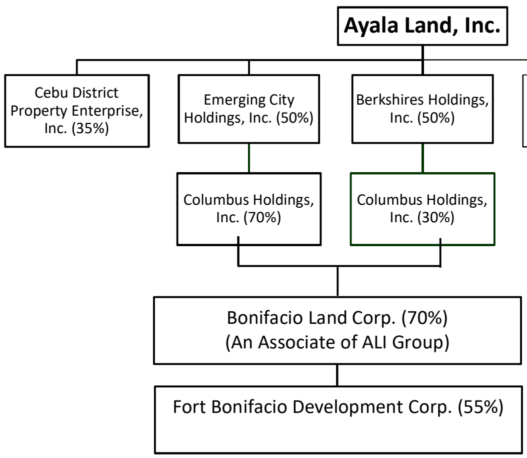

Ayala Land, Inc.
Central Block Developers, Inc.. (45%)
AyalaLand Club Management, Inc. (100%)
North Triangle Depot Commercial Corporation (73%)
Soltea Commercial Corp. (60%)
Cebu Holdings, Inc. (70%)
BGWest Properties, Inc. (50%)
Verde Golf Development Corporation (100%)
Alabang Commercial Corporation (50%)
Whiteknight Holdings, Inc. (100%)
Taft Punta Engaño Property Inc. (55%)
Asian I-Office Properties, Inc. (100%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Cebu District Property Enterprise, Inc. (15%)
Southportal Properties, Inc. (35%)
Central Block Developers, Inc. (55%)
South Innovative Theater Management, Inc. (100%)
Mercado General Hospital, Inc. (33%) **(An Associate of ALI Group)**


Ayala Land, Inc.

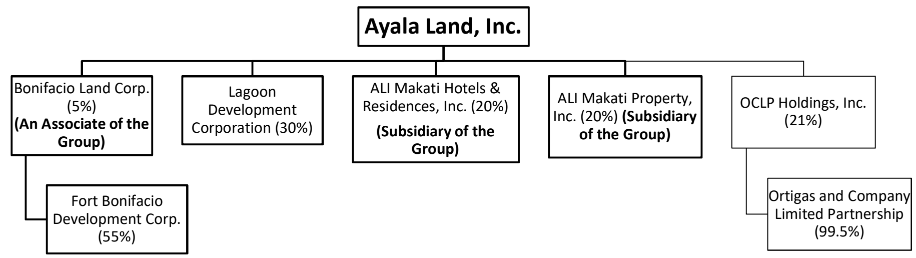

Next Urban Alliance Development Corp. (100%)
Arca South Integrated Transport System, Inc. (100%)
Nuevo Centro, Inc. (54%)
Alviera Country Club (93%)
Ayalaland MetroNorth, Inc. (100%)
Southportal Properties, Inc. (65%)
Arca South Commercial Ventures Corp.(100%)
Bay City Commercial Ventures Corp. (100%)
Capitol Central Commercial Ventures Corp. (100%)
Aviana Development Corporation (50%)
Ayala Land Malls, Inc. (formerly Solerte, Inc.)(100%)
AyalaLand Malls Vismin, Inc. (100%)
AyalaLand Malls NorthEast, Inc. (100%)
Ayalaland Medical Facilities Leasing Inc. (100%)


Ayala Land, Inc.
Ayalaland Malls Synergies, Inc. (100%)
Altaraza Prime Realty Corporation (100%)
AyalaLand Premier, Inc.(100%)
Makati Cornerstone Leasing Corp.(100%)
Anvaya Cove Golf and Sports Club, Inc. (76%)
Anvaya Cove Beach and Nature Club, Inc. (73%)
Prime Orion Properties Inc. (64%)
Prow Holdings Inc. (55%)
ALI Commercial Center, Inc. (100%)
AMC Japan Concepts, Inc. (75%)
Orion Land Inc. (100%)
FLT Prime Insurance Corp. (78.77%)
Orion Solutions, Inc. (100%)
OE Holdings, Inc. (100%)
Orion I Holdings Philippines, Inc. (100%)
Laguna Technopark, Inc. (95%)
Orion Property Development, Inc. (100%)
Tutuban Properties, Inc. (100%)
TPI Holdings Corporation (100%)
Orion Maxis Inc. (100%)
ZHI Holdings, Inc. (100%)
Lepanto Ceramics, Inc. (100%)
Ecozone Power Management, Inc. (100%)

Direct Investments in Joint Ventures



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
As of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		√		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
	Amendments to PFRS 1: Borrowing costs			√
	Amendments to PFRS 1: Meaning of 'Effective PFRSs		**Not early adopted**	
PFRS 2	Share-based Payment	√		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	√		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
	Amendments to PFRS 2: Definition of Vesting Condition	√		
PFRS 3 (Revised)	Business Combinations	√		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	√		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	√		
	Amendments to PFRS 5: Changes in Methods of Disposal	√		
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PFRS 7: Transition	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Amendments to PFRS 7: Servicing Contracts	√		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		**Not early adopted**	
PFRS 8	Operating Segments	√		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	√		
PFRS 9	Financial Instruments (2010 version)		**Not early adopted**	
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		**Not early adopted**	
	Financial Instruments (2014 or final version)		**Not early adopted**	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
	Consolidated Financial Statements	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
	Amendment to PFRS 10: Investment Entities: Applying the Consolidation Exception			√
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Deferred	
	Amendment to PFRS 10: Consolidated Financial Statement: PFRS 12: Disclosure of Interest in Other Entities and PAS 28: Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation exception			√
PFRS 11	Joint Arrangements	√		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			√
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
	Amendments to PFRS 13: Short-term receivable and payables	√		
	Amendments to PFRS 13: Portfolio Exception	√		
PFRS 14	Regulatory Deferral Accounts			√
PFRS 15	Revenue from Contracts with Customers	√		
PFRS 16	Leases		Not early adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	√		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
	Amendments to PAS 1: Clarification of the requirements for comparative information	√		
	Amendment to PAS 1: Disclosure Initiative	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: Disclosure Initiative	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Balance Sheet Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12: Recovery of Underlying Assets			√
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized losses			√
PAS 16	Property, Plant and Equipment	√		
	Amendment to PAS 16: Classification of servicing equipment	√		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			√
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			√
	Amendments to PAS 16 and PAS 41: Bearer Plants			√
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			√
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			√
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate	√		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Amendments to PAS 24: Key Management Personnel			√
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
	Amendment to PAS 27: Equity Method in Separate Financial Statements			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		√	
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	√		
	Amendment to PAS 32: Classification of Rights Issues	√		
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument	√		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	√		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'	√		
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			√
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	√		
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option	√		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	√		
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property		√	
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40		√	
PAS 41	Agriculture			√
	Amendment to PAS 16 and PAS 41: Bearer Plants			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			√
IFRIC 8	*Scope of PFRS 2*	√		
IFRIC 9	Reassessment of Embedded Derivatives	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	√		
IFRIC 10	*Interim Financial Reporting and Impairment*	√		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	√		
IFRIC 12	Service Concession Arrangements	√		
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 15	Agreements for the Construction of Real Estate*			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
IFRIC 22	Foreign Currency Transactions and Advance Consideration	√		
IFRIC 23	Uncertainty over Income tax treatments		**Not early adopted**	
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	√		
SIC-15	Operating Leases - Incentives	√		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	√		
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√
PIC 2016-02	PAS 32 and PAS 38: Accounting Treatment of Club Shares Held by an Entity	√		

* *Effectivity has been deferred by the SEC and FRSC*

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2018

Schedule L - Financial Ratios

	2018	2017 (as restated)
	(Amounts inThousands)	
Current / liquidity ratios		
Current Assets	302,829,899	240,852,281
Current liabilities	240,784,527	184,623,237
Current ratios	**1.26**	**1.30**
Current Assets	302,829,899	240,852,281
Inventory	104,371,611	90,845,608
Quick assets	198,458,288	150,006,673
Current liabilities	240,784,527	184,623,237
Quick ratios	**0.82**	**0.81**

	2018	2017 (as restated)
	(Amounts inThousands)	
Solvency/ debt-to-equity ratios		
Short-term debt	14,386,717	17,644,350
Current portion of long-term debt	23,265,173	6,572,775
Long-term debt - net of current portion	149,446,949	150,168,631
Debt	**187,098,839**	**174,385,756**
Equity *	220,221,197	192,263,358
Less: Unrealized gain - AFS	-454,138	40,530
Equity, net of unrealized gain	**220,675,335**	**192,222,829**
Debt to equity ratio	**0.85**	**0.91**
Debt	187,098,839	174,385,756
Cash and cash equivalents	24,387,091	20,998,089
Short term investments	3,085,373	4,739,734
Financial assets at FV through P&L	85,724	82,978
Net Debt	159,540,651	148,564,955
Equity*	220,221,197	192,263,358
Net Debt to equity ratio	**0.72**	**0.77**

	2018	2017 (as restated)
	(Amounts inThousands)	
Asset to equity ratios		
Total Assets	668,820,481	573,992,334
Total Equity*	220,221,197	192,263,358
Asset to Equity Ratio	**3.04**	**2.99**

	2018	2017 (as restated)
	(Amounts inThousands)	
Interest rate coverage ratio		
Net income after tax	**33,216,589**	**28,165,659**
Add:		
Provision for income tax	11,984,440	9,824,981
Interest expense and other financing charges	9,594,003	7,914,326
Other charges	1,270,281	1,196,076

	22,848,724	18,935,383
Less:		
Interest and investment income	8,000,314	6,084,995
EBIT	**48,064,999**	**41,016,047**
Depreciation and amortization	**6,318,929**	**5,179,792**
EBITDA	**54,383,928**	**46,195,839**
Interest expense	8,927,458	7,730,454
Short-term debt	***1,668,340***	***337,384***
Long-term debt	***7,259,118***	***7,393,070***
Interest rate coverage ratio	**6.1**	**6.0**

	2018	**2017 (as restated)**
	(Amounts inThousands)	
Profitability ratios		
Net Income Attributable to Equity holders of Ayala Land, Inc.	29,240,880	25,304,965
Revenue	166,245,771	142,296,951
Net income margin	**17.6%**	**17.8%**
Net income after tax	33,216,589	28,165,659
Total Assets CY	668,820,481	573,992,334
Total Assets PY	573,992,334	536,432,995
Average Total Assets	621,406,408	555,212,665
Return on total assets	**5.3%**	**5.1%**
Net income after tax	29,240,880	25,304,965
Total Equity-CY	187,299,852	166,754,611
Total Equity-PY	166,754,611	147,705,095
Average total equity	177,027,232	157,229,853
Return on Equity	**16.5%**	**16.1%**

Schedule M – Bond Proceeds

P8.0 Billion Fixed Rate Bonds due 2023

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,020,000.00	2,020,000.00
Documentary Stamp Tax	60,000,000.00	60,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	4,044,234.00
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	49,875.00
Listing Fee	100,000.00	100,000.00
Total Expenses	106,120,000.00	96,214,109.00
Net Proceeds	**7,893,880,000.00**	**7,903,785,891.00**

Balance of Proceeds as of 12.31.2018 NIL

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.90 billion. Net proceeds were used to partially finance various projects.

P10.0 Billion Fixed Rate Bonds due 2028

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**10,000,000,000.00**	**10,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,525,000.00	2,525,000.00
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	37,500,000.00	37,500,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	4,901,842.56
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	622,938.20
Listing Fee	200,000.00	200,000.00
Total Expenses	129,225,000.00	120,749,780.76
Net Proceeds	**9,870,775,000.00**	**9,879,250,219.24**

Balance of Proceeds as of 12.31.2018 NIL

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P9.88 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2027

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**7,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,767,500.00	1,767,500.00
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	3,161,187.20
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	990,430.17
Listing Fee	100,000.00	100,000.00
Total Expenses	74,617,500.00	67,269,117.37
Net Proceeds	**6,925,382,500.00**	**6,932,730,882.63**

Balance of Proceeds as of 12.31.2018 NIL

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.92 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2023 and P3.0 Billion Homestarter Bonds due 2019

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**10,000,000,000.00**	**10,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,525,000.00	2,525,000.00
Documentary Stamp Tax	50,000,000.00	50,000,000.00
Underwriting Fee	44,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	2,960,000.00
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	201,849.33
Listing Fee	200,000.00	200,000.00
Total Expenses	110,975,000.00	82,136,849.33
Net Proceeds	**9,889,025,000.00**	**9,917,863,150.67**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P9.9 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2025

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**8,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,767,500.00	1,767,500.00
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	2,301,963.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	248,847.18
Listing Fee	100,000.00	100,000.00
Total Expenses	73,117,500.00	65,668,310.18
Net Proceeds	**6,926,882,500.00**	**6,934,331,689.82**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P8.0 Billion Fixed Rate Bonds due 2026

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,588,125.00	2,588,125.00
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	3,651,246.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	398,937.60
Listing Fee	100,000.00	100,000.00
Total Expenses	82,688,125.00	76,738,308.60
Net Proceeds	**7,917,311,875.00**	**7,923,261,691.40**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2022

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**7,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	-	-
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	25,724,999.99
Estimated Professional Expenses & Agency fees	5,740,000.00	3,058,763.32
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	19,307.59
Listing Fee	100,000.00	100,000.00
Total Expenses	69,590,000.00	63,903,070.90
Net Proceeds	**6,930,410,000.00**	**6,936,096,929.10**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P5.0 Billion Fixed Rate Bonds due 2021

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**5,000,000,000.00**	**5,000,000,000.00**
Expenses		
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration	1,812,500.00	1,812,500.00
Legal Research Fee	18,125.00	18,125.00
Upfront Fees	-	-
Underwriting Fee	18,750,000.00	18,750,000.00
Professional Expenses and Agency Fees	3,828,500.00	4,051,801.20
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	275,128.39
Total Expenses	**52.051.125.00**	**49,907,554.59**
Net Proceeds	**4,947,978,875.00**	**4,950,092,445.41**

Balance of Proceeds as of 12.31.2018 **NIL**

Cebu Holdings, Inc. raised from the Bonds gross proceeds of P5.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P4.95 billion. Net proceeds were used to partially finance various projects.

P8 Billion Fixed Rate Callable Bonds due 2025

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Expenses		
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	7,748,500.00	7,178,064.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	126,279.00
Listing Fee	168,000.00	100,000.00
Total Expenses	**84,772,125.00**	**81,759,968.00**
Net Proceeds	**7,915,227,875.00**	**7,918,240,032.00**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P4.0 Billion in Fixed Rate Bonds due 2020 and P2.0 Billion Fixed Rate Bonds due 2033

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**6,000,000,000.00**	**6,000,000,000.00**
Expenses		
Documentary Stamp Tax	30,000,000.00	30,000,000.00
Upfront Fees		
Underwriting Fee (375 bps + GRT)	22,500,000.00	22,500,000.00
Professional Expenses	1,457,500.00	2,517,808.07
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	1,000,000.00	5,530.00
Total Expenses	**55,057,500.00**	**55,123,338.07**
Net Proceeds	**5,944,942,500.00**	**5,944,876,661.93**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P6.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P5.9 billion. Net proceeds were used to partially finance various projects.

P15.0 Billion Fixed Rate Bonds due 2024

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**15,000,000,000.00**	**15,000,000,000.00**
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration	5,812,500.00	5,812,500.00
Legal Research Fee	58,125.00	58,125.00
Upfront Fees		
Underwriting Fee	56,250,000.00	56,250,000.00
Professional Expenses	7,336,000.00	401,082.05
Trustee	20,000.00	20,000.00
Registry Account Opening Fee	150,000.00	150,000.00
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	97,807.91
Total Expenses	**147,226,625.00**	**137,889,514.96**
Net Proceeds	**14,852,773,375.00**	**14,862,110,485.04**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

P9.35 Billion Fixed Rate Callable Bonds due 2019 and ₱5.65 Billion Fixed Rate Callable Bonds due 2022

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**15,000,000,000.00**	**15,000,000,000.00**
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	54,035,000.00
Rating Fee	5,040,000.00	4,125,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	1,960,000.00	3,064,146.00
Marketing/Printing/Photocopying Costs and OPEs	500,000.00	383,755.82
Registry and Paying Agency Fee	337,500.00	1,056,314.87
Trustee Fees	112,500.00	20,000.00
Listing Fee	100,000.00	443,666.68
Total Expenses	**141,440,625.00**	**142,483,508.37**
Net Proceeds	**14,858,559,375.00**	**14,857,516,491.63**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 6

(in pesos)	PROSPECTUS	ACTUAL
Issue Amount	**2,000,000,000.00**	**2,000,000,000.00**
Expenses		
Underwriting and Other Professional Fees	15,000,000.00	15,060,000.00
Issue Management Fee	2,000,000.00	2,000,000.00
Underwriting Fee	12,500,000.00	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00	560,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,486,780.27
Documentary Stamp Tax	10,000,000.00	10,000,000.00
Total Expenses	**27,200,000.00**	**26,546,789.27**
Net Proceeds	**1,972,800,000.00**	**1,973,453,210.73**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P2.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 5

(in pesos)	PROSPECTUS	ACTUAL
Issue Amount	**1,000,000,000.00**	**1,000,000,000.00**
Expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,587,085,83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
Total Expenses	**21,725,625.00**	**17,487,801.13**
Net Proceeds	**978,274,375.00**	**982,512,198.87**

Balance of Proceeds as of 12.31.2018 **NIL**

Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5 million. Net proceeds were used to partially finance various projects.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7						

C O M P A N Y N A M E

AYALA LAND, INC. AND SUBSIDIARIES

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

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
iru@ayalaland.com.ph	908-3677	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
12,039	04/24	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angelica L. Salvador	salvador.angel@ayalaland.com.ph	908-3681	

CONTACT PERSON's ADDRESS

30th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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

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

Ayala Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report

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A member firm of Ernst & Young Global Limited

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

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Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001,
October 4, 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 Board of Directors and Stockholders
Ayala Land, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, using the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant judgment and estimation in the following areas: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

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

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy.

The adoption of PFRS 15 as at January 1, 2018 resulted to reclassification of receivables and customers' deposit to contract assets and contract liabilities amounting to ₱73.9 billion and ₱18.1 billion, respectively. The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

In determining real estate revenue and cost of sales, we obtained an understanding of the Group's processes for determining the percentage of completion (POC) under the output method. We performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the stage of completion of the major activities of the project construction.

For the real estate inventories and cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

We test computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement,* provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

1. Classification and Measurement of Financial Assets

As at January 1, 2018 (the transition date), the Group classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted to transition adjustments that increased retained earnings and noncontrolling interest by ₱358.6 million and ₱205.4 million, respectively, and decreased other comprehensive income by ₱564.0 million. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were also classified based on the PFRS 9 classification criteria.

The Group's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the approved business models for the Group's portfolios of financial assets. For significant portfolios, we assessed the frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We test computed the transition adjustments and evaluated the disclosures on the adoption of the PFRS 9 classification criteria made in the consolidated financial statements.

2. Expected Credit Loss (ECL)

The Group's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the residential and office developemnt receivables and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Note 2 to the consolidated financial statements for the disclosures in relation to the adoption of the PFRS 9 ECL model.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We evaluated the disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.

Accounting for business acquisition

In January 2018, Ayala Land, Inc. through its wholly owned subsidiary, Regent Wise Investments, Ltd. acquired additional 39.4% of MCT Berhad (MCT) for a total consideration of ₱5.98 billion, thereby obtaining control over MCT. The previously held interest in MCT was revalued based on the acquisition date fair value which resulted to a remeasurement loss of ₱1.8 billion. The negative goodwill recognized based on the final purchase price allocation performed was ₱1.9 billion. We consider the accounting for this acquisition as a key audit matter because it required a significant amount of management judgment and estimation in identifying the underlying acquired assets and liabilities and in determining their fair values, specifically the acquired inventories, property and equipment and investment properties.

Further details of the acquisition made by the Group and the purchase price allocation are disclosed in Note 25 to the consolidated financial statements.

Audit Response

We reviewed the purchase agreement covering the acquisition, the consideration paid and the final purchase price allocation. We reviewed the identification of MCT's underlying assets and liabilities based on our understanding of MCT's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who valued the inventories, property and equipment and investment properties by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the real estate properties. We compared the key assumptions used such as the list prices and adjustment factors by reference to relevant market data.

Consolidation Process

The consolidated financial statements of the Group represents the consolidation of the financial statements of Ayala Land, Inc. and its various direct and indirect subsidiaries. We consider the Group's consolidation process as a key audit matter because of the complexity arising from the numerous component entities within the Group requiring layers of consolidation, voluminous intercompany transactions that require elimination and deferral, subsequent realization of profit or revenue, monitoring of fair value adjustments arising from business combinations, and adjustments to non-controlling interests.

Note 1 to the consolidated financial statements provides the relevant information on the Group's subsidiaries.

Audit Response

We obtained an understanding of the Group's consolidation process and the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany balances. We tested significant consolidation adjustments, including elimination, deferral and realization of profit or recoveries from intercompany transactions and balances, amortization/depreciation/reversal of fair value adjustments arising from business combinations, the currency translation adjustments, movements in non-controlling interests and other equity adjustments.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332607, January 3, 2019, Makati City

February 27, 2019

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017 (As restated - see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2, 4 and 30)	**₱23,996,570**	₱20,998,089
Short-term investments (Notes 2, 5 and 30)	**3,085,373**	4,739,734
Financial assets at fair value through profit or loss (Notes 2, 6 and 30)	**476,245**	540,606
Accounts and notes receivable (Notes 2, 7 and 30)	**78,245,866**	75,917,344
Contract assets (Notes 2, 15 and 30)	**48,473,011**	–
Inventories (Notes 2 and 8)	**104,371,611**	90,845,608
Other current assets (Notes 2 and 9)	**44,181,222**	47,810,900
Total Current Assets	**302,829,898**	240,852,281
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 2, 7 and 30)	**3,367,890**	44,522,898
Noncurrent contract assets (Notes 2, 15 and 30)	**35,437,047**	–
Financial assets at fair value through other comprehensive income (Notes 2, 10 and 30)	**1,495,795**	–
Available-for-sale financial assets (Notes 2, 10 and 30)	**–**	1,475,241
Investments in associates and joint ventures (Note 11)	**23,389,752**	26,800,823
Investment properties (Note 12)	**225,005,910**	200,239,815
Property and equipment (Note 13)	**35,749,200**	28,524,088
Deferred tax assets - net (Note 24)	**13,040,993**	10,648,013
Other noncurrent assets (Notes 14 and 27)	**28,503,997**	20,929,175
Total Noncurrent Assets	**365,990,584**	333,140,053
	₱668,820,482	₱573,992,334
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 17 and 30)	**₱14,386,717**	₱17,644,350
Accounts and other payables (Notes 16 and 30)	**171,999,422**	137,683,859
Contract liabilities (Note 15)	**21,874,681**	–
Income tax payable	**2,588,669**	978,433
Current portion of long-term debt (Notes 17 and 30)	**23,265,173**	6,572,775
Deposits and other current liabilities (Note 18)	**6,669,865**	21,743,820
Total Current Liabilities	**240,784,527**	184,623,237
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 30)	**149,446,949**	150,168,631
Pension liabilities (Note 27)	**1,550,198**	1,535,671
Contract liabilities - net of current portion (Note 15)	**8,630,235**	–
Deferred tax liabilities - net (Note 24)	**5,894,705**	3,543,791
Deposits and other noncurrent liabilities (Notes 19 and 30)	**42,292,671**	41,857,646
Total Noncurrent Liabilities	**207,814,758**	197,105,739
Total Liabilities	**448,599,285**	381,728,976

(Forward)

	December 31	
	2018	2017 (As restated - see Note 2)
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱62,350,964**	₱61,948,711
Retained earnings (Note 2)	**132,090,020**	109,976,450
Stock options outstanding (Note 29)	**65,462**	99,064
Remeasurement loss on defined benefit plans (Note 27)	**(219,782)**	(160,015)
Fair value reserve of financial assets at FVOCI (Note 10)	**(454,138)**	40,530
Cumulative translation adjustments	**868,271**	1,001,986
Equity reserves (Note 1)	**(7,400,945)**	(6,152,115)
	187,299,852	166,754,611
Non-controlling interests (Note 20)	**32,921,345**	25,508,747
Total Equity	**220,221,197**	192,263,358
	₱668,820,482	₱573,992,334

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2018	2017	2016
REVENUE (Note 21)			
Real estate sales (Notes 21 and 31)	**₱155,954,816**	₱133,097,831	₱117,700,488
Interest income from real estate sales (Note 7)	**7,042,078**	5,409,944	5,010,993
Equity in net earnings of associates and joint ventures (Notes 11 and 21)	**749,924**	865,566	554,414
	163,746,818	139,373,341	123,265,895
Interest and investment income (Notes 6, 22 and 26)	**958,236**	675,051	702,964
Other income (Notes 22 and 25)	**1,540,717**	2,248,559	659,936
	2,498,953	2,923,610	1,362,900
	166,245,771	142,296,951	124,628,795
COSTS AND EXPENSES			
Real estate sales (Note 23)	**101,079,130**	87,921,064	76,566,404
General and administrative expenses (Notes 23, 27 and 29)	**9,101,328**	7,274,845	7,031,350
Interest and other financing charges (Note 23)	**9,594,003**	7,914,326	7,314,387
Other expenses (Note 23)	**1,270,281**	1,196,076	1,053,207
	121,044,742	104,306,311	91,965,348
INCOME BEFORE INCOME TAX	**45,201,029**	37,990,640	32,663,447
PROVISION FOR INCOME TAX (Note 24)			
Current	**13,390,637**	11,959,895	10,070,055
Deferred	**(1,406,197)**	(2,134,914)	(1,838,393)
	11,984,440	9,824,981	8,231,662
NET INCOME	**₱33,216,589**	₱28,165,659	₱24,431,785
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 28)	**₱29,240,880**	₱25,304,965	₱20,908,011
Non-controlling interests	**3,975,709**	2,860,694	3,523,774
	₱33,216,589	₱28,165,659	₱24,431,785
Earnings Per Share (Note 28)			
Net income attributable to equity holders of Ayala Land, Inc.:			
Basic and diluted	**₱1.98**	₱1.71	₱1.43

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
Net income	**₱33,216,589**	₱28,165,659	₱24,431,785
Other comprehensive income (loss)			
Item that may be reclassified to profit or loss in subsequent years:			
Cumulative translation adjustment	**451,195**	1,001,986	–
Items that will not be reclassified to profit or loss in subsequent years:			
Fair value reserve of financial assets at FVOCI (Note 10)	**71,938**	(3,064)	124,932
Remeasurement gain (loss) on pension liabilities (Note 27)	**(85,381)**	281,290	107,956
Income tax effect	**25,614**	(84,387)	(32,387)
	463,366	1,195,825	200,501
Total comprehensive income	**₱33,679,955**	₱29,361,484	₱24,632,286
Total comprehensive income attributable to:			
Equity holders of of Ayala Land, Inc.	**₱29,701,636**	₱26,500,790	₱21,107,974
Non-controlling interests	**3,978,319**	2,860,694	3,524,312
	₱33,679,955	₱29,361,484	₱24,632,286

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to equity holders of Ayala Land, Inc.												
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Subscriptions Receivable	Appropriated Retained Earnings (Note 20)	Unappropriated Retained Earnings (Note 20)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 27)	Fair value reserve of financial assets at FVOCI (Note 10)	Cumulative Translation Adjustments (Note 20)	Equity Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2018, as previously reported	**₱16,031,596**	**₱47,454,241**	**(₱1,537,126)**	**₱8,000,000**	**₱101,976,450**	**₱99,064**	**(₱160,015)**	**₱40,530**	**₱1,001,986**	**(₱6,152,115)**	**₱166,754,611**	**₱25,508,747**	**₱192,263,358**
Effect of adoption of new accounting standards (Note 2)	**–**	**–**	**–**	**–**	**358,605**	**–**	**–**	**(563,997)**	**–**	**–**	**(205,392)**	**205,392**	**–**
Balances at January 1, 2018, as restated	**16,031,596**	**47,454,241**	**(1,537,126)**	**8,000,000**	**102,335,055**	**99,064**	**(160,015)**	**(523,467)**	**1,001,986**	**(6,152,115)**	**166,549,219**	**25,714,139**	**192,263,358**
Net income	**–**	**–**	**–**	**–**	**29,240,880**	**–**	**–**	**–**	**–**	**–**	**29,240,880**	**3,975,709**	**33,216,589**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(59,767)**	**69,329**	**451,195**	**–**	**460,757**	**2,609**	**463,366**
Total comprehensive income	**–**	**–**	**–**	**–**	**29,240,880**	**–**	**(59,767)**	**69,329**	**451,195**	**–**	**29,701,637**	**3,978,318**	**33,679,955**
Cost of stock options	**–**	**132,121**	**–**	**–**	**–**	**(33,602)**	**–**	**–**	**–**	**–**	**98,519**	**–**	**98,519**
Collection of subscription receivable	**–**	**–**	**270,132**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**270,132**	**–**	**270,132**
Stock options exercised	**9,934**	**399,628**	**(409,562)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of control on previously held interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(584,910)**	**–**	**(584,910)**	**4,773,524**	**4,188,614**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,248,830)**	**(1,248,830)**	**(509,596)**	**(1,758,426)**
Cash dividends declared	**–**	**–**	**–**	**–**	**(7,485,915)**	**–**	**–**	**–**	**–**	**–**	**(7,485,915)**	**(1,035,040)**	**(8,520,955)**
As of December 31, 2018	**₱16,041,530**	**₱47,985,990**	**(₱1,676,556)**	**₱8,000,000**	**₱124,090,020**	**₱65,462**	**(₱219,782)**	**(₱454,138)**	**₱868,271**	**(₱7,400,945)**	**₱187,299,852**	**₱32,921,345**	**₱220,221,197**
As of January 1, 2017	₱16,019,331	₱46,928,521	(₱1,385,682)	₱8,000,000	₱83,798,555	₱89,697	(₱356,918)	₱43,594	₱–	(₱5,432,003)	₱147,705,095	₱24,978,092	₱172,683,187
Net income	–	–	–	–	25,304,965	–	–	–	–	–	25,304,965	2,860,694	28,165,659
Other comprehensive income (loss)	–	–	–	–	–	–	196,903	(3,064)	1,001,986	–	1,195,825	–	1,195,825
Total comprehensive income	–	–	–	–	25,304,965	–	196,903	(3,064)	1,001,986	–	26,500,790	2,860,694	29,361,484
Cost of stock options	–	144,478	–	–	–	9,367	–	–	–	–	153,845	–	153,845
Collection of subscription receivable	–	–	242,063	–	–	–	–	–	–	–	242,063	–	242,063
Stock options exercised	12,265	381,242	(393,507)	–	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	(586,010)	(586,010)	(1,247,563)	(1,833,573)
Increase in non-controlling interest	–	–	–	–	–	–	–	–	–	(134,102)	(134,102)	408,138	274,036
Net change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(387,883)	(387,883)
Cash dividends declared	–	–	–	–	(7,127,070)	–	–	–	–	–	(7,127,070)	(1,102,731)	(8,229,801)
As of December 31, 2017	₱16,031,596	₱47,454,241	(₱1,537,126)	₱8,000,000	₱101,976,450	₱99,064	(₱160,015)	₱40,530	₱1,001,986	(₱6,152,115)	₱166,754,611	₱25,508,747	₱192,263,358

	Attributable to equity holders of Ayala Land, Inc.												
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Subscriptions Receivable	Appropriated Retained Earnings (Note 20)	Unappropriated Retained Earnings (Note 20)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 27)	Fair value reserve of financial assets at FVOCI (Note 10)	Cumulative Translation Adjustments (Note 20)	Equity Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2016	₱16,002,280	₱46,217,696	(₱1,147,528)	₱6,000,000	₱71,951,761	₱190,747	(₱432,487)	(₱80,800)	₱–	(₱4,970,965)	₱133,730,704	₱16,094,707	₱149,825,411
Net income	–	–	–	–	20,908,011	–	–	–	–	–	20,908,011	3,523,774	24,431,785
Other comprehensive income	–	–	–	–	–	–	75,569	124,394	–	–	199,963	538	200,501
Total comprehensive income	–	–	–	–	20,908,011	–	75,569	124,394	–	–	21,107,974	3,524,312	24,632,286
Collection of subscription receivable	–	–	180,338	–	–	–	–	–	–	–	180,338	–	180,338
Appropriation	–	–	–	2,000,000	(2,000,000)	–	–	–	–	–	–	–	–
Cash dividends declared	–	–	–	–	(7,061,217)	–	–	–	–	–	(7,061,217)	(1,559,064)	(8,620,281)
Cost of stock options	–	198,445	–	–	–	9,889	–	–	–	–	208,334	–	208,334
Stock options exercised	17,051	512,380	(418,492)	–	–	(110,939)	–	–	–	–	–	–	–
Acquisition on non-controlling interest	–	–	–	–	–	–	–	–	–	(461,038)	(461,038)	(748,746)	(1,209,784)
Net increase in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	7,666,883	7,666,883
As of December 31, 2016	₱16,019,331	₱46,928,521	(₱1,385,682)	₱8,000,000	₱83,798,555	₱89,697	(₱356,918)	₱43,594	₱–	(₱5,432,003)	₱147,705,095	₱24,978,092	₱172,683,187

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017 (As restated – see Note 2)	2016 (As restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱45,201,029**	₱37,990,640	₱32,663,447
Adjustments for:			
Interest and other financing charges (Note 23)	**9,594,003**	7,914,326	7,314,387
Depreciation and amortization (Notes 12, 13, 14 and 23)	**6,318,929**	5,179,792	5,874,560
Dividends received from investees (Note 11)	**331,461**	621,579	232,950
Provision for impairment losses (Note 23)	**146,974**	572,001	412,259
Cost of share-based payments (Note 29)	**98,519**	153,845	208,335
Unrealized gain on financial assets at fair value through profit or loss (Note 22)	**(4,633)**	(13,119)	(2,422)
Realized gain on financial assets at fair value through profit or loss (Note 22)	**–**	(15,860)	(6,305)
Gain on sale of available-for-sale investments	**–**	(25,713)	–
Gain on sale of investment in associates and jointly controlled entities	**(588)**	–	–
Gain on sale of property and equipment (Note 22)	**(46,570)**	(69,566)	(37,447)
Gain on business combination (Note 22)	**(59,475)**	–	(188,086)
Equity in net earnings of associates and joint ventures (Note 11)	**(749,924)**	(865,566)	(554,414)
Interest income	**(7,952,628)**	(5,987,681)	(5,695,312)
Operating income before changes in working capital	**52,877,097**	45,454,678	40,221,952
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable – trade	**(83,557,042)**	(10,671,714)	(14,135,347)
Inventories (Note 8)	**12,136,508**	11,551,710	(10,652,706)
Other current assets (Note 9)	**3,629,678**	(7,952,463)	(1,406,487)
Increase (decrease) in:			
Accounts and other payables	**25,998,377**	(7,008,035)	26,451,366
Deposits and other current liabilities (Note 18)	**15,430,961**	6,155,797	3,976,821
Pension liabilities (Note 27)	**(45,240)**	233,734	(3,646)
Cash generated from operations	**26,470,339**	37,763,707	44,451,953
Interest received	**7,940,610**	5,963,687	5,661,647
Income tax paid	**(12,832,593)**	(11,899,324)	(8,859,232)
Interest paid	**(9,810,439)**	(7,594,485)	(7,566,031)
Net cash provided by operating activities	**11,767,917**	24,233,585	33,688,337
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of short-term investments	**2,519,341**	126,605	171,694
Sale/redemption of financial assets at FVTPL	**71,690**	3,408,555	2,948,650
Sale of investments in FVOCI (Note 10)	**51,384**	159,074	562
Disposal of property and equipment (Note 13)	**3,744,743**	622,957	280,775
Disposal of investment properties (Note 12)	**1,722,933**	165	550,255
Disposal of investments in associates and jointly controlled entities	**83,957**	196,654	–

(Forward)

	Years Ended December 31		
	2018	2017 (As restated – see Note 2)	2016 (As restated – see Note 2)
Additions to:			
Short-term investments	**(₱865,006)**	(₱4,658,694)	(₱214,744)
Financial assets at fair value through profit or loss	**(2,696)**	(1,955,642)	(2,760,693)
Available-for-sale financial assets (Note 10)	**–**	(226,494)	(837,168)
Investments in associates and joint ventures (Note 11)	**(3,724,958)**	(1,073,319)	(7,142,335)
Investment properties (Note 12)	**(32,803,016)**	(30,846,466)	(35,508,154)
Property and equipment (Note 13)	**(2,842,787)**	(2,326,115)	(3,721,845)
Net decrease (increase) in:			
Accounts and notes receivable – nontrade (Note 7)	**41,657,193**	(718,287)	(10,712,931)
Other noncurrent assets (Note 14)	**(7,906,689)**	3,384,920	(3,502,623)
Net decrease in cash from business combination (Note 25)	**(4,684,335)**	–	(105,381)
Net cash used in investing activities	**(2,978,246)**	(33,906,087)	(60,553,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**128,994,834**	157,564,449	51,937,179
Payments of short and long-term debt (Note 17)	**(119,970,061)**	(142,980,030)	(23,131,953)
Increase (decrease) in deposits and other noncurrent liabilities	**(5,584,237)**	5,217,509	7,353,729
Acquisition of non-controlling interest (Note 20)	**(1,758,426)**	(1,559,537)	(1,209,784)
Proceeds from capital stock subscriptions (Note 20)	**270,132**	242,063	180,338
Dividends paid to non-controlling interests	**(1,035,040)**	(1,102,731)	(1,559,064)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(7,181,498)**	(7,193,183)	(6,983,060)
Increase (decrease) in non-controlling interests	**–**	(387,883)	2,095,156
Net cash provided by (used in) financing activities	**(6,264,296)**	9,800,657	28,682,541
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,525,375**	128,155	1,816,940
EFFECT OF CHANGES IN FOREIGN CURRENCY	**473,106**	(34,396)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,998,089**	20,904,330	19,087,390
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱23,996,570**	₱20,998,089	₱20,904,330

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Parent Company or ALI) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with corporate life of fifty years. The Parent Company's parent is Ayala Corporation (AC). AC is a publicly listed company which is 47.04%-owned by Mermac, Inc. and the rest by the public as of December 31, 2018. The Parent Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company and its Subsidiaries (the Group) are incorporated 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; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 were endorsed for approval by the Audit Committee on February 14, 2019 and were approved and authorized for issue by the Board of Directors (BOD) on February 27, 2019.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following domestic and foreign subsidiaries:

	December 31	
	2018*	2017*
Real Estate:		
Alveo Land Corporation (Alveo)	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (Solinea)	**65**	65
BGSouth Properties, Inc. (BGS)	**50**	50
Portico Land Corp. (Portico)	**60**	60
Serendra, Inc.	**28**	28
Amorsedia Development Corporation (ADC)	**100**	100
OLC Development Corporation and Subsidiary	**100**	100
HLC Development Corporation	**100**	100
Allysonia International Ltd.	**100**	100
Avida Land Corporation (Avida)	**100**	100
Buklod Bahayan Realty and Development Corp.	**100**	100
Avida Sales Corp. and Subsidiaries	**100**	100
Amicassa Process Solutions, Inc.	**100**	100
Avencosouth Corp. (Avencosouth)	**70**	70
BGNorth Properties, Inc. (BGN)	**50**	50
Amaia Land Co. (Amaia)	**100**	100
Amaia Southern Properties, Inc. (ASPI)	**65**	65
AyalaLand Premier, Inc.	**100**	100
Ayala Land International Sales, Inc. (ALISI)	**100**	100
Ayala Land International Marketing, Inc. (AIMI)	**100**	100
Ayala Land International (Singapore) Pte. Ltd	**100**	100
Ayala Land International Marketing (Hong Kong) Ltd	**100**	100
Ayala Land International Marketing, SRL (ALIM SRL)	**100**	100

(Forward)

	December 31	
	2018*	2017*
Ayala Land International Marketing London	**100%**	100%
Ayala Land Sales, Inc.	**100**	100
Southportal Properties, Inc. (Southportal)	**65**	65
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc. (ECI)	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
North Eastern Commercial Corp. (NECC)	**100**	100
Westview Commercial Ventures Corp. (Westview)	**100**	100
North Ventures Commercial Corporation	**100**	100
Hillsford Property Corporation (Hillsford)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc. (SBTCI)	**100**	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	100
AyalaLand Real Estate Investments Inc. (Canada)	**100**	100
AyalaLand Advisory Broadway Inc. (Canada)	**100**	100
AyalaLand Development (Canada) Inc.	**100**	100
AyalaLand OpenAsia Holdings PTE, Ltd (Singapore)	**100**	100
Blue Horizons Holdings PTE, Ltd (Singapore)	**100**	100
MCT, Bhd. (MCT) (Malaysia)	**66**	–
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100
Arvo Commercial Corporation (Arvo)	**100**	100
BellaVita Land Corporation (BellaVita)	**100**	100
Nuevo Centro, Inc. (Nuevo Centro)	**54**	55
Alviera Country Club, Inc. (Alviera)	**50**	50
Cavite Commercial Town Center, Inc. (CCTCI)	**100**	100
One Dela Rosa Property Development, Inc.	**100**	–
AyalaLand Offices, Inc. (ALO)	**100**	100
One Dela Rosa Property Development, Inc.	**–**	100
First Gateway Real Estate Corp.	**100**	100
Glensworth Development, Inc. (Glensworth)	**100**	100
UP North Property Holdings, Inc.	**100**	100
ALO Prime Realty Corporation	**100**	100
Makati Cornerstone Leasing Corp. (MCLC)	**100**	100
Arca South Commercial Ventures Corp.	**100**	100
Capitol Central Commercial Ventures Corp.	**100**	100
Bay City Commercial Venture Corp. (BCCVC)	**100**	100
Laguna Technopark, Inc. (LTI)	**95**	75
Ecozone Power Management, Inc.	**95**	75
Aurora Properties Incorporated	**80**	80
Soltea Commercial Corp.	**16**	16
Vesta Property Holdings, Inc.	**70**	70
Altaraza Prime Realty Corporation (Altaraza)	**100**	100
Prow Holdings, Inc.	**55**	55
Station Square East Commercial Corporation (SSECC)	**69**	69
Next Urban Alliance Development Corp.	**100**	100

(Forward)

	December 31	
	2018*	2017*
Accendo Commercial Corp. (Accendo)	**67%**	67%
Avencosouth Corp.	**20**	20
Aviana Development Corporation	**7**	7
Aviana Development Corporation	**50**	50
Cagayan de Oro Gateway Corp. (CDOGC)	**70**	70
Ceci Realty, Inc. (Ceci)	**60**	60
Soltea Commercial Corp.	**12**	12
Soltea Commercial Corp.	**60**	60
CMPI Holdings, Inc.	**60**	60
CMPI Land, Inc.	**36**	36
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Adauge Commercial Corporation (Adauge)	**60**	60
AyalaLand Estates, Inc. (formerly Southgateway Development Corp. (SDC))	**100**	100
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100
Verde Golf Development Corp.	**100**	100
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73
BGWest Properties, Inc. (BGW)	**50**	50
Lagdigan Land Corp. (Lagdigan)	**60**	60
Central Block Developers, Inc. (CBDI)	**45**	35
Cebu Holdings, Inc. (CHI)	**70**	72
Cebu Leisure Company, Inc.	**70**	72
CBP Theatre Management Inc.	**70**	72
Taft Punta Engaño Property Inc. (TPEPI)	**39**	40
Cebu Insular Hotel Company, Inc. (CIHCI)	**26**	27
Solinea, Inc.	**25**	25
Amaia Southern Properties, Inc. (ASPI)	**25**	25
Southportal Properties, Inc. (Southportal)	**25**	25
Central Block Developers, Inc. (CBDI)**	**39**	41
Alabang Commercial Corporation (ACC)	**50**	50
South Innovative Theater Management (SITMI)	**50**	50
ALI Commercial Center, Inc.	**100**	100
AMC Japan Concepts, Inc.	**75**	–
Prime Orion Philippines, Inc. (POPI)	**67**	63
FLT Prime Insurance Corporation	**55**	45
Orion Solutions, Inc.	**70**	63
Orion Holdings Philippines, Inc.	**70**	63
OE Holdings, Inc.	**70**	63
Orion Land, Inc.	**70**	63
Lepanto Ceramics, Inc.	**70**	63
Ayalaland Malls Synergies, Inc.	**100**	100
Ayalaland Malls, Inc. (formerly Solerte, Inc.)	**100**	100
Ayalaland Malls Vismin, Inc.	**100**	100
Ayalaland Malls NorthEast, Inc.	**100**	100

(Forward)

	December 31	
	2018*	2017*
Construction:		
Makati Development Corporation (MDC)	**100%**	100%
MDC Subic, Inc.	**100**	100
MDC Build Plus, Inc.	**100**	100
MDC Conqrete, Inc. (MCI)	**100**	100
MDC Equipment Solutions, Inc. (MESI)	**100**	100
MDBI Construction Corp.	**67**	67
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
ALI Makati Hotel & Residences, Inc.	**80**	80
ALI Makati Hotel Property, Inc.	**80**	80
Regent Horizons Conservation Company, Inc.	**100**	100
Enjay Hotels, Inc. (Enjay)	**100**	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63
Bonifacio Hotel Ventures, Inc.	**100**	100
Southcrest Hotel Ventures, Inc.	**67**	67
Northgate Hotel Ventures, Inc.	**70**	70
North Triangle Hotel Ventures, Inc.	**100**	100
Ecosouth Hotel Ventures, Inc.	**100**	100
Sentera Hotel Ventures, Inc.	**100**	100
Econorth Resorts Ventures, Inc.	**100**	100
ALI Triangle Hotel Ventures, Inc.	**100**	100
Circuit Makati Hotel Ventures, Inc.	**100**	100
Capitol Centre Hotel Ventures, Inc.	**100**	100
Arca South Hotel Ventures, Inc.	**100**	100
Sicogon Town Hotel, Inc.	**100**	100
Bay Area Hotel Ventures, Inc.	**100**	100
Makati North Hotel Ventures, Inc. (MNHVI)	**100**	100
One Makati Hotel Ventures, Inc. (OMHVI)	**100**	100
Sicogon Island Tourism Estate Corp. (SITE Corp.)	**100**	100
Asiatown Hotel Ventures, Inc.	**100**	–
One Makati Residential Ventures, Inc.	**100**	–
ALI Makati Hotels & Residences, Inc.	**20**	20
ALI Makati Hotel Property, Inc.	**20**	20
Ten Knots Phils., Inc. (TKPI)	**60**	60
Bacuit Bay Development Corporation	**60**	60
Lio Resort Ventures, Inc.	**60**	60
North Liberty Resort Ventures, Inc.	**60**	60
Paragua Eco-Resort Ventures, Inc.	**60**	60
Lio Tourism Estate Management Corporation	**60**	60
Ten Knots Development, Corp. (TKDC)	**60**	60
Chirica Resorts Corp.	**60**	60
Kingfisher Capital Resources Corp.	**60**	60
Pangulasian Island Resort Corporation	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Prime Support Services, Inc.	**100**	100
Ayala Theatres Management, Inc. (ATMI) and Subsidiaries	**100**	100
DirectPower Services, Inc. (DirectPower)	**100**	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	100

(Forward)

	December 31	
	2018*	2017*
Entertainment:		
Five Star Cinema, Inc.	**100%**	100%
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50
Others:		
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	**100**	100
Green Horizons Holdings Limited	**100**	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100
AyalaLand Club Management, Inc.	**100**	100
ALI Capital Corp. (formerly Varejo Corp.)	**100**	100
Integrated Eco-resort, Inc.	**100**	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (Airswift)	**100**	100
Arca South Integrated Terminal, Inc.	**100**	100
Whiteknight Holdings, Inc.	**100**	100
Ayalaland Medical Facilities Leasing, Inc.	**100**	100
Anvaya Cove Beach and Nature Club, Inc. (Anvaya Cove Beach)	**73**	73
Anvaya Cove Golf and Sports Club, Inc. (Anvaya Cove Golf)	**76**	78

*represents the Group's percentage and effective ownership
**includes CPVDC interest in CBDI

The above companies are domiciled in the Philippines except for the foreign entities which is domiciled and incorporated in the country as mentioned above.

AC owns the other 50.0% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP. Accordingly, the accounts of AHI, ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP are consolidated to the accounts of the Company (see Note 3).

<u>The following were the changes in the group structure during 2018:</u>
One Makati Residential Ventures, Inc. is a wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) and was registered with the Securities and Exchange Commission on September 12, 2018. The company was organized primarily for the development of One Ayala Residences.

AMC Japan Concepts, Inc. was incorporated on November 15, 2018 and is 75% owned by ALI Commercial Center, Inc. and 25% owned by MC Commercial Property Holdings, Inc. The Company is organized primarily to manage the Glorietta Roofdeck – Japan Town.

Asiatown Hotel Ventures, Inc. is a domestic corporation registered with the Securities and Exchange Commission on December 17, 2018. The Company is wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) and was organized primarily for the development of Seda Cebu IT Park.

In January 2018, ALI purchased additional 202,774,547 shares of POPI from Genez Investment Corporation for ₱497.7 million increasing the Company's ownership to 67%.

On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of ₱3.0 billion in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the SEC of the confirmation of valuation of the shares. As of audit report date, the SEC has yet to issue its approval.

In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million increasing its ownership to 95%.

On January 2, 2018, the Group through RWIL signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT) from Barry Goh Ming Choon for a toal cost of RM202.5 million which brought ALI's shareholding in MCT from 32.95% to 50.19%. Subsequently, RWIL conducted a mandatory take-over offer (MO) from the period January 26 to February 19, 2018 in accordance with the laws of Malaysia. Acceptances for 295,277,782 shares were received from the MO equivalent to 22.12% that increased ALI's ownership stake to 72.13% as of February 19, 2018.

In March 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 shares. This resulted in a 6.07% dilution of ALI's stake in MCT as of date of share issuance. As such, the current ownership stake of ALI in MCT is 66.25%.

In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

On November 6, 2018, SEC has approved the merger between CHI and CPVDC with CHI as the surviving entity.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to the nearest thousand (₱000), except when otherwise indicated.

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018.

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
- 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.

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

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018.

The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and has not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

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

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

The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

	As previously reported December 31, 2017	Reference	Adjustment	As restated January 1, 2018
Available-for-sale financial assets	₱1,475,241	(a)	(₱1,475,241)	₱–
Financial assets at fair value through other comprehensive income	–	(a)	1,475,241	1,475,241
Retained earnings	109,976,450	(a)	358,604	110,335,054
Net unrealized gain (loss) on financial assets at FVOCI	40,530	(a)	(563,996)	(523,466)
Non-controlling interests	25,508,747	(a)	205,392	25,714,139

The nature of these adjustments are described below:

(a) Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, short term investments and accounts and notes receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

- Equity investments in listed and non-listed companies previously classified as Available-for-sale (AFS) financial assets are now classified and measured as financial assets designated at fair value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future. Total impairment losses recognized in profit or loss for these investments in prior periods amounted to ₱564.0 million. As a result of the change in classification of the Group's equity investments, the previously recognized impairment loss on these investments that were previously presented under retained earnings, was reclassified to fair value reserve of financial assets at FVOCI as at January 1, 2018 resulting in an increase in retained earnings of ₱358.6 million, afer noncontrolling interest of ₱205.4 million.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.
In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	Fair value through profit or loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash and cash equivalents	₱20,998,089	₱–	₱20,998,089	₱–
Short term investments	4,739,734	–	4,739,734	–
Accounts and notes receivables	120,440,242	–	120,440,242	–
Available-for-sale financial assets	1,475,241	–	–	1,475,241
Financial assets at FVPL	540,606	540,606	–	–
	₱148,193,912	₱540,606	₱146,178,065	₱1,475,241

(b) Impairment
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all debt financial assets not held at FVPL. 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For residential and office development trade receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. 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 used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given residential and office development trade receivables and contract assets 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 PD 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 inflation and interest rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers a residential and office development trade receivables in default when contractual payment are ninety (90) days past due. However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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, 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 reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such accrued receivable, receivable from related parties and advances to other companies, 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 cash and cash equivalents and short-term investments, 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 Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues 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 years until December 31, 2020:

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

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 until December 31, 2020.

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

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

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

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

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

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- For airconditioning services, common use services and administration and handling services, would have acted as principal, these would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income.

- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

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

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

The effect of adopting PFRS 15 as at January 1, 2018, was as follows (in thousands):

	As previously reported December 31, 2017	Reference	Adjustment	A restated January 1, 2018
Contract assets	₱–	(a)	₱73,937,300	₱73,937,300
Contract liabilities	–	(a)	18,085,639	18,085,639

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated statement of financial position for the year ended December 31, 2018

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase (decrease)
ASSETS			
Current Assets			
Accounts and notes receivable (Note 7)	**₱78,245,866**	₱126,718,877	(₱48,473,011)
Contract assets (Note 15)	**48,473,011**	–	48,473,011
Total Current Assets	**126,718,877**	126,718,877	–
Noncurrent Assets			
Noncurrent accounts and notes receivable (Note 7)	**3,367,890**	38,804,937	(35,437,047)
Noncurrent contract assets (Note 15)	**35,437,047**	–	35,437,047
Total Noncurrent Assets	**38,804,937**	38,804,937	–
Total Assets	**₱165,523,814**	₱165,523,814	₱–
LIABILITIES AND EQUITY			
Current Liabilities			
Contract liabilities (Note 15)	**₱21,874,681**	₱–	₱21,874,681
Deposits and other current liabilities (Note 18)	**6,669,865**	37,174,781	(30,504,916)
Total Current Liabilities	**28,544,546**	37,174,781	(8,630,235)
Noncurrent Liabilities			
Noncurrent contract liabilities (Note 15)	**8,630,235**	–	8,630,235
Total Noncurrent Liabilities	**8,630,235**	–	8,630,235
Total Liabilities	**₱37,174,781**	₱37,174,781	₱–

The adjustments as at January 1, 2018 represents the Group's recording as contract asset (instead of sales contract receivables) any excess of progress of work over the right to an amount of consideration that is unconditional. Meanwhile, the excess of collection over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from trade residential and office development receivables while contract liabilities are presented as customers' deposit.

The above resulted in recording of contract assets of ₱73,937.3 million and contact liabilities of ₱18,085.6 million as of January 1, 2018.

PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification
The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position.

		Reclassfied to	
December 31, 2017	Reference	Inventories/ Current Assets	Investment Properties/ Noncurrent Assets
Land and improvements	(a)	₱28,653,230	₱65,623,425
Advances to contractors and suppliers	(b)	16,032,251	6,361,904
		₱44,685,481	₱71,985,329

(a) Land and improvements previously presented as non-current asset includes land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position. Land with undetermined future use was reclassified to investment properties (see Notes 8 and 12).

(b) Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to non-current asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property, property plant and equipment) (see Notes 9 and 14).

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

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.
  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

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

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

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

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

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 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 not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

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

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

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

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

  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:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council 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 is currently assessing the impact of adopting these amendments.

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

(c) Expected to be realized or intended to be sold or consumed in normal operating cycle;
(d) Held primarily for the purpose of trading;
(e) Expected to be realized within 12 months after reporting date; or
(f) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
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 original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

<u>Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018</u>

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instruments

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, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or 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 recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortised 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 and cash equivalents, short-term investments and accounts and notes receivables.

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes investment in Unit Investment Trust Fund (UITF) and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified these as financial assets at FVPL.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's 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 recognizes 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.

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

For other financial assets such accrued receivable, receivable from related parties and advances to other companies, 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 cash and cash equivalents and short-term investments, 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 Standard and Poor’s (S&P), Moody’s and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

The key inputs in the model include the Group’s definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers

reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. 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 include "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts".

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

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

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

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

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

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

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

This category generally applies to short term and long term debt.

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.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018
Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under "Other income" or "Other charges".

Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2017, the Group holds its investment in Unit Investment Trust Fund (UITF) and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified these as financial assets at FVPL. Management takes the view that these are held for trading and such portfolios are managed by professional managers.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in "Interest and investment income" in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under "Other income" or "Other charges" when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2017, the Group has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Short-term investments" and "Accounts and notes receivable".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the "Interest income from real estate sales" in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the "Other expenses" account. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Net unrealized gain on available-for-sale financial assets” in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under “Other income” account or “Other charges” account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the “Other charges” account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group’s “Accounts and other payables” (other than “Taxes payable” which is covered by other accounting standard), “Short-term and long-term debts,” and other obligations that meet the above definition.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

<u>Impairment of Financial Assets</u>
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under "Other charges" account.

Interest income continues to be recognized based on the original effective interest rate of the asst. Receivable, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. The Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10). Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest and investment income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deposits and Retentions Payable
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate revenue" account in the consolidated statement of income.

Concession Financial Receivable
The Company accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the

Company is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The “Concession Financial Receivable” pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Company recognizes and measures construction revenues and costs in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. Recognition of revenue is by reference to the ‘stage of completion method,’ also known as the ‘percentage of completion method’ as provided under PAS 11. Contract revenue and costs from construction works are recognized as “Construction Revenue” and “Construction Expense” in profit or loss in the period in which the work is performed.

<u>Inventories</u>
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
- Land improvement cost
- Amounts paid to contractors for construction and development
- 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 costs of sale.

<u>Prepaid Expenses</u>
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

<u>Input Value-Added Tax (VAT)</u>
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

<u>Deposits in Escrow</u>
Deposits in escrow pertain to the proceeds from the sale of the Group’s projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates.

<u>Materials, Parts and Supplies</u>
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management’s physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Advances to Other Companies and Advances to Contractors and Suppliers

Advances to other companies and advances to contractors and suppliers are carried at cost less impairment losses, if any.

Investments in Associates and Joint Ventures

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

Interest in Joint Operation

Makati Development Corporation (MDC), a subsidiary of the Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

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

Constructions-in-progress are carried at cost (including borrowing 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 are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which is comprised of buildings, ranges from 20-40 years.

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2018 and 2017. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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

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 are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

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

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

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Leasehold rights with finite lives are amortized using the straight-line method over the estimated useful life of 20 to 23 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

As of December 31, 2018 and 2017 intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 (effective January 1, 2018) either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date.

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

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

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the period before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

<u>Combinations of entities under common control</u>
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.

- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired (e.g. investments in associates and joint ventures, investment properties, property and equipment). If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such 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 the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.
The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of

impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes: a) service costs comprising current service costs, past-service costs, b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of consolidated financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments

The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 29.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Stock Ownership Plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares. The Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

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

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition effective January 1, 2018
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

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

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

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

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

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

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

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

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Hotel and resorts revenue
The Group recognizes revenue from hotel operations at a point in time (i.e., when the related service and goods are rendered or served). Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Construction revenue and cost
Revenue from fixed price construction contracts are recognized overtime using the milestone-based revenue recognition which is in reference to the output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

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

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

<u>Contract Balances</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

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

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

<u>Costs to obtain contract</u>
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 "Real estate costs and expenses" account in the consolidated statement of income.

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

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

<u>Revenue Recognition prior to January 1, 2018</u>

<u>Revenue and Cost Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Company's project engineers.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and 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 Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Revenue from construction contracts included in the "Real estate" account in the consolidated statement of income is recognized using the percentage-of-completion method, based on the completion of a physical proportion of the contract work inclusive of the uninstalled goods and materials delivered to the site.

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

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

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations is recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Commissions

Commissions paid to sales or 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. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expense Recognition

Expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are 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 cost of the respective assets (included in “Inventories”, “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

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

(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 the 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 substantial change to the asset.

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

Group as 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 are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

As disclosed under Adoption of New and Amended Accounting Standards and Interpretations, the Group will adopt PFRS 16, *Leases* on January 1, 2019. The standard requires lessess to account for all leases under s single on-balance sheet model. The Group is currently assessing the impact of this standard.

Group as lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. 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. Contingent rents are recognized as revenue in the period in which they are earned.

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

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred 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 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 and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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

Deferred 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 reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 31 of the consolidated financial statements.

Contingencies
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.

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

3. Significant Accounting Judgments and Estimates

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

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

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

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the 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.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

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

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

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

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Distinction of land between real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Property acquisitions and business combinations
The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights.

ACC
For ACC, ALI holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1%

to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein ALI and the other shareholder each own 50% of the voting rights, ALI controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

AHI, RLC, ALI-CII and LAIP
ALI has an existing management services agreement with AHI, RLC, ALI-CII and LAIP which gives ALI the exclusive control and decision over the relevant activities of AHI, RLC, ALI-CII and LAIP.

Significant influence on BLC and OHI
The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 11).

Service concession agreement
The Group has made a judgment that the concession agreement with DOTr qualifies under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Management has assessed that DOTr controls and regulates the service, determines to whom this service will be provided and controls the price. In addition, management has also determined that the DOTr has the significant control over the residual interest of the Terminal at the end of the term. Management has also made a judgment that the Terminal and commercial assets (mall facilities) are physically separable and are capable of being operated independently.

Management has further assessed that said concession agreement qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets (i.e. the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 36).

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quanitity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). See Notes 21 and 23 for the related balances.

Similarly, the commission is determined using the percentage of completion.

Accounting for business combination
In 2018, the Group, through its wholly owned subsidiary, RWIL, has acquired additional 39.4% in MCT for a total consideration of ₱5.98 billion which brings its ownership to 72.3%. Management has measured the inventories, property and equipment and investment properties that were acquired using the appraisal report that was prepared by the external appraiser. These appraisals involve selecting the appropriate valuation methodology and making various assumptions such as price per sqm, adjustment factors, discount rate, location, size and time element factors. The properties were valued using the sales comparison approach. Significant assumptions used include comparable property prices adjusted for nature, location and condition of the land.

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for residential and office development receivables and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan 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 PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

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

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 7 and 30.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability 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. See Note 8 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 29 for the related balances.

Estimating pension liabilities and other retirement benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future

pension increases. Significant assumptions are disclosed in Note 27 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 27 for the related balances.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 30 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
	(In Thousands)	
Cash on hand	**₱56,862**	₱52,194
Cash in banks	**14,461,269**	10,107,551
Cash equivalents	**9,478,439**	10,838,344
	₱23,996,570	₱20,998,089

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The annual interest rates of the cash equivalents are as follows:

	2018	2017
Philippine Peso	**2.5% to 6.9%**	1.6% to 4.8%
US Dollar	**1.0% to 3.5%**	0.8% to 2.0%

There is no restriction on the Group's cash balances as of December 31, 2018 and 2017.

5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

	2018	2017
Philippine Peso	**1.8% to 2.9%**	2.3% to 3.7%
US Dollar	**2.2% to 3.3%**	2.0% to 2.2%

6. Financial Assets at FVTPL

This account consists of:

	2018	2017
	(In Thousands)	
Investment in ARCH Capital Fund	**₱390,521**	₱457,628
Investment in Unit Investment Trust Funds (UITF)	**85,724**	82,978
	₱476,245	₱540,606

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

The Group invests in money market UITF which aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

As of December 31, 2018, the Group invested in BPI Money Market Fund (MMF) with a fair value of ₱85.7 million. The BPI MMF's Net Asset Value (NAV) was at ₱8,331.5 million with duration of 150 days.

As of December 31, 2017, the Group invested in BPI Money Market Fund (MMF) with a fair value of ₱83.0 million. The BPI MMF's Net Asset Value (NAV) was at ₱5,866.9 million with duration of 142 days.

The following table provides the fair value hierarchy of the Group's financial assets at FVTPL which are measured at fair value as of December 31, 2018 and 2017:

2018

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2018**	**₱85,724**	**₱–**	**₱85,724**	**₱–**
Investment in ARCH Capital Fund	**September 30, 2018**	**390,521**	**–**	**–**	**390,521**

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2017	₱82,978	₱–	₱82,978	₱–
Investment in ARCH Capital Fund	September 30, 2017	457,628	–	–	457,628

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

Reconciliation of fair value measurement of Investment in Arch Fund is shown below:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱457,628**	₱435,452
Redemptions	**(69,803)**	(17,250)
Additions	**2,696**	39,426
Balance at end of year	**₱390,521**	₱457,628

Reconciliation of fair value measurement of Investment in UITF is shown below:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱82,978**	₱1,529,088
Redemptions	**(1,887)**	(3,375,445)
Additions	**–**	1,916,216
Unrealized gains included under “Other income”	**4,633**	13,119
Balance at end of year	**₱85,724**	₱82,978

7. **Accounts and Notes Receivable**

Accounts and notes receivable account consists of:

	2018	2017
		(In Thousands)
Trade:		
Residential and office development	**₱36,430,354**	₱89,198,616
Corporate business	**4,885,870**	1,605,933
Shopping centers	**2,686,281**	2,709,587
Construction contracts	**1,873,091**	2,494,726
Management fees	**86,047**	328,614
Others	**3,100,997**	1,376,849
Advances to other companies	**19,823,781**	16,185,359
Accrued receivables	**6,803,160**	4,700,167
Receivables from related parties (Note 26)	**5,683,237**	1,734,477
Receivables from employees	**1,113,206**	831,860
	82,486,024	121,166,188
Less allowance for impairment losses	**872,268**	725,946
	81,613,756	120,440,242
Less noncurrent portion	**3,367,890**	44,522,898
	₱78,245,866	₱75,917,344

The classes of trade receivables of the Group are as follows:

- Residential and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments. Upon adoption of PFRS 15, the Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development trade receivables, as contract asset (see Notes 2 and 15).

- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Sales contract receivables, under residential and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 8.3% to 13%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by NTDCC to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2018 and 2017, receivables from MRTDC shareholders amounted to ₱436.7 million and ₱445.5 million, respectively.

On December 17, 2014, NTDCC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group’s employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

Receivables amounting to ₱872.3 million and ₱725.9 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2018

	Trade							
	Residential and office Development	**Shopping Centers**	**Construction Contracts**	**Corporate Business**	**Management Fees**	**Others**	**Advances to Other Companies**	**Total**
				(In Thousands)				
Balance at beginning of year	**₱13,555**	**₱560,817**	**₱26,547**	**₱79,209**	**₱3,012**	**₱31,860**	**₱10,946**	**₱725,946**
Provisions during the period (Note 23)	–	**59,092**	**–**	**23,793**	**2,936**	**143,736**	**6,491**	**236,048**
Translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reversal (Note 23)	**–**	**(61,198)**	**–**	**(16,339)**	**–**	**–**	**(11,537)**	**(89,074)**
Accounts written off	**–**	**(652)**	**–**	**–**	**–**	**–**	**–**	**(652)**
Balance at end of year	**₱13,555**	**₱558,059**	**₱26,547**	**₱86,663**	**₱5,948**	**₱175,596**	**₱5,900**	**₱872,268**
Individually impaired	**₱–**	**₱360,794**	**₱26,547**	**₱60,780**	**₱5,550**	**₱146,577**	**₱5,900**	**₱606,148**
Collectively impaired	**13,555**	**197,265**	**–**	**25,883**	**398**	**29,019**	**–**	**266,120**
Total	**₱13,555**	**₱558,059**	**₱26,547**	**₱86,663**	**₱5,948**	**₱175,596**	**₱5,900**	**₱872,268**

2017

	Trade							
	Residential and office Development	Shopping Centers	Construction Contracts	Corporate Business	Management Fees	Others	Advances to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱13,555	₱527,751	₱26,547	₱57,623	₱3,012	₱112,696	₱448,663	₱1,189,847
Provisions during the period (Note 23)	–	42,274	–	47,413	–	4,031	–	93,718
Translation adjustment	–	–	–	–	–	142	–	142
Reversal (Note 23)	–	(3,153)	–	(25,827)	–	(47,507)	(433,374)	(509,861)
Accounts written off	–	(6,055)	–	–	–	(37,502)	(4,343)	(47,900)
Balance at end of year	₱13,555	₱560,817	₱26,547	₱79,209	₱3,012	₱31,860	₱10,946	₱725,946
Individually impaired	–	403,906	26,547	79,209	2,614	27,438	10,946	550,660
Collectively impaired	13,555	156,911	–	–	398	4,422	–	175,286
Total	₱13,555	₱560,817	₱26,547	₱79,209	₱3,012	₱31,860	₱10,946	₱725,946

As of December 31, 2017, nominal amount of trade receivables from residential and office development amounting to ₱99,530.8 million was recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2017 follow:

	2017
	(In Thousands)
Balance at beginning of year	₱7,448,048
Additions during the year	8,294,042
Accretion for the year (Note 22)	(5,409,944)
Balance at end of year	₱10,332,146

The Group entered into agreements with BPI Asset Management and Trust Corporation in 2018 and 2017 for the assignment of interest-bearing employee receivables amounting to ₱11.3 million and ₱69.0 million, respectively. The transactions were without recourse and did not result to any gain or loss.

The Group sold residential receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, amounting to ₱12,323.6 million in 2018 and ₱7,711.3 million in 2017. These were sold at a discount with total proceeds of ₱11,459.7 million and

₱7,320.8 million, respectively. The Group recognized loss on sale (under “Other charges”) amounting to ₱863.9 million and ₱390.5 million in 2018 and 2017, respectively.

8. Inventories

This account consists of:

	2018	2017
	(In Thousands)	
Real estate:		
Residential and commercial lots:		
At cost	**₱52,116,837**	₱44,097,360
At NRV	**–**	9,065
	52,116,837	44,106,425
Residential and condominium units - at cost	**49,675,074**	44,321,347
Offices - at cost	**2,579,700**	2,417,836
	₱104,371,611	₱90,845,608

A summary of the movement in inventories is set out below:

2018

	Residential and commercial lots	**Residential and condominium units**	**Offices**	**Total**
	(In Thousands)			
Balances at beginning of year	₱44,106,425	₱44,321,347	₱2,417,836	₱90,845,608
Land acquired during the year	6,694,113	73,850	466,474	7,234,437
Acquisition through business combination (Note 25)	-	13,620,873	-	13,620,873
Construction/development costs incurred	23,640,668	23,287,225	6,030,005	52,957,898
Borrowing costs capitalized	–	167,036	–	167,036
Disposals (recognized as cost of real estate sales) (Note 23)	(29,520,948)	(32,044 ,896)	(6,218,244)	(67,784,088)
Transfers from (to) investment properties (Notes 12 and 38)	7,196,579	249,639	(116,371)	7,329,847
Balances at end of year	₱52,116,837	₱49,675,074	₱2,579,700	₱104,371,611

2017 (as restated, see Note 2)

	Residential and commercial lots	Residential and condominium units	Offices	Total
	(In Thousands)			
Balances at beginning of year	₱61,518,381	₱44,550,090	₱2,496,975	₱108,565,446
Land acquired during the year	360,264	–	–	360,264
Construction/development costs incurred	5,491,565	32,744,518	4,675,937	42,912,020
Borrowing costs capitalized	–	28,754	–	28,754
Disposals (recognized as cost of real estate sales) (Note 23)	(22,107,339)	(33,002,015)	(4,755,076)	(59,864,430)
Transfers from (to) investment properties (Notes 12 and 38)	(2,454,884)	–	–	(2,454,884)
Reversal of write-down	1,298,438	–	–	1,298,438
Balances at end of year	₱44,106,425	₱44,321,347	₱2,417,836	₱90,845,608

On January 1, 2018, the Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*. Land and improvements previously presented as non-current asset includes land which the Board of Directors has previously approved to be developed into residential development for sale.

Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position (see Note 2).

The Company reversed ₱1,298.4 million allowance for impairment in inventories as of December 31, 2017, due to higher fair values than their carrying amounts.

The cost of the inventories carried at NRV amounted to nil and ₱14.6 million as of December 31, 2018 and 2017, respectively.

The Group has no purchase commitments pertaining to its inventories as of December 31, 2018 and 2017.

9. Other Current Assets

This account consists of:

	2018	2017 (as restated – see Note 2)
	(In Thousands)	
Value-added input tax	**₱13,763,265**	₱16,966,146
Prepaid expenses (Note 15)	**12,574,213**	9,861,763
Advances to contractors (Note 2)	**11,400,879**	16,032,251
Creditable withholding taxes	**3,586,572**	2,888,827
Materials, parts and supplies - at cost	**659,363**	546,981
Others	**2,196,930**	1,514,932
	₱44,181,222	₱47,810,900

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Advances to contractors represents prepayments for the construction of inventories.

Creditable withholding taxes are applied against income tax payable.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

Others include deferred charges and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities.

10. Financial Assets at Fair Value through OCI and Available-for-sale Financial Assets

As of December 31, 2018, financial assets at FVTPL consists of investments in (in thousands):

Shares of stock:	
Quoted	**₱1,425,412**
Unquoted	**521,912**
	1,947,324
Net unrealized loss	**(451,529)**
	₱1,495,795

As of December 31, 2017, available-for-sale financial assets consists of investments in (in thousands, as restated – Note 2):

Shares of stock:	
Quoted	₱1,475,014
Unquoted	523,693
	1,998,707
Net unrealized loss	(523,466)
	₱1,475,241

Investments in quoted shares of stock include shares held for clubs wherein the Group does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to carry as part of the infrastructure that it provides to its real estate projects.

Movements in the reserves for financial assets at FVOCI and available-for-sale financial assets as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	January 1, 2018 (as restated – see Note 2)
	(In Thousands)	
Balance at beginning of year	**(₱523,466)**	(₱515,789)
Fair value changes during the year	**71,938**	(7,677)
Balance at end of year	**(□451,528)**	(□523,466)

As of December 31, 2018 and 2017, reserves for financial assets at FVOCI and available-for-sale financial assets attributable to non-controlling interests amounted to ₱2.6 million and nil, respectively.

The following table provides the fair value hierarchy of the Group's financial assets at fair value through OCI and AFS financial assets which are measured at fair value as of December 31, 2018 and 2017:

December 31, 2018

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Real estate	**December 31, 2018**	**₱554,655**	₱554,655	₱–	₱–
Tourism and leisure	**December 31, 2018**	**182,300**	182,300	–	–
Retail	**December 31, 2018**	**109,079**	109,079	–	–
Financial Asset Management	**December 31, 2018**	**65,261**	65,261	–	–
Utilities and energy	**December 31, 2018**	**2,273**	2,273	–	–
Telecommunication	**December 31, 2018**	**149**	149	–	–
Unquoted					
Tourism and leisure	**Various**	**549,480**	–	–	549,480
Utilities and energy	**Various**	**19,833**	–	–	19,833
Real estate	**Various**	**11,888**	–	–	11,888
Telecommunication	**Various**	**877**	–	–	877
		₱1,495,795	₱913,717	₱–	₱582,078

December 31, 2017

	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Shares of stock:					
Quoted					
Real estate	December 31, 2017	₱755,384	₱755,384	₱–	₱–
Tourism and leisure	December 31, 2017	99,883	99,883	–	–
Retail	December 31, 2017	83,886	83,886	–	–
Financial Asset Management	December 31, 2017	8,330	8,330	–	–
Utilities and energy	December 31, 2017	3,995	3,995	–	–
Telecommunication	December 31, 2017	70	70	–	–
		₱951,548	₱951,548	₱–	₱–

11. **Investments in Associates and Joint Ventures**

This account consists of:

	2018	2017
	(In Thousands)	
Investment in stocks – cost		
Balance at beginning of year	**₱21,643,179**	₱20,766,514
Additions	**3,724,958**	1,073,319
Disposals	**(83,369)**	(196,654)
Acquisition of control on previously held interest	**(5,792,066)**	–
Balance at end of year	**19,492,702**	21,643,179
Accumulated equity in net earnings:		
Balance at beginning of year	**4,462,790**	4,218,803
Equity in net earnings during the year	**749,924**	865,566
Dividends received during the year	**(331,461)**	(621,579)
Acquisition of control on previously held interest	**(1,094,148)**	–
Balance at end of year	**3,787,105**	4,462,790
Subtotal	**23,279,807**	26,105,969
Equity in cumulative translation adjustment	**109,945**	694,854
	₱23,389,752	₱26,800,823

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Details of the Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amounts**	
	2018	2017	**2018**	2017
			(In Thousands)	
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱3,911,350**	₱3,916,375
ALI-ETON Property Development Corporation	**50**	50	**2,108,668**	603,719
AKL Properties, Inc. (AKL)	**50**	–	**1,942,622**	–
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,933,313**	1,910,360
Cebu District Property Enterprise, Inc. (CDPEI)	**35**	42	**1,464,432**	1,476,052
Alveo-Federal Land Communities, Inc.	**50**	50	**789,078**	661,201
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**160,485**	95,842
BYMCW, Inc.	**31**	31	**55,500**	51,000
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	**26,462**	26,462
			12,391,910	8,741,011

	Percentages of Ownership		Carrying Amounts	
	2018	2017	**2018**	2017
Associates:				
OCLP Holdings, Inc.(OHI)	**21**	21	**₱8,090,085**	₱7,737,712
Bonifacio Land Corp. (BLC)	**10**	10	**1,427,555**	1,395,035
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	**49**	49	**793,945**	673,769
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	**40**	40	**470,118**	464,977
Mercado General Hospital, Inc. (MGHI)	**33**	33	**178,044**	279,274
Lagoon Development Corporation	**30**	30	**38,095**	34,991
MCT, Bhd (MCT)	**–**	33	**–**	7,471,123
BIB Aurora Insurance Corp.	**–**	10	**–**	2,931
			10,997,842	18,059,812
			₱23,389,752	₱26,800,823

The Company considers a subsidiary as a subsidiary with material NCI, an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the subsidiary compared to other operations of the Group. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the Group.

Financial information of the associates with material interest

OHI

OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, ALI acquired a 21.1% stake in OHI consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OHI shareholders, and this was recorded under "Investments in associates and joint ventures" account for ₱7,320.7 million. In 2017, the Group finalized the purchase price allocation of its acquisition of OHI through business combination in March 2016. The final purchase price allocation resulted in gain from bargain purchase of ₱148.0 million.

Below is the summarized financial information for OHI:

	2018	2017
	(In Thousands)	
Current assets	**₱18,303,587**	₱14,885,750
Noncurrent assets	**16,354,455**	11,733,438
Current liabilities	**(8,827,937)**	(6,816,078)
Noncurrent liabilities	**(18,713,282)**	(14,350,692)
Equity	**7,116,823**	5,452,418
Proportion of Group's ownership	**21.1%**	21.1%
Group's share in identifiable net assets	**1,501,650**	1,150,460
Carrying amount of the investment	**8,090,085**	7,737,712
Fair value adjustments	**6,588,435**	6,587,252
Negative Goodwill	**₱148,046**	₱148,046
Dividends received	**₱27,308**	₱34,865

Net assets attributable to the equity holders of OHI amounted to ₱7,116.8 million and ₱5,452.4 million as of December 31, 2018 and 2017, respectively.

	2018	2017
	(In Thousands)	
Revenue	**₱9,278,509**	₱6,738,000
Cost and expenses	**(7,467,724)**	(5,283,000)
Net income (continuing operations)	**1,810,785**	1,455,000
Group's share in net income for the year	**382,076**	305,550
Total comprehensive income	**1,810,785**	1,455,000
Group's share in total comprehensive income for the year	**382,076**	305,550

MCT

On April 6, 2015, the Group, through its wholly-owned subsidiary, RWIL, has acquired 9.16% of the shares of MCT Berhad (MCT) (formerly Malaysian company GW Plastics Holdings Bhd.), through a private placement for a total amount of US$43.0 million or ₱1,900.0 million. MCT, first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. MCT is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants.

In May 2015, the Group entered into call option agreements with the two founders and majority shareholders of MCT, Barry Goh Ming Choon and Tong Seech Wi, that will give the Group the opportunity to increase its shareholdings in MCT up to a maximum of 32.95%. Then, on October 15, 2015, the Group exercised its option to acquire additional shares of MCT for a total cost of US$92.0 million to bring its total shareholding from 9.16% to 32.95%. The increase in stake will provide the Company with the opportunity to establish a stronger foothold in the Real Estate sector in Malaysia.

On January 2, 2018, the Group through RWIL signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT) from Barry Goh Ming Choon for a toal cost of RM202.5 million which brought ALI's shareholding in MCT from 32.95% to 50.19%. Subsequently, RWIL conducted a mandatory take-over offer (MO) from the period January 26 to February 19, 2018 in accordance with the laws of Malaysia. Acceptances for 295,277,782 shares were received from the MO equivalent to 22.12% that increased ALI's ownership stake to 72.13% as of February 19, 2018.

This eventually increased ALI's ownership stake in MCT from 50.19% to 72.31% as of February 19, 2018 (see Note 25).

Set out below is the summarized financial information for MCT in 2017 before it was consolidated to ALI (in thousands):

Current assets	₱9,465,034
Noncurrent assets	8,752,953
Current liabilities	(5,690,285)
Noncurrent liabilities	(2,634,264)
Equity	9,893,438
Proportion of Group's ownership	32.95%
Group's share in identifiable net assets	3,259,888
Carrying amount of the investment	7,471,123
Fair value adjustments	3,345,445
Dividends received	₱–

Net assets attributable to the equity holders of MCT amounted to ₱9,893.4 million as of December 31, 2017.

Revenue	5,989,162
Cost and expenses	(5,288,527)
Net income (continuing operations)	700,635
Group's share in net income for the year	230,859
Total comprehensive income	700,635
Group's share in total comprehensive income for the year	230,859

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig City, Philippines.

Set out below is the summarized financial information for BLC:

	2018	2017
	(In Thousands)	
Current assets	**₱5,036,409**	₱8,253,289
Noncurrent assets	**37,539,401**	37,357,443
Current liabilities	**(3,798,971)**	(4,606,258)
Noncurrent liabilities	**(6,558,980)**	(7,332,631)
Equity	**32,217,859**	33,671,843
Less: noncontrolling interest	**14,491,952**	15,324,979
Equity attributable to Parent Company	**17,725,907**	18,346,864
Proportion of Group's ownership	**10.1%**	10.1%
Group's share in identifiable net assets	**1,790,317**	1,853,033
Carrying amount of the investment	**1,427,555**	1,395,035
Negative goodwill	**(₱362,762)**	(₱457,998)
Dividends received	**₱70,731**	₱50,522

Net assets attributable to the equity holders of BLC amounted to ₱17,725.9 million and ₱18,346.9 million as of December 31, 2018 and 2017, respectively.

	2018	2017
	(In Thousands)	
Revenue	**₱4,925,102**	₱6,124,561
Cost and expenses	**(2,906,515)**	(4,233,400)
Net income (continuing operations)	**2,018,587**	1,891,161
Net income attributable to minority interest	**(944,922)**	(1,119,547)
Net income attributable to parent	**1,073,665**	771,614
Group's share in net income for the year	**108,440**	77,933
Total comprehensive income attributable to parent	**1,073,665**	771,613
Group's share in total comprehensive income for the year	**108,440**	77,933

Aggregate financial information on associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI and others) is as follows:

	2018	2017
	(In Thousands)	
Carrying amount	**₱1,480,202**	₱1,455,942
Share in net income (loss) from continuing operations	**5,935**	(75,995)
Share in total comprehensive income (loss)	**5,935**	(75,995)

Financial information of joint venture with material interest

ECHI	**2018**	2017
	(In Thousands)	
Current assets	**₱10,420,615**	₱13,980,028
Noncurrent assets	**32,372,361**	30,806,231
Current liabilities	**(3,285,205)**	(4,313,401)
Noncurrent liabilities	**(7,479,522)**	(7,396,186)
Equity	**32,028,249**	33,076,672
Less: minority interest	**22,464,296**	23,833,518
Equity	**9,563,953**	9,243,154
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**4,781,976**	4,621,577
Carrying amount of the investment	**3,911,350**	3,916,375
Fair value adjustment	**₱870,626**	₱705,202
Dividends received	**₱200,000**	₱350,000

	2018	2017
	(In Thousands)	
Revenue	**₱ 5,315,083**	₱6,167,341
Cost and expenses	**(3,112,379)**	(3,806,627)
Net income (continuing operations)	**2,202,704**	2,360,714
Net income attributable to minority interest	**(1,405,934)**	(1,730,425)
Net income attributable to parent	**796,770**	630,289
Group's share in net income for the year	**398,385**	315,145
Total comprehensive income attributable to parent	**798,535**	629,819
Group's share in total comprehensive income for the year	**399,267**	314,910

Net assets attributable to the equity holders of ECHI amounted to ₱9,564.0 million and ₱9,243.2 million as of December 31, 2018 and 2017, respectively.

Aggregate financial information on joint ventures with immaterial interest (BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL CVS, SIAL Specialty, AyaGold and BYMCW, Inc.) is as follows:

	2018	2017
	(In Thousands)	
Carrying amount	**₱8,480,560**	₱4,824,636
Share in net loss from continuing operations	**82,075**	(18,985)
Share in total comprehensive loss	**82,075**	(18,985)

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in ECHI, BHI and BLC
The Parent Company's 5.3% direct investment in BLC and 4.8% through Regent Time are accounted for using the equity method because the Parent Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Parent Company, EHI and Neo Oracle Holdings, Inc. [formerly Metro Pacific Corporation (MPC)] as amended:

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of

Larouge in the pledge constituted on 50.4% of the outstanding shares in BLC. The consideration paid by the Parent Company and EHI for such assignment was approximately US$90.0 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Parent Company and EHI, acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus), of the controlling interest in BLC representing 50.4% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5.0% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55.0% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development. Columbus accounted for the acquisition of the 50.4% interest in BLC using the purchase method.

Subsequent to this, the Parent Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.7% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in Group's effective interest in BLC to 45.1% as of December 31, 2009.

In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

<u>Investment in Rize-Ayalaland</u>
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49.0% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

<u>Investment in Cebu District Property Enterprise, Inc.</u>
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC.

<u>Investment in Alveo-Federal Land Communities, Inc.</u>
Alveo Land Corp. signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of Treveio Nuvali located in Laguna near Nuvali.

<u>Investment in ALI-ETON Property Development Corporation</u>
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. LT Group, Inc.. The ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

Investment in BYMCW, Inc.
On August 2, 2017, Bouygues Travaux Publics Philippines Inc. (BYTPPI) incorporated BYMCW Inc. (BYMCW) to engage in general building and contracting business. BYMCW's registered office address is at 2nd floor, Welfare Building, LRTA Compound, Aurora Blvd., Barangay 189, Pasay City, Metro Manila.

On December 6, 2017, MDC acquired 30% ownership over BYMCW after buying fifty one (51) million shares held by BYTPPI.

Investment in AyaGold Retailers, Inc.
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and ALI Capital Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated in October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both ALI Capital Corp. and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in SIAL Specialty
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between ALI Capital Corp. and Store Specialist, Inc. (SSI). Varejo is a wholly owned subsidiary of the Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world. On March 1, 2016, the SIAL entered into a Deed of Absolute Sale with Metro Retail Stores Group, Inc. (Purchaser) to sell assets in its two department stores for a total purchase price of ₱498.81 million.

The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in SIAL CVS
SIAL CVS is an equally owned joint venture between ALI Capital Corp., the Company's wholly owned subsidiary and SII, SSI's wholly owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company's expertise in mixed-use developments and SSI's experience in the Philippine retail market. The Parties agreed to incorporate a special purpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

PFM is the official Area Franchisee of the Family Mart brand of convenience stores in the Philippines, with a current network of 67 company-owned and franchised stores all over the country. PNX is the leading independent and fastest-growing oil company in the Philippines, with a wide network of retail stations and commercial and industrial clients all over the Philippines.

The transaction was approved by the Philippine Competition Commission (PCC) last January 3, 2018.

Investment in MGHI
In July 2013, the Company entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow the Company to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

Investment in AKL
AKL Properties, Inc. is a 50:50 joint venture between Ayala Land, Inc. and Royal Asia Land, Inc., and is organized primarily for future mixed-use development in South Luzon area.

12. **Investment Properties**

The rollforward analysis of this account follows:

2018

	Land	**Buildings**	**Construction in Progress**	**Total**
		(In Thousands)		
Cost				
Balance at beginning of year	**₱84,893,792**	**₱93,046,926**	**₱49,660,702**	**₱227,601,420**
Additions	**6,336,730**	**16,789,386**	**13,725,237**	**36,851,353**
Acquisition through business combination (Note 25)	**1,223,498**	**4,489,137**	**–**	**5,712,635**
Disposals	**(1,642,908)**	**(83,917)**	**–**	**(1,726,825)**
Foreign currency exchange differences	**209,538**	**78,540**	**–**	**288,078**
Transfers (Notes 8,13 and 38)	**(7,497,112)**	**3,233,277**	**(8,026,620)**	**(12,290,455)**
Balance at end of year	**83,523,538**	**117,553,349**	**55,359,319**	**256,436,206**
Accumulated Depreciation				
Balance at beginning of year	**–**	**27,258,780**	**–**	**27,258,780**
Depreciation (Note 23)	**–**	**4,052,276**	**–**	**4,052,276**
Disposals	**–**	**(3,892)**		**(3,892)**
Foreign currency exchange differences	**–**	**20,307**	**–**	**20,307**
Balance at end of year	**–**	**31,327,471**	**–**	**31,327,471**
Accumulated impairment losses				
Balance at beginning and end of year	**102,825**	**–**	**–**	**102,825**
Net Book Value	**₱83,420,713**	**₱86,225,878**	**₱55,359,319**	**₱225,005,910**

2017 (as restated, see Note 2)

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱83,564,863	₱84,412,874	₱ 32,813,911	₱200,791,648
Additions	2,450,973	7,039,883	20,502,732	29,993,588
Disposals	(3,192,672)	(5,019)	–	(3,197,691)
Transfers (Notes 8,13 and 38)	2,070,628	1,599,240	(3,655,941)	13,927
Retirement	–	(52)	–	(52)
Balance at end of year	84,893,792	93,046,926	49,660,702	227,601,420

(Forward)

	Land	Buildings	Construction in Progress	Total
Accumulated Depreciation				
Balance at beginning of year	₱–	₱23,778,254	₱–	₱23,778,254
Depreciation (Note 23)	–	3,482,978	–	3,482,978
Disposals	–	(4,905)	–	(4,905)
Transfers	–	2,453	–	2,453
Balance at end of year	–	27,258,780	–	27,258,780
Accumulated impairment losses				
Balance at beginning of year	151,825	–	–	151,825
Reversal	(49,000)	–	–	(49,000)
Balance at end of year	102,825	–	–	102,825
Net Book Value	₱84,790,967	₱65,788,146	₱49,660,702	₱200,239,815

On January 1, 2018, the Group adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer. Land and improvements previously presented as non-current asset includes land which the Board of Directors has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. Land with undetermined future use was reclassified to Investment Properties (see Note 2).

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

The aggregate fair value of the Group's investment properties amounted to ₱328,057.2 million and ₱324,590.7 million as of December 31, 2018 and 2017, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2018 and 2017:

2018

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Land properties	**Various**	**₱152,670,030**	**₱–**	**₱–**	**₱152,670,030**
Retail properties	**Various**	**73,034,911**	**–**	**–**	**73,034,911**
Office properties	**Various**	**101,208,761**	**–**	**–**	**101,208,761**
Hospital properties	**Various**	**1,143,511**	**–**	**–**	**1,143,511**

2017

	Date of Valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱173,843,898	₱–	₱–	₱173,843,898
Retail properties	Various	90,209,964	–	–	90,209,964
Office properties	Various	59,396,908	–	–	59,396,908
Hospital properties	Various	1,139,911	–	–	1,139,911

The values of the land and buildings were arrived at using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land and condominium unit as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The significant unobservable inputs to valuation of investment properties ranges from ₱5,100-₱250,000 per sqm.

Interest capitalized amounted to ₱19.0 million, ₱17.7 million and ₱129.5 million in 2018, 2017 and 2016, respectively. The capitalization rates are 2.00-6.85%, 2.50-4.75% and 3.20-4.75% in 2018, 2017 and 2016, respectively (see Note 17).

Consolidated rental income from investment properties amounted to ₱35,811.4 million, ₱28,091.4 million and ₱21,319.0 million in 2018, 2017 and 2016, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties in 2018, 2017 and 2016 amounted to ₱7,457.9 million, ₱5,032.9 million and ₱4,436.9 million, respectively (see Note 23).

Depreciation and amortization expense pertaining to investment properties amounted to ₱4,052.3 million, ₱3,483.0 million and ₱2,834.6 million in 2018, 2017 and 2016, respectively (see Note 23).

13. Property and Equipment

The rollforward analysis of this account as of December 31 follow:

2018

	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Hotel Property and Equipment**	**Total**
			(In Thousands)			
Cost						
Balance at beginning of year	**₱7,746,147**	**₱9,618,096**	**₱6,060,857**	**₱3,099,103**	**₱14,093,721**	**₱40,617,924**
Additions	**1,792,136**	**261,850**	**334,048**	**58,105**	**396,647**	**2,842,786**
Additions through business combination (Note 25)	**3,078,371**	**1,356,321**	**128,848**	**35,883**	**–**	**4,599,423**
Disposals	**(2,023,545)**	**(1,268,959)**	**(719,701)**	**(176,768)**	**(361,870)**	**(4,550,843)**
Foreign currency exchange difference	**218,548**	**631,664**	**123,806**	**74,214**	**–**	**1,048,232**
Transfers (Notes 12 and 38)	**4,477,605**	**47**	**1,111**	**–**	**421,846**	**4,900,609**
Balance at end of year	**15,289,262**	**10,599,019**	**5,928,969**	**3,090,537**	**14,550,344**	**49,458,131**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**2,642,575**	**3,158,297**	**3,185,248**	**719,029**	**2,388,687**	**12,093,836**
Depreciation and amortization (Note 23)	**526,797**	**360,317**	**272,763**	**247,094**	**475,648**	**1,882,619**
Disposals	**(36,420)**	**(234,284)**	**(96,021)**	**(142,917)**	**(343,028)**	**(852,670)**
Foreign currency exchange difference	**93,903**	**292,142**	**123,806**	**75,295**	**–**	**585,146**
Balance at end of year	**3,226,855**	**3,576,472**	**3,485,796**	**898,501**	**2,521,307**	**13,708,931**
Net Book Value	**₱12,062,407**	**₱7,022,547**	**₱2,443,173**	**₱2,192,036**	**₱12,029,037**	**₱35,749,200**

2017

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱7,442,660	₱11,561,696	₱5,748,890	₱2,545,639	₱12,017,826	₱39,316,711
Additions	475,800	256,480	388,004	679,225	526,607	2,326,116
Disposals	(365,271)	(2,233,714)	(62,259)	(125,761)	–	(2,787,005)
Transfers (Notes 12 and 38)	192,958	33,634	(13,778)	–	1,549,288	1,762,102
Balance at end of year	7,746,147	9,618,096	6,060,857	3,099,103	14,093,721	40,617,924
Accumulated Depreciation and Amortization						
Balance at beginning of year	2,222,943	4,960,711	2,943,931	720,053	1,964,687	12,812,325
Depreciation and amortization (Note 23)	509,961	185,721	293,718	104,178	424,000	1,517,578
Disposals	(88,574)	(1,988,135)	(51,703)	(105,202)	–	(2,233,614)
Transfers	(1,755)	–	(698)	–	–	(2,453)
Balance at end of year	2,642,575	3,158,297	3,185,248	719,029	2,388,687	12,093,836
Net Book Value	₱5,103,572	₱6,459,799	₱2,875,609	₱2,380,074	₱11,705,034	₱28,524,088

The depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,882.6 million, ₱1,517.6 million and ₱2,954.8 million in 2018, 2017 and 2016, respectively. No interest was capitalized in 2018 and 2017. (see Note 17).

14. Other Noncurrent Assets

This account consists of:

	2018	2017 (as restated – see Note 2)
	(In Thousands)	
Advances to contractors (Note 2)	**₱9,355,940**	₱6,361,904
Prepaid expenses (Note 15)	**9,026,562**	6,634,987
Leasehold rights	**4,079,828**	4,463,862
Deferred input VAT	**3,025,078**	2,403,553
Deposits – others	**2,134,677**	813,255
Net pension assets (Note 27)	**62,065**	76,522
Development rights	**49,157**	29,395
Others	**770,690**	145,697
	₱28,503,997	₱20,929,175

Advances to contractors represents prepayments for the construction of investment properties and property and equipment.

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions (see Note 15).

Leasehold rights consist of the following:

- Through the acquisition of POPI, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) (see Notes 25 and 33).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029.
- NTDCC's leasehold rigts refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center.

The movements during the year follow:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱4,463,862**	₱4,643,097
Amortization	**(384,034)**	(179,235)
Balance at end of year	**₱4,079,828**	₱4,463,862

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods

Deposits - others pertain to various utility deposits and security deposits for leases.

Development rights pertain to the saleable and non-saleable development rights acquired by the parent company. The non-saleable portion is allocated to the gross floor area of a structure in a particular lot that can be developed in the future. The development rights are capitalized as additional cost of the structure once the development commences.

Others pertain to prepayments for expenses that is amortized for more than one year.

15. **Contract Balances and Cost to Obtain a Contract**

Contract assets and liabilities

The account consists of:

	2018
	(In Thousands)
Contract assets	**₱83,910,058**
Contract liabilities	**(30,504,916)**

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

As of December 31, 2018, nominal amount of contract assets from residential and office development amounting to ₱100,983.3 million was recorded initially at fair value. The fair values of the contract assets were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's contract assets as of December 31, 2018 follow:

	2018
	(In Thousands)
Balance at beginning of year	**₱10,332,147**
Additions during the year	**13,783,125**
Accretion for the year (Note 21)	**(7,042,078)**
Balance at end of year	**₱17,073,194**

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱11,479.4 million.

Cost to Obtain a Contract

The balances below pertains to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 9 and 14):

	2018
	(In Thousands)
Balance at the beginning of year	**₱2,258,052**
Additions	**5,713,387**
Amortization (Note 22)	**(5,048,405)**
Balance at the end of year	**₱2,923,034**

In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

16. **Accounts and Other Payables**

This account consists of:

	2018	2017
	(In Thousands)	
Accounts payable	**₱101,055,160**	₱76,977,468
Taxes payable	**20,101,227**	19,336,133
Accrued project costs	**18,072,293**	15,946,912
Accrued salaries and employee benefits	**6,025,804**	5,485,382
Accrued professional and management fees	**4,666,896**	3,993,579
Retentions payable	**4,372,925**	334,796
Accrued repairs and maintenance	**2,667,501**	1,764,627
Liability for purchased land	**2,544,623**	3,710,462
Accrued utilities	**2,436,233**	2,298,695
Interest payable	**1,887,310**	1,907,503
Accrued advertising and promotions	**1,266,336**	1,075,653
Accrued rentals	**870,599**	1,566,953
Payable to related parties (Note 26)	**702,189**	640,147
Dividends payable	**664,546**	360,130
DRP obligation	**236,362**	230,103
Other accrued expenses	**4,429,418**	2,055,316
	₱171,999,422	₱137,683,859

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms, except for accrued project costs.

Taxes payable pertains to the Group’s output VAT, expanded withholding tax, capital gains tax and fringe benefit tax.

Accrued project cost are expenses related to materials, overhead and subcontractor cost not yet billed by the contractor.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

DRP obligation pertains to the current portion of the liability arising from the assignment agreement between the Group and MRTDC of the latter's development rights (see Note 36). In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables (see Note 7).

Other accrued expenses consist mainly of accruals from commissions, royalty, transportation and travel, janitorial and security, postal and communication and other expenses.

17. Short-term and Long-term Debts

The short-term debt amounted to ₱14,386.7 million and ₱17,644.4 million as of December 31, 2018 and 2017, respectively, represents both peso and foreign currency-denominated bank loans. Peso-denominated short-term loans had a weighted average cost of 5.00% and 2.64% per annum in 2018 and 2017.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱14,170.3 million and ₱17,697.5 million as of December 31, 2018 and 2017 are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱2,618.9 million and ₱3,121.3 million as of December 31, 2018 and 2017, respectively, which is accounted as part of the "Investment properties" account.

Long-term debt consists of:

	2018	2017
	(In Thousands)	
Parent Company:		
Bonds:		
Due 2019	**₱12,332,530**	₱12,340,950
Due 2020	**4,000,000**	4,000,000
Due 2022	**12,650,000**	12,650,000
Due 2023	**15,000,000**	7,000,000
Due 2024	**15,000,000**	15,000,000
Due 2025	**15,000,000**	15,000,000
Due 2026	**8,000,000**	8,000,000
Due 2027	**7,000,000**	7,000,000
Due 2028	**10,000,000**	–
Due 2033	**2,000,000**	2,000,000
Short-dated notes	**7,100,000**	7,100,000
Fixed rate corporate notes (FXCNs)	**5,770,000**	9,064,000
Php - denominated long term loan	**29,465,677**	24,873,145
US Dollar - denominated long term loan	**–**	1,516,624
	143,318,207	125,544,719

(Forward)

	2018	2017
	(In Thousands)	
Subsidiaries:		
Bonds	**₱5,000,000**	₱5,000,000
Bank loans - Philippine Peso	**20,350,585**	23,578,229
Bank loans - Malaysian Ringgit	**3,385,586**	–
Fixed rate corporate notes	**1,387,500**	3,275,000
	30,123,671	31,853,229
	173,441,878	157,397,948
Less unamortized transaction costs	**729,756**	656,542
	172,712,122	156,741,406
Less current portion	**23,265,173**	6,572,775
	₱149,446,949	₱150,168,631

ALI Parent

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands) 2018	2017	Features
2012	7.0	5.6250%	₱9,350,000	**₱9,341,196**	₱9,330,126	Fixed rate bond due 2019
2012	10.0	6.0000%	5,650,000	**5,644,680**	5,637,991	Fixed rate bond due 2022
2013	7.0	4.6250%	4,000,000	**3,989,546**	3,984,041	Fixed rate bond due 2020
2013	20.0	6.0000%	2,000,000	**1,984,613**	1,983,990	Fixed rate bond due 2033
2013	10.5	5.0000%	15,000,000	**14,923,051**	14,910,133	Fixed rate bond due 2024
2014	11.0	5.6250%	8,000,000	**7,945,703**	7,938,923	Fixed rate bond due 2025
2015	7.0	4.5000%	7,000,000	**6,960,744**	6,953,043	Fixed rate bond due 2022
2016	9.5	4.7500%	7,000,000	**6,949,421**	6,943,375	Fixed rate bond due 2025
2016	10.0	4.8500%	8,000,000	**7,939,468**	7,932,643	Fixed rate bond due 2026
2016	3.0	3.0000%	2,982,530	**2,971,976**	2,969,108	Homestarter Bond due 2019
2016	7.0	3.8915%	7,000,000	**6,952,613**	6,943,949	Fixed rate bond due 2023
2017	10.0	5.2624%	7,000,000	**6,969,630**	6,966,801	Fixed rate bond due 2027
2018	10.0	5.9203%	10,000,000	**9,886,828**	–	Fixed rate bond due 2028
2018	5.0	7.0239%	8,000,000	**7,909,305**	–	Fixed rate bond due 2023
Total				**₱100,368,774**	₱82,494,123	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2018 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest rating assigned by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong and that that it has the smallest degree of investment risk. On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, the Parent Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances.

Philippine Peso 10-year and 6-month Bonds due 2024
In July 2013, the Parent Company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a

"AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Parent Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 11-year Bonds due 2025
In April 2014, the Parent Company issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022
In April 2015, the Parent Company issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025
In April 2016, the Parent Company issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000.0 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 10-year Bonds due 2026
In March 2016, the Parent Company issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000,000,000 Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023
In October 2016, the Parent Company issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% p.a. and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% p.a. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In 2017, the Parent Company paid ₱9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, the Parent Company paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. As of December 31, 2018 and 2017, the remaining balance of the 3-Year Homestarter Bond amounted to ₱2,982.5 million and ₱2,990.9 million, respectively.

Philippine Peso 10-year Bonds due 2027
In May 2017, the Parent Company issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028
In April 2018, the Parent Company issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC,and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023
In October 2018, the Parent Company issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 21-month Note due 2019
In July 2017, the Parent Company issued and listed on the PDEx a ₱4,300.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 2.75% p.a. The Corporate Notes will mature in April 2019.

Philippine Peso 15-month Note due 2019
In November 2017, the Parent Company issued and listed on the PDEx Corp. a ₱3,100.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 3.25% p.a. The Corporate Notes will mature in February 2019.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Parent Company issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% p.a. depending on the term of the notes. The Company prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, the Parent Company paid ₱43.0 million for the matured portion of the loan. In January 2016, the Parent Company paid ₱3,750 million notes for the matured portion of the loan. In 2017, the Parent Company paid ₱43.0 million for the matured portion of the loan. In 2018, the Company prepaid ₱3,234.0 million notes and paid ₱10.0mn for the matured portion of the loan. As of December 31, 2018 and 2017, the remaining balance of the FXCN amounted to ₱970.0 million and ₱4,214.0 million, respectively.

Philippine Peso 10-year Note due 2023
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, ₱50.0 million was prepaid by the Company. In 2016, another ₱50.0 million worth of amortization was paid by the Parent Company. In 2017, the Parent Company paid another amortization in the amount of ₱50.0 million. In 2018, another ₱50.0 million worth of amortization was paid by the Company. As of December 31, 2018 and 2017, the remaining balance of the note amounted to ₱4,800.0 million and ₱4,850.0 million, respectively.

Peso-denominated Long-term Loans
In August to September 2015, the Parent Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% p.a. and terms ranging from 4.4 years to 10.5 years. In 2016, the Company paid ₱251.6 million. During 2017, the Parent Company also paid ₱317.6 million for its current portion Peso-denominated loans. In March 2017, the Company executed a ₱10,000.0 million long-term facility with a domestic bank, of which the Company had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.949% p.a. and a term of 10 years. The balance of facility of ₱5,000.0 million was drawn in April 2017. In March 2018, the Company executed a ₱5,000.0 million long-term facility with a domestic bank, of which the Company had simultaneously drawn the entire facility amount. As of December 31, 2018 and 2017, remaining

balance of the Peso-denominated long-term loans amounted to ₱29,465.7 million and ₱24,873.1 million, respectively.

US Dollar-denominated Long-term Loans
In October 2012, the Parent Company executed and had fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, the Company made partial prepayments on the loan in the amount of US$5.8 million and US$12.8 million, respectively. Subsequently in March 2016, a US$30.0 million long-term facility was assigned by ALI Makati Hotel Property, Inc. to the Parent Company. The assigned loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly and had a remaining term of 3 years and 4 months from the time of assignment. The Parent Company fully paid the remaining dollar-denominated loans on December 20, 2018.

Subsidiaries
The subsidiaries' loans will mature on various dates up to 2028. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R2 or and fixed interest rates ranging from 3.89% to 6.49% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a. or (iii) the average of the Bangko Sentral ng Pilipinas Overnight Deposit Rate and Term Deposit Facility with a term closed to the 90-day interest period. The total outstanding balance of the subsidiaries' loans as of December 31, 2018 and 2017 amounted to ₱21,738.1 million and ₱26,853.2 million loans, respectively.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021
In June 2014, Cebu Holdings, Inc. issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.3% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2018 and 2017.

Interest capitalized amounted to ₱196.2 million and ₱61.8 million in 2018 and 2017, respectively. The capitalization rates are 2%-7.65% in 2018 and 2.5-5.05% in 2017 (see Notes 8, 12 and 13).

Transaction costs capitalized amounted to ₱251.4 million and ₱129.8 million in 2018 and 2017, respectively. Amortization amounted to ₱178.2 million and ₱111.5 million in 2018 and 2017, respectively and included under "Interest and other financing charges" (see Note 23).

18. Deposits and Other Current Liabilities

This account consists of:

	2018	2017
	(In Thousands)	
Security deposits	**₱5,544,289**	₱3,359,779
Customers' deposits	**–**	18,085,639
Others	**1,125,576**	298,402
	₱6,669,865	₱21,743,820

Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition (see Note 2). As of December 31, 2018, the cutomers' deposits account have been reported as contract liabilities in the consolidated statements of financial position under the modified retrospective approach.

Other current liabilities mostly pertain to estimated liability on property development and unearned income.

19. Deposits and Other Noncurrent Liabilities

This account consists of:

	2018	2017
	(In Thousands)	
Deposits	**₱ 18,844,346**	₱19,101,139
Contractors payable	**7,264,642**	7,955,096
Liability for purchased land	**6,019,262**	2,303,140
Retentions payable	**5,722,577**	8,376,115
Deferred Output VAT	**1,923,754**	1,683,848
DRP obligation	**1,001,146**	728,390
Subscriptions payable	**498,175**	498,175
Other liabilities	**1,018,769**	1,211,743
	₱42,292,671	₱41,857,646

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Contractors payable represents estimated liability on property development.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

DRP obligation pertains to the liability arising from the assignment agreement between NTDCC and MRTDC of the latter's development rights (see Note 36). In consideration of the lease, the Company will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Company's commercial center business.

The Group's subscription payable pertains to POPI's investment in Cyber Bay.

On April 25, 1995, Central Bay, a wholly owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal

Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void. Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA.

On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC.

With the nullification of the AJVA, Central Bay has suspended all Project operations. On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10,200.0 million with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA. As at October 3, 2013, the claim is still being evaluated by the PRA.

On November 13, 2012, the SEC approved the conversion of debt to equity of Cyber Bay resulting to a change in percentage ownership of POPI from 22.3% to 10.5%. The management assessed that POPI ceased to have significant influence over Cyber Bay. As a result of the debt to equity conversion, the investment in Cyber Bay was reclassified to financial asset through FVOCI.

As at December 31, 2018, the Group has unpaid subscription in Cyber Bay amounting to ₱481.7 million. The investment in Cyber Bay under "financial assets through FVOCI" amounted to ₱548.3 million as of December 31, 2018 (see Note 10).

Other liabilities include nontrade payables, accrued payables and warranty payables.

20. **Equity**

The details of the number of shares follow:

December 31, 2018

	Number of Shares		Amount	
	Preferred	**Common**	**Preferred**	**Common**
		(In Thousands)		
Authorized	**15,000,000**	**20,000,000**	**₱1,500,000**	**₱20,000,000**
Issued	**13,066,495**	**14,614,387**	**₱1,306,649**	**₱14,614,387**
Subscribed	**–**	**120,494**	**–**	**120,494**
Issued and outstanding	**13,066,495**	**14,734,881**	**₱1,306,649**	**₱14,734,881**

December 31, 2017

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
		(In Thousands)		
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued	13,066,495	14,606,355	₱1,306,649	₱14,606,355
Subscribed	–	118,592	–	118,592
Issued and outstanding	13,066,495	14,724,947	₱1,306,649	₱14,724,947

Preferred Shares (₱0.10 par value per share)
The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 13,000 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges: (a) voting; (b) dividend rate of 4.7% per annum, equivalent to 90.0% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par

value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.
The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and

b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

As of December 31, 2018 and 2017, the Parent Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,306.6 million, respectively.

Common Shares (₱1.00 par value per share)
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the outstanding number of common shares follows:

	2018	2017
	(In Thousands)	
At beginning of year	**14,724,947**	14,712,682
Additional subscriptions	**9,934**	12,265
At end of year	**14,734,881**	14,724,947

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on January 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20.00 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On July 5, 1991, the Parent Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of ₱26.00 per share. The registration statement was approved on July 20, 1992. The Parent Company has 9,102 and 9,209 existing shareholders as of December 31, 2018 and 2017, respectively.

Treasury Shares

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.50 per share resulting to additional paid-in capital of ₱1,601.6 million.

On July 16, 2012, the Parent Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and were subsequently retired upon approval of the Parent Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Parent Company's balance sheet management program and aims to (i) improve the Parent Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.51, ₱0.48 and ₱0.48 per share in 2018, 2017 and 2016, respectively, to all issued and outstanding shares.

On February 20, 2018, the BOD approved the declaration of cash dividends amounting to ₱0.252 per outstanding common share and was paid out on April 3, 2018 to the shareholders on record as of March 12, 2018. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2018 to the shareholders on record as of June 15, 2018.

On August 17, 2018, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.252 per share. The cash dividend was paid out on October 2, 2018 to stockholders of common shares on record as of September 6, 2018.

On February 20, 2017, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 22, 2017 to the shareholders on record as of March 6, 2017. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2017 to the shareholders on record as of June 15, 2017.

On August 18, 2017, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.24 per share. The cash dividend was paid out on September 15, 2017 to stockholders of common shares on record as of September 5, 2017.

On February 26, 2016, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 23, 2016 to the shareholders on record as of March 11, 2016. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Company's unlisted voting preferred shares. These were paid on June 29, 2016 to the shareholders on record as of June 15, 2016.

On August 18, 2016, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2380 per share. The cash dividend was paid out on September 16, 2016 to stockholders of common shares as of record date.

Total dividends for common shares declared for 2018 and 2017 amounted to ₱7,423.9 million and ₱7,065.0 million, respectively.

Retained earnings of ₱8,000.0 million are appropriated for future expansion. The increase of ₱2,000.0 million in 2016 represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD:

a) Ayala Triangle Garden 2 with product offering for a Triple A HQ Office Building, a 5-Star Hotel and 3-level Retail Podium with gardens and civic spaces which was approved by the Board on May 29, 2015. The project was launched in June 2015 and expected to be completed in 2020.

b) Ayala Center Redevelopment which will offer intermodal transport facility, a 5-storey regional mall, 2 BPO towers, a SEDA hotel and a 300-units residential for lease was approved by the Board on November 27, 2015. The project was launched in January 2016 and expected to be completed in 2021.

Retained earnings also include undistributed net earnings amounting to ₱46,486.7 million and ₱54,547.0 million as of December 31, 2018 and 2017, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱52,672.2 million and ₱45,343.5 million, respectively.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Cumulative Translation Adjustment
The cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Equity Reserves
In January 2018, ALI purchased additional 202,774,547 shares of POPI from Genez Investment Corporation for ₱497.7 million increasing the Parent Company's ownership to 67%.

In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million increasing its ownership to 95%.

In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

In March 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 shares. This resulted in a 6.07% dilution of ALI's stake in MCT as of date of share issuance. As such, the current ownership stake of ALI in MCT is 66.25%. This resulted in an increase in Equity reserve amounting to ₱1,044.5 million.

The transactions were accounted for as an equity transaction since there were no changes in control. The movements within equity are accounted for as follows:

	2018		
	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity
		(In Thousands)	
4.14% in POPI	₱497,652	₱315,951	₱181,701
20.00% in LTI	800,000	528,295	271,705
1.53% net reduction in CHI	582,106	826,752	(244,646)
	₱1,879,758	₱1,670,998	₱208,760

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up the Company's ownership to 72% of the total outstanding capital stock of CHI (see Note 1).

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock (see Note 1).

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership to 63.05%.

The transactions were accounted for as an equity transaction since there were no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity
		(In Thousands)	
5.09% in CHI	₱574,994	₱394,907	₱180,087
11.69% in POPI	1,258,579	852,656	405,923
	₱1,833,573	₱1,247,563	₱586,010

In August 2017, AHRC entered into a memorandum of agreement with Sicogon Development Corporation (SIDECO) and an individual to develop Sicogon Island into a new leisure destination. The investment of SIDECO and an individual to SITEC changed the ownership interest of AHRC in SITEC from 100% to 77% without a loss of control. The difference between the amount by which non-controlling interest of 23% are adjusted and the fair value of consideration paid is recognized directly to equity amounting to ₱134.0 million.

In 2016, ALI purchased additional 201,859,364 common shares of CHI for total consideration of ₱1,209.8 million which brought ALI's ownership from 56.4% to 66.9% (see Note 1). The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity
		(In Thousands)	
10.5% in CHI	₱1,209,784	₱748,746	₱461,038

In 2015, the Company purchased additional shares from non-controlling interests of CHI, NTDCC, API. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity
		(In Thousands)	
6.7% in CHI	₱649,927	₱434,074	₱215,853
9.4% in NTDCC	778,356	174,770	603,586
1.9% in API	58,157	45,540	12,617
	₱1,486,440	₱654,384	₱832,056

In 2014, the Company acquired additional shares from non-controlling interests of Philenergy (40.0%), NTDCC (14.5%) and CECI (0.40%) and were accounted as an equity transaction since there was no change in control.

In 2013, the Company acquired additional 32% interest in APPCo and additional 40% interests in TKDC and TKPI increasing its ownership interest to 100%. The transactions were accounted as an equity transaction since there was no change in control. Following is the schedule of the movement in equity reserves recorded within the equity:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity
		(In Thousands)	
6.7% in CHI	₱3,520,000	₱797,411	₱2,722,589
9.4% in NTDCC	2,000,000	1,413,960	586,040
	₱5,520,000	₱2,211,371	₱3,308,629

Non-controlling interests
The financial information on the Company's significant subsidiaries with material NCI follows:

CHI and Subsidiaries
CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of CHI is at 20F ACC Tower, Bohol St., Cebu Business Park, Cebu City, Philippines.

	2018	2017
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**29.6%**	28.0%
Accumulated balances of material non-controlling interests	**₱3,543,749**	₱2,340,127
Net income allocated to material non-controlling interests	**291,009**	227,641
Comprehensive income allocated to material non-controlling interests	**302,984**	226,467

The summarized financial information of CHI is provided below. This information is based on amounts before inter-company eliminations.

	2018	2017
	(In Thousands)	
Statement of financial position		
Current assets	**₱3,598,044**	₱3,383,588
Noncurrent assets	**22,743,784**	17,260,743
Current liabilities	**(9,455,296)**	(5,693,010)
Noncurrent liabilities	**(6,816,128)**	(7,003,688)
Total equity	**10,070,404**	7,947,633
Attributable to:		
Equity holders of CHI	**8,073,365**	6,989,133
Non-controlling interests	**1,997,039**	958,500
Dividends paid to non-controlling interests	–	–

	For the years ended December 31	
	2018	2017
	(In Thousands)	
Statement of comprehensive income		
Revenue	**₱3,721,840**	₱3,092,234
Cost and expenses	**(2,479,081)**	(2,020,529)
Income before income tax	**1,242,759**	1,071,705
Provision for income tax	**(272,729)**	(258,701)
Income from operations	**970,030**	813,004
Other comprehensive income (loss)	**39,917**	(4,195)
Total comprehensive income	**1,009,947**	808,809
Attributable to:		
Equity holders of CHI	**₱897,028**	₱752,192
Non-controlling interests	**112,919**	56,617

	For the years ended December 31	
	2018	2017
	(In Thousands)	
Statement of cash flows		
Operating activities	**₱5,661,910**	₱1,570,101
Investing activities	**(5,231,452)**	(1,330,356)
Financing activities	**(382,782)**	(157,884)
Effect of exchange rate changes	**59**	19
Net increase (decrease) in cash and cash equivalents	**₱47,735**	₱81,880

The fair value of the investment in CHI amounted to ₱9,722.3 million and ₱8,079.7 million as of December 31, 2018 and 2017, respectively.

POPI and Subsidiaries
POPI was incorporated in the Republic of the Philippines. It is engaged in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services, organized under a number of intermediate holding companies. The Company wholly owns Tutuban

Properties, Inc., which holds the lease and development rights over Tutuban Center in downtown Divisoria.

	2018	2017
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**33%**	37%
Accumulated balances of material non-controlling interests	**₱3,970,448**	₱4,696,993
Net income allocated to material non-controlling interests	**182,279**	33,888
Comprehensive income allocated to material non-controlling interests	**182,279**	33,888

The summarized financial information of POPI is provided below. This information is based on amounts before inter-company eliminations (In Thousands).

	December 31, 2018	December 31, 2017
Statement of financial position		
Current assets	**₱5,219,448**	₱1,869,908
Noncurrent assets	**7,738,121**	7,073,001
Current liabilities	**(2,045,059)**	(539,893)
Noncurrent liabilities	**(1,038,260)**	(1,019,789)
Total equity	**9,874,250**	7,383,227
Attributable to:		
Equity holders of POPI	**₱9,245,493**	₱7,334,130
Non-controlling interests	**628,757**	49,097
Dividends paid to non-controlling interests	–	–

	For the years ended December 31	
	2018	2017
Statement of comprehensive income		
Revenue	**₱3,480,091**	₱733,707
Cost and expenses	**(2,773,181)**	(654,084)
Income before income tax	**706,910**	79,623
Provision for income tax	**(152,195)**	(52,065)
Income from operations	**554,715**	27,558
Other comprehensive loss	**–**	–
Total comprehensive income	**554,715**	27,558
Attributable to:		
Equity holders of POPI	**₱441,907**	₱20,532
Non-controlling interests	**112,808**	7,026
Statement of cash flows		
Operating activities	**₱538,031**	(₱149,327)
Investing activities	**(746,879)**	(4,727,524)
Financing activities	**217,512**	4,230,458
Net decrease in cash and cash equivalents	**₱8,664**	(₱646,393)

The fair value of the investment in POPI amounted to ₱6,407.1 million and ₱5,639.2 million as of December 31, 2018 and 2017, respectively.

<u>Capital Management</u>
The primary objective of the Group’s capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2018 and 2017, the Group had the following ratios:

	2018	2017
Debt to equity	**84.8:1**	90.8:1
Net debt to equity	**72.3:1**	77.3:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL (net of Investment in ARCH Capital Fund). Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the “Fair value reserve of financial assets at FVOCI” attributable to the equity holders of the Company in computing the debt to equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 17). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018 and 2017.

Financial risk assessment
The Group’s financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group’s ratio of fixed to floating rate debt stood at 89:11 and 85:15 as of

December 31, 2018 and 2017, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at MYR130.8 million and US$96.5 million as of December 31, 2018, respectively and US$147.6 million as of December 31, 2017.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVTPL.

21. Revenue

This account consists of:

	2018	2017	2016
		(In Thousand)	
Revenue from contracts with customers			
Residential development	**₱120,396,794**	₱101,797,865	₱82,738,691
Hotels and resorts	**6,386,896**	5,621,164	6,052,309
Construction	**2,393,683**	1,559,430	10,700,886
Other	**237,601**	898,000	–
Rental income	**33,581,920**	28,631,316	23,219,595
Equity in net earnings of associates and joint venture	**749,924**	865,566	554,414
Total Revenue	**₱163,746,818**	₱139,373,341	₱123,265,895

The Group derives revenue from the transfer of goods and services over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Residential development

	2018
	(In thousands)
Type of Product	
Condominium	**₱35,284,221**
Coremid	**33,694,884**
Middle Income Housing	**33,401,701**
Lot only	**18,253,589**
	₱120,634,395

All of the Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

Hotels and resorts

	2018
	(In thousands)
Type of Product	
Rooms	**₱3,909,395**
Food and beverage	**2,116,548**
Other operated department	**296,049**
Others	**64,904**
	₱6,386,896

The Group's construction revenue all pertains to transactions with related parties.

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information (in millions):

	2018					
	Residential Development	International	Construction	Hotels and Reosrts	Property Management and Others	Total
Sales to external customer	₱105,752	₱7,602	₱2,394	₱6,387	₱238	₱122,373
Interest	7,042	–	–	–	–	7,042
Total revenue from contracts with customers	225,589	7,602	2,394	6,387	238	129,415

22. Interest and Investment Income and Other Income

Interest and investment income consists of:

	2018	2017	2016
		(In Thousands)	
Interest income from banks	**₱657,920**	₱476,737	₱148,352
Interest income from advances to officers/employees and other companies	**252,630**	101,000	472,361
Gain on sale of equipment and other properties	**46,570**	69,566	37,447
Gain on sale of investments	**588**	25,713	43,657
Others	**528**	2,035	1,147
	₱958,236	₱675,051	₱702,964

Other income consists of:

	2018	2017	2016
		(In Thousands)	
Marketing and management fees	**₱254,483**	₱402,238	₱142,973
Others - net (Note 25)	**1,286,234**	1,846,321	516,963
	₱1,540,717	₱2,248,559	₱659,936

Other income mainly consists of gain on business combination, realized and unrealized gain on financial asset at FVTPL and gain from disposal of subsidiary. It also includes the financial impact of net foreign exchange transactions amounting ₱92.8 million, ₱23.3 million gain and ₱15.4 million loss in 2018, 2017 and 2016, respectively. It also includes reversal of impairment losses amounting to ₱1,298.44 million in 2017 (see Note 8). In 2017, the Company reversed its allowance for impairment in inventories due to higher fair value than its carrying amount.

23. **Costs and Expenses and Other Charges**

Real estate costs and expenses consist of:

	2018	2017	2016
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱67,784,088**	₱59,864,430	₱47,379,487
Marketing and management fees	**5,165,668**	4,492,983	2,366,929
Depreciation and amortization	**5,044,758**	4,113,833	4,918,250
Rental	**3,960,419**	2,105,239	1,954,860
Hotels and resorts operations	**3,030,787**	5,435,408	3,516,962
Manpower costs	**1,800,424**	1,212,904	1,606,117
Materials and overhead	**1,341,224**	531,180	7,061,926
Direct operating expenses:			
Light and water	**4,440,156**	2,830,100	1,423,600
Taxes and licenses	**2,873,125**	2,726,850	2,412,017
Commission	**2,124,226**	1,459,921	1,394,617
Repairs and maintenance	**1,582,239**	1,082,041	1,476,788
Insurance	**271,700**	125,526	124,194
Professional fees	**172,226**	183,563	195,256
Transportation and travel	**170,781**	118,059	169,308
Entertainment, amusement and recreation	**28,243**	27,539	37,980
Others	**1,289,066**	1,611,488	528,113
	101,079,130	₱87,921,064	₱76,566,404

General and administrative expenses consist of:

	2018	2017	2016
		(In Thousands)	
Manpower costs (Notes 27 and 29)	**₱4,685,180**	₱3,756,307	₱3,852,675
Taxes and licenses	**818,797**	595,027	557,289
Professional fees	**744,679**	672,843	477,875
Depreciation and amortization	**640,608**	484,707	438,691
Security and janitorial	**603,404**	431,002	357,945
Utilities	**324,402**	274,623	248,977
Repairs and maintenance	**304,003**	246,796	152,106
Rent	**195,669**	135,569	194,883
Transport and travel	**106,366**	113,229	98,660
Advertising	**103,423**	59,381	61,811
Training and seminars	**79,023**	88,439	62,591
Donations and contribution	**76,059**	42,667	84,825
Insurance	**74,139**	39,510	113,526
Supplies	**64,550**	50,674	49,221
Dues and fees	**61,447**	63,693	63,480
Entertainment, amusement and recreation	**41,970**	50,587	49,870
Others	**177,609**	169,791	166,925
	₱9,101,328	₱7,274,845	₱7,031,350

Manpower costs included in the consolidated statements of income follows:

	2018	2017	2016
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱1,534,290**	₱1,203,777	₱1,605,950
Hotels and resorts operations	**266,134**	9,127	167
General and administrative expenses	**4,685,180**	3,756,307	3,852,675
	₱6,485,604	₱4,969,211	₱5,458,792

Depreciation and amortization expense included in the consolidated statements of income follows:

	2018	2017	2016
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱5,044,758**	₱4,113,833	₱4,918,250
Hotels and resorts operations	**633,563**	581,252	517,619
General and administrative expenses	**640,608**	484,707	438,691
	₱6,318,929	₱5,179,792	₱5,874,560

Other expenses consist of:

	2018	2017	2016
		(In Thousands)	
Write-offs and other charges	**₱1,123,307**	₱1,040,218	₱654,686
Net provision for (reversals of) impairment losses on:			
Receivables (Note 7)	**146,974**	(416,143)	398,521
Inventories	**–**	523,001	–
Investment properties (Note 12)	**–**	49,000	–
	₱1,270,281	₱1,196,076	₱1,053,207

Interest and other financing charges consist of:

	2018	2017	2016
		(In Thousands)	
Interest expense on:			
Long-term debt	**₱7,259,118**	₱7,393,070	₱6,114,265
Short-term debt	**1,668,340**	337,384	837,918
Other financing charges	**666,545**	183,872	362,204
	₱9,594,003	₱7,914,326	₱7,314,387

24. **Income Tax**

Net deferred tax assets:

	2018	2017
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱10,197,204**	₱7,873,272
Unrealized foreign exchange losses	**789,217**	57,162
Allowance for probable losses	**649,222**	606,470
NOLCO	**489,446**	565,564
Accrued expenses	**396,403**	1,204,205
Retirement benefits	**365,488**	283,469
Advanced rentals	**58,464**	23,719
Others	**515,196**	485,887
	13,460,640	11,099,748
Deferred tax liabilities on:		
Capitalized interest and other expenses	**(434,023)**	(447,596)
Others	**14,376**	(4,139)
	(419,647)	(451,735)
	₱13,040,993	₱10,648,013

Net deferred tax liabilities:

	2018	2017
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱43,621**	₱522,615
Allowance for probable losses	**84,617**	27,907
Accrued expense	**55,935**	26,384
NOLCO	**40,994**	3,871
Unrealized foreign exchange loss	**179**	–
Others	**53,901**	70,139
	279,247	650,916
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(3,823,380)**	(1,624,814)
Difference between tax and book basis of accounting for real estate transactions	**(1,662,926)**	(1,922,421)
Capitalized interest and other expenses	**(144,668)**	(15,658)
Retirement benefits	**119,229**	(29,302)
Prepaid expenses	**(38,435)**	–
Unrealized foreign exchange gain	**(6,124)**	(3,120)
Others	**(617,648)**	(599,392)
	(6,173,952)	(4,194,707)
	(₱5,894,705)	(₱3,543,791)

As of December 31, 2018 and 2017 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

Certain subsidiaries of the Company have NOLCO amounting to ₱2,109.2 million and ₱1,290.6 million as of December 31, 2018 and 2017, respectively and MCIT amounting to

₱427.1 million and ₱24.2 million as of December 31, 2018 and 2017, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2018, total unrecognized NOLCO and MCIT amounted to ₱341.1 million and ₱18.6 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2015	₱318,468	₱318,468	₱–	2018
2016	452,178	–	452,178	2019
2017	666,258	–	666,258	2020
2018	990,792	–	990,792	2021
	₱2,427,696	₱318,468	₱2,109,228	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2015	₱4,481	₱4,481	₱–	2017
2016	2,371	–	2,371	2018
2017	16,332	–	16,332	2019
2018	408,373	–	408,373	2020
	₱431,557	₱4,481	₱427,076	

Reconciliation between the statutory and the effective income tax rates follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Equity in net earnings of associates and joint ventures	**(0.35)**	(0.68)	(0.51)
Income under tax holiday and other nontaxable income (Note 31)	**(0.92)**	(0.57)	(3.11)
Interest income and capital gains taxed at lower rates	**(1.62)**	(2.51)	(0.65)
Others – net	**(0.60)**	(0.38)	(0.53)
Effective income tax rate	**26.51%**	25.86%	25.20%

Deferred tax related to remeasurement gain on defined benefit plans recognized in OCI amounted to ₱25.6 million and ₱84.4 million in 2018 and 2017, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Board of Investments (BOI) Incentives
The Board of Investments issued certificates of registrations to the following companies in accordance with the existing Omnibus Investment Code. The projects have been granted an Income Tax Holiday (ITH) for a fixed period from the date of registration or actual start of operations, whichever is earlier.

	Registration Date	Project Location	ITH Start	ITH Period
Econorth Resort Ventures Inc.	November 21, 2017	Seda Lio	March 2018	4 years
Capitol Central Hotel Ventures, Inc.	September 08, 2017	Seda Capitol Central	January 2018	4 years
Sentera Hotel Ventures, Inc.	September 11, 2015	Seda Nuvali	December 2015	4 years
Ecosouth Hotel Ventures, Inc.	June 09, 2014	Seda Nuvali Hotel	June 2014	4 years
Greenhaven Properrty Ventures, Inc.	December 06, 2011	Holiday Inn & Makati Suites	April 2013	6 years
Bonifaco Hotel Ventures, Inc.	January 11, 2012	Seda BGC	June 2018	6 years
Northgate Hotel Ventures Inc.	February 09, 2012	Seda Centrio	February 2012	6 years
MDC Conqrete, Inc.	November 10, 2015	Modular Housing	November 2015	4 years
BellaVita Land Corporation	September 17, 2015	San Pablo, Laguna	September 2015	4 years
BellaVita Land Corporation	May 05, 2015	Porac, Pampanga	May 2015	4 years
Amaia Land Corp	July 18, 2018	Amaia Scapes Bulacan Sector 3B	July 2018	3 years
Amaia Land Corp.	April 26, 2017	Amaia Steps Alabang - Delicia	April 2017	3 years
Amaia Land Corp.	April 20, 2017	Amaia Steps Capitol Central	April 2017	3 years
Amaia Land Corp.	April 20, 2017	Amaia Steps Sucat - Isabela	April 2017	3 years
Amaia Land Corp.	December 15, 2016	Novaliches, QC	December 2016	3 years
Amaia Land Corp.	September 29, 2016	Amaia Scapes Iloilo	September 2016	4 years
Amaia Land Corp	November 24, 2015	Amaia Cabuyao S2	November 2015	3 years
Amaia Land Corp	September 29, 2015	Amaia Steps Capitol Central	September 2015	4 years
Amaia Land Corp	August 24, 2015	Amaia Scapes CDO S1	August 2015	4 years
Amaia Land Corp	August 19, 2015	Amaia Nuvali Parkway	August 2015	3 years
Amaia Land Corp	August 10, 2015	Amaia Scapes San Pablo	August 2015	4 years
Amaia Land Corp	July 24, 2015	Amaia Steps Altaraza B-A	July 2015	4 years
Amaia Land Corp	July 23, 2015	Amaia Gen. Trias S2	July 2015	3 years
Amaia Land Corp	July 21, 2015	Amaia Novaliches	July 2015	3 years
Amaia Land Corp	July 20, 2015	Amaia Steps Pasig 1B	July 2015	3 years
Amaia Land Corp	June 18, 2015	Amaia Scapes Bauan S1	June 2015	4 years
Amaia Land Corp.	June 4, 2015	Amaia Scapes Camsur S1	June 2015	4 years
Amaia Land Corp.	March 24, 2015	Amaia Steps Mandaue	March 2015	3 years
Amaia Land Corp.	May 21, 2015	Amaia Scapes Batangas	May 2015	4 years
Amaia Land Corp.	May 21, 2015	Amaia Cabuyao S1	May 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Scapes Pampanga	March 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Scapes Trese S1	March 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Shaw T1	March 2015	3 years
Amaia Land Corp.	February 11, 2015	Urdaneta Pangasinan	February 2015	4 years
Amaia Land Corp.	February 11, 2015	Amaia Steps Nuvali	February 2015	4 years
Avida Land Corp.	September 4, 2015	Avida Prime Taft Tower 3	September 2015	3 years
Avida Land Corp.	June 16, 2015	Avida Atria Tower 2	July 2015	3 years
Avida Land Corp.	June 16, 2015	Avida Serin East Tower 1	July 2015	3 years
Avida Land Corp.	April 30, 2015	Avida Altura Tower 2	May 2015	3 years
Avida Land Corp.	April 30, 2015	Avida Asten Tower 2	May 2015	3 years

25. Business Combinations and Acquisition of Non-controlling Interests

Business Combinations

MCT Berhad
On January 2, 2018, Ayala Land, Inc., (ALI) through its wholly owned subsidiary, Regent Wise Investments Limited (RWIL), signed a share purchase agreement to acquire an additional 17.24% share in MCT Berhad (MCT), subject to completion of certain conditions.

On January 5, 2018, the transfer of shares was completed, increasing the Company's shareholding in MCT to 50.19% from 32.95%. RWIL also issued a notice of an unconditional mandatory take-over offer to the BOD of MCT, to acquire all remaining shares of the Company that are not already held by RWIL, following the completion of certain conditions to the share purchase agreement.

The mandatory take-over offer made in connection to the acquisition of additional shares in MCT closed as of 5:00 p.m. (Malaysian time) February 19, 2018. Owners of 295,277,682 shares accepted the offer, equivalent to 22.12% of MCT's total outstanding shares. As a result of the offer, ALI's shareholdings in MCT increased from 50.19% to 72.31%. Total consideration paid is ₱5.98 billion (see Note 11).

Subsequently, the Group remeasured its previously held interest in MCT based on its acquisition-date fair value which resulted to a remeasurement loss of ₱1.79 billion.

The Group finalized the purchase price allocation of its acquisition of MCT through business combination in December 2018. The final purchase price allocation resulted in gain from bargain purchase of ₱1.85 billion.

The net gain of ₱60 million from the acquisition is presented under 'Other income' account in the consolidated statements of income.

The following are the fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash and cash equivalents	₱1,078,224
Trade and other receivables	2,833,560
Inventories	13,620,873
Investment properties	5,712,635
Property, plant and equipment	4,599,423
Other noncurrent assets	69,222
	27,913,937
Liabilities	
Accounts and other payables	5,506,336
Borrowings	2,752,114
Income tax payable	128,551
Deferred tax liabilities	2,287,772
	10,674,773
Net assets	17,239,164
Total net assets acquired	12,465,640
Acquisition cost	(10,611,567)
Negative goodwill	₱1,854,073

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From January 8 to December 31, 2018, the Group's share in MCT's revenue and net income amounted to ₱7.6 billion and ₱1.3 billion.

Acquisition of Non-controlling Interests

Prime Orion Philippines, Inc. (POPI)
In January 2018, ALI purchased additional 202,774,547 shares of POPI from Genez Investment Corporation for ₱497.7 million increasing the Company's ownership to 67%.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of

POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership to 63.05%.

Cebu Holdings, Inc. (CHI)
In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

On various dates in 2017, ALI acquired a total of 5.1% additional ownership interest in CHI for a total consideration of ₱574.99 million. This brought ALI's ownership from 66.9% to 72.0% of the outstanding capital stock of CHI and there was no change in control.

In 2016, ALI acquired a total of 10.5% additional ownership in CHI for a total consideration of ₱1,209.8 million. This brought ALI's ownership from 56.4% to 66.9% of the outstanding capital stock of CHI and there was no change in control.

Laguna Technology, Inc. (LTI)
In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million increasing its ownership to 95%.

26. Related Party Transactions

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

In its regular conduct of business, the Group has entered into transactions with its parent company, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of Ayala Corporation (AC)

   Cash and cash equivalents earn interest from 2.5% to 6.0% per annum for Philippine Peso-denominated and 1.0% to 3.0% per annum for USD-denominated investments. Investment in FVPL are UITF which earns interest depending on the duration of time invested in the fund. Interest earned with investments in BPI for the year amounted to ₱129.3 million, ₱123.0 million and ₱56.7 million in 2018, 2017 and 2016, respectively.

   Short-term debts are secured peso denominated bank loans with interest rate ranging from 5.5% to 5.6% while long-term debts bear fixed rates ranging from 4.5% to 6.9% and floating rates ranging from 5.4% to 6.5% per annum with remaining terms ranging from less than a year to 9.9 years. Interest expense incurred on borrowings from BPI amounted to ₱1,460.0 million,

₱458.17 million and ₱628.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the Group maintains current and savings account, money market placements and short-term and long-term debt payable with BPI broken down as follows:

	2018	2017
	(In Thousands)	
Cash in bank	**₱4,105,565**	₱3,886,603
Cash equivalents	**3,312,150**	4,362,631
Marketable Securities	**1,615,568**	925,643
Short term debt	**4,476,000**	5,405,000
Long-term debt	**9,696,981**	12,292,473

b. Outstanding balances with parent company, associates and other related party

Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, noninterest-bearing and settled within one year.

Outstanding balances from/to related parties follow (amounts in thousands):

2018

	Receivable from related parties			**Payable to related parties**		
	Current	**Noncurrent**	**Total**	**Current**	**Noncurrent**	**Total**
Parent Company	**₱140,137**	**₱–**	**₱140,137**	**₱135,872**	**₱–**	**₱135,872**
Associates	**5,049,084**	**–**	**5,049,084**	**212,766**	**–**	**212,766**
Other related parties:						
Globe Telecom (Globe)	**149,638**	**–**	**149,638**	**2,878**	**–**	**2,878**
Bank of the Philippine Islands	**131,803**	**–**	**131,803**	**44,170**	**–**	**44,170**
Columbus	**1**	**–**	**1**	**267,355**	**–**	**267,355**
Others	**212,573**	**–**	**212,573**	**39,148**	**–**	**39,148**
	494,015	**–**	**494,015**	**353,551**	**–**	**353,551**
	₱5,683,236	**₱–**	**₱5,683,236**	**₱702,189**	**₱–**	**₱702,189**

2017

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company	₱100,648	₱–	₱100,648	₱73,123	₱–	₱73,123
Associates	1,154,972	–	1,154,972	222,310	–	222,310
Other related parties:						
Globe Telecom (Globe)	126,007	–	126,007	3,792	–	3,792
Bank of the Philippine Islands	122,675	–	122,675	44,125	–	44,125
Columbus	–	–	–	267,355	–	267,355
Others	230,175	–	230,175	29,442	–	29,442
	478,857	–	478,857	344,714	–	344,714
	₱1,734,477	₱–	₱1,734,477	₱640,147	₱–	₱640,147

c. Revenue and expenses from related parties

The revenue from parent company, associates and other related parties pertains mostly to income from leasing and development projects while expenses composed of management fees and training expenses. These are usually non-interest bearing and not impaired. Transactions are settled within one year.

Revenue and expenses from related parties follow:

Revenue from related parties:

	2018	2017	2016
		(In Thousands)	
Parent Company	**₱28,081**	₱5,114	₱51,914
Associates	**4,703,524**	1,564,343	258,685
Other Related Parties			
Bank of the Philippine Islands	**330,519**	192,803	222,045
Manila Water Philippine Ventures, Inc.	**218,127**	1,118	–
Globe Telecom, Inc.	**193,899**	113,889	221,243
Innove Communications	**6,909**	271	–
Manila Water Company, Inc. (MWCI)	**2,653**	2,384	1,128
Laguna AAA Waterworks Corp. (LAWC)	**1,500**	1,500	1,500
Michigan Holdings, Inc.	**1,101**	1,198	–
Psi Technologies	**–**	82,164	109,486
Panay Medical Ventures, Inc.	**–**	57,356	–
Others	**868**	2,522	19,528
	755,576	455,205	574,930
Total	**₱5,487,181**	₱2,024,662	₱885,529

Expenses from related parties:

	2018	2017	2016
		(In Thousands)	
Parent Company	**₱1,035**	₱16,489	₱29,318
Associates	**3,153,547**	206,050	194,792
Other Related Parties			
Manila Water Company, Inc.	**385,925**	222,386	194,836
Bank of the Philippine Islands	**296,002**	195,143	217,097
Innove Communications, Inc.	**68,805**	52,129	42,238
AG Counselors Corp.	**60,718**	172,799	179,881
Globe Telecom, Inc.	**53,920**	50,131	58,434
Manila Water Philippine Ventures, Inc.	**53,038**	117,078	–
LAWC	**6,202**	5,564	–
Others	**371,342**	77,406	177,360
	1,295,952	892,636	869,846
Total	**₱4,450,534**	₱1,115,175	₱1,093,956

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2018 and 2017:

- On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc., for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Revenue and expense in 2018 amounted to ₱218.1 million and ₱53.0 million, respectively, and ₱1.1 million and ₱117.1 million in 2017, respectively.
- Certain credit facilities with BPI with a total carrying value of ₱14,170.3 million and ₱17,697.5 million as of December 31, 2018 and 2017, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.

- On April 17, 2012, AC awarded the Daang Hari-SLEX Link road project to MDC with total contract price of ₱804.4 million. The scope of work includes the construction of a 4 km. toll road that will exit South Luzon near the Susana Heights Interchange passing through government properties in Muntinlupa and will end in Daang Hari in Imus, Cavite. The project was started last June 2012 and was completed in June 2015. Additional accomplishments from change orders in 2016 amounting to ₱46.3 million, pertain to direct works on the toll plaza, main tunnel across SLEX and segments of roads in Daang Hari.
- In October 2012, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2012 for which the purchase price amounted to ₱806.4 million, plus VAT. As of 2018, ₱859.4 million, inclusive of VAT, were paid by BG South. Outstanding payable amounted to ₱43.8 million and ₱175.1 million as of December 31, 2018 and 2017, respectively.
- In November 2012, BG South, subsequently entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2012 for which the purchase price amounted to 727.8 million, plus VAT. As of 2018, ₱811.9 million, inclusive of VAT, were paid by BG South. Outstanding payable amounted to ₱3.3 million and ₱13.3 million as of December 31, 2018 and 2017, respectively.
- In July 2013, BG South, subsequently entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2013 for which the purchase price amounted to ₱1,424 million, plus VAT. As of 2018, ₱1,595 million, inclusive of VAT, were paid by BG South. Outstanding payable amounted to nil and ₱520.3 million as of December 31, 2018 and 2017, respectively.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of Direct Power are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- The Group sold residential receivables on a without recourse basis to BPI Family Savings Bank, Inc., a related party, amounting to ₱2,206.0 million and ₱986.9 million in 2018 and 2017, respectively. Proceeds of receivables sold to BPI amounted to ₱2,082.8 million in 2018 and ₱930.2 million in 2017. The Group recognized loss on sale (under “Other charges”) amounting to ₱123.3 million and ₱56.7 million in 2018 and 2017, respectively.
- Revenue from Globe pertains to development management fee and for lease of spaces.
- As of December 31, 2018 and 2017, the funds include investment in securities of its related parties with carrying value of ₱1.5 billion and ₱0.5 billion, respectively (see Note 27).

d. Remuneration of Key Management Personnel (KMP)

Key management personnel of the Group include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱172.2 million and ₱141.3 million in 2018 and 2017, respectively.

Compensation of key management personnel by benefit type follows:

	2018	2017
	(In Thousands)	
Short-term employee benefits	**₱156,678**	₱129,686
Post-employment benefits (Note 27)	**15,497**	11,623
	₱172,175	₱141,309

27. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by the trustee banks such as BPI Asset Management and Trust Corporation (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2018	2017	2016
		(In Thousands)	
Current service cost	**₱310,759**	₱372,590	₱283,522
Past service cost	**10,563**	–	–
Net interest cost on benefit obligation	**77,418**	149,523	99,337
Total pension expense	**₱398,740**	₱522,113	₱382,859

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement loss on defined benefit plans") in the consolidated statements of financial position follow:

	2018	2017	2016
		(In Thousands)	
Return loss plan assets (excluding amount included in net interest)	**₱184,923**	₱22,169	₱49,760
Remeasurement loss (gain) due to liability experience	**101,979**	(55,893)	(73,212)
Remeasurement gain due to liability assumption changes - demographic	**(2,476)**	(14,319)	–
Remeasurement gain due to liability assumption changes - economic	**(369,807)**	(233,247)	(84,504)
Remeasurements in other comprehensive income	**(₱85,381)**	(₱281,290)	(₱107,956)

The funded status and amounts recognized in the consolidated statement of financial position for the retirement plan as of December 31, 2018 and 2017, are as follows:

	2018	2017
	(In Thousands)	
Benefit obligations	**₱3,676,584**	₱3,560,752
Plan assets	**(2,188,451)**	(2,101,603)
Net pension liability position	**₱1,488,133**	₱1,459,149

As of December 31, 2018 and 2017 pension assets (included under "other noncurrent assets") amounted to ₱62.1 million and ₱76.5 million, respectively, and pension liabilities amounted to ₱1,550.2 million and ₱1,535.7 million, respectively.

Changes in net defined benefit liability of funded plans in 2018 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income							
	January 1, 2018	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement loss due to liability experience	Remeasurement gain due to liability assumption changes - demographic	Remeasurement gain due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	December 31, 2018
Present value of defined benefit obligation	**₱3,560,752**	**₱310,759**	**₱10,563**	**₱194,009**	**₱515,331**	**(₱291,482)**	**₱–**	**₱101,979**	**(₱2,476)**	**(₱199,045)**	**(99,542)**	**₱–**	**(₱8,475)**	**₱3,676,584**
Fair value of plan assets	**(2,101,603)**	**–**	**–**	**(116,591)**	**(116,591)**	**112,806**	**184,923**	**–**	**–**	**–**	**184,923**	**(317,518)**	**49,532**	**(2,188,451)**
Net defined benefit liability (asset)	**₱1,459,149**	**₱310,759**	**₱10,563**	**₱77,418**	**₱398,740**	**(₱178,676)**	**₱184,923**	**₱101,979**	**(₱2,476)**	**(₱199,045)**	**85,381**	**(₱317,518)**	**₱41,057**	**₱1,488,133**

*excluding amount included in net interest

Changes in net defined benefit liability of funded plans in 2017 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2017	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement (gain)/loss due to liability experience	Remeasurement (gain)/loss due to liability assumption changes - demographic	Remeasurement (gain)/loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2017
Present value of defined benefit obligation	₱3,573,076	₱372,590	₱–	₱255,112	₱627,702	(₱280,414)	₱–	(₱55,893)	(₱14,319)	(₱233,247)	(₱303,459)	₱–	(₱17,309)	₱(38,844)	₱3,560,752
Fair value of plan assets	(2,147,750)	–	–	(105,589)	(105,589)	292,343	22,169	–	–	–	22,169	(201,620)	–	38,844	(2,101,603)
Net defined benefit liability (asset)	₱1,425,326	₱372,590	₱–	₱149,523	₱522,113	₱11,929	₱22,169	(₱55,893)	(₱14,319)	(₱233,247)	(₱281,290)	(₱201,620)	(₱17,309)	₱–	₱1,459,149

*excluding amount included in net interest

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2018	2017
	(In Thousands)	
Cash and cash equivalents	**₱25,316**	₱99,619
Equity investments		
Unit Investment Trust Funds	**168,235**	174,888
Mutual Funds	**1,699**	90,727
Holding Firms	**145,042**	56,937
Financials	**56,256**	37,021
Property	**60,689**	31,708
Industrials	**14,229**	15,168
Services	**4,422**	10,213
Mining and Oil	**-**	10
	450,572	416,672
Debt investments		
Government securities	**513,434**	639,492
AAA rated debt securities	**549,416**	466,886
Not rated debt securities	**649,140**	431,374
	1,711,990	1,537,752
Other assets	**573**	47,560
	₱2,188,451	₱2,101,603

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱457.98 million to its retirement fund in 2019.

The allocation of the fair value of plan assets follows:

	2018	2017
Investments in debt securities	**78.23%**	73.17%
Investments in equity securities	**20.59%**	19.83%
Others	**1.18%**	7.00%

Funds invested in debt securities include government securities, corporate notes and bonds and money market placements. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the funds mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2018 and 2017, the funds include investment in securities of its related parties (see Note 26). Details of the investment per type of security are as follows:

	December 31, 2018			December 31, 2017
	Carrying Value	**Fair Value**	**Unrealized (Gain) Loss**	Fair Value
	(In Thousands)			
Investments in debt securities	**₱1,123,977**	**₱1,100,365**	**₱23,612**	₱350,270
Investments in equity securities	**343,794**	**334,123**	**9,671**	106,459
Others	**31,000**	**31,539**	**(539)**	57,858
	₱1,498,771	**₱1,466,027**	**₱32,744**	₱514,587

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱27.7 million, and ₱17.7 million as of December 31, 2018 and 2017, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱62.9 million and ₱74.2 million as of December 31, 2018 and 2017, respectively. The loss of the fund arising from investment in debt and equity securities of the Parent Company amounted to ₱1.1 million in 2017 (nil in 2018).

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2018	2017
Discount rates	**5.50 to 8.48%**	4.98 to 5.89%
Future salary increases	**3.0 to 8.0%**	1.2 to 8.0%

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:

2018

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Discount rate	**(₱174,364)**	**₱205,983**
Salary increase rate	**205,103**	**(176,441)**

2017

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱192,030)	₱385,674
Salary increase rate	375,423	(182,399)

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

Year ending:	**2018**	2017
	(In Thousands)	
1 year and less	**₱457,984**	₱292,760
more than 1 years to 5 years	**1,847,382**	1,646,853
more than 5 years to 10 years	**1,965,131**	1,981,683
more than 10 years to 15 years	**4,614,824**	9,805,099
more than 15 years to 20 years	**1,469,983**	769,920
more than 20 years	**11,679,381**	5,202,878

The average duration of the defined benefit obligation is 5.3 to 24.0 years and 7.6 to 26.1 years in 2018 and 2017, respectively.

28. Earnings Per Share

The following tables present information necessary to compute EPS (amounts in thousands except EPS):

EPS on net income attributable to equity holders of Ayala Land, Inc. are as follows:

	2018	2017	2016
	(In Thousands)		
Net income attributable to equity holders of Ayala Land, Inc.	**₱29,240,880**	₱25,304,965	₱20,908,011
Less: dividends on preferred stock	**(62,038)**	(62,038)	(62,038)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	**₱29,178,842**	₱25,242,927	20,845,973
Weighted average number of common shares for basic EPS	**14,730,049**	14,721,881	14,588,347
Add: dilutive shares arising from stock options	**966**	66,997	1,196
Adjusted weighted average number of common shares for diluted EPS	**14,731,015**	14,788,878	14,589,543
Basic and diluted EPS	**₱1.98**	₱1.71	₱1.43

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

29. Stock Options and Ownership Plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

ESOP
The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

The Parent Company has no ESOP grant and availment during 2018, 2017 and 2016.

ESOWN
In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2018	**WAEP**	2017	WAEP
At January 1	**5,150,628**	**₱19.31**	7,288,035	₱19.95
Granted	**10,384,365**		11,420,517	
Subscribed	**(9,933,523)**	**41.14**	(12,264,970)	33.32
Availment	**96,516**		113,541	
Cancelled	**(96,516)**		(1,406,495)	
At December 31	**5,601,470**	**₱32.71**	5,150,628	₱19.31

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date							
	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011
Number of unsubscribed shares	–	–	181,304	–	1,369,887	1,713,868	3,967,302	3,843,057
Fair value of each option (BTM)	₱–	₱8.48	₱13.61	₱16.03	₱12.60	₱16.05	₱9.48	₱7.81
Fair value of each option (BSM)	₱12.71	₱–	₱18.21	₱20.63	₱12.16	₱11.85	₱6.23	₱7.27
Weighted average share price	₱41.02	₱39.72	₱35.58	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5
Exercise price	₱45.07	₱35.81	₱26.27	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2
Expected volatility	34.04%	30.95%	32.03%	31.99%	33.50%	36.25%	33.00%	36.25%
Dividend yield	1.22%	1.34%	1.27%	1.02%	1.42%	1.93%	0.9%	1.01%
Interest rate	4.14%	4.41%	4.75%	4.11%	3.13%	2.78%	5.70%	5.60%

Total expense (included under “General and administrative expenses”) recognized in 2018, 2017 and 2016 in the consolidated statements of income arising from share-based payments amounted to ₱98.52 million, ₱153.8 million and ₱208.3 million, respectively (see Note 23).

POPI
POPI introduced the ESOWN Plan (the Plan) wherein grantees (employees within POPI Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of POPI as of June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of POPI approved the allocation of 32 million shares (first tranche) for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized of stock of POPI, which was approved by the SEC in July 2016. In 2017, notice of grant for the 218 million shares (second tranche of ESOWN plan) was issued to employees for the right to subscribe to the common shares of POPI at ₱1.68 per share which were fully availed as of December 31, 2018. In 2018, POPI has no ESOWN grant.

The fair values of these options are estimated on the date of grant using the Cox-Ross-Rubenstein option pricing model. The assumptions used to determine the fair value of the stock options are as follows:

	December 31, 2017	June 30, 2016
Share price at the date of grant	₱2.12	₱1.76
Risk free interest rate	5.6818%	4.0915%
Annualized volatility	49.68%	56.00%
Annual dividend yield	–	–
Exit rates	–	–
Termination for cause	–	–
Voluntary resignation	–	0.15%
Involuntary separation	7.29%	0.15%

The resulting personnel expense recognized for the periods ended December 31, 2017 and June 30, 2016 amounted to ₱33.34 million and ₱27.47 million, respectively (nil for the six months ended December 31, 2016 and December 31, 2018).

30. **Financial Assets and Liabilities**

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱476,245**	**₱476,245**	₱540,606	₱540,606
Financial Assets at FVOCI				
Unquoted equity securities	**521,912**	**521,912**	–	–
Quoted equity securities	**973,882**	**973,882**	–	–
	1,495,794	**1,495,794**	–	–
Available-for-Sale Financial Assets				
Unquoted equity securities	**–**	**–**	523,693	523,693
Quoted equity securities	**–**	**–**	951,548	951,548
	–	**–**	1,475,241	1,475,241
	₱1,972,039	**₱1,972,039**	₱2,015,847	₱2,015,847
Loans and Receivables				
Noncurrent trade residential and office development	**₱–**	**₱–**	₱89,198,616	₱89,355,705
Receivable from employees	**–**	**–**	831,860	831,875
	₱–	**₱–**	₱90,030,476	₱90,187,580
Financial assets at amortized cost				
Noncurrent trade residential and office development	**₱–**	**₱–**	–	–
Receivable from employees	**1,113,205**	**1,119,854**	–	–
	₱1,113,205	**₱1,119,854**	–	–
Other financial liabilities				
Long-term debt	**₱172,712,122**	**₱155,719,341**	₱156,741,406	₱149,526,824
Deposits and other noncurrent liabilities	**39,607,119**	**38,193,626**	43,497,420	39,724,172
	₱212,319,241	**₱193,912,967**	₱200,238,826	₱189,250,996

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

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - UITF - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 2.90% to 6.37% and 4.53% to 7.20% as of December 31, 2018 and 2017.

Financial assets at FVOCI and AFS quoted equity securities - fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 7.28% to 8.79% and 3.93% to 7.20% as of December 31, 2018 and 2017, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

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

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

The Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted FVOCI and AFS financial assets amounting to ₱913.7 million and ₱951.5 million as of December 31, 2018, and 2017, respectively, were classified under Level 1 (see Note 10).

Unquoted FVOCI financial assets amounting to ₱582.1 million as of December 31, 2018 were classified under Level 3 (see Note 10).

Investment in Arch Capital Fund amounting to ₱390.5 million and ₱457.6 million as of December 31, 2018, and 2017, respectively, were classified under Level 3 (see Note 6).

Investment in Unit Investment Trust Fund (UITF) amounting to ₱85.72 million and ₱82.98 million as of December 31, 2018, and 2017, respectively were classified under Level 2 (see Note 6).

There have been no reclassifications from Level 1 to Level 2 categories in 2018 and 2017.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

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

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

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

There were no changes in the Group's financial risk management objectives and policies in 2018 and 2017.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments:

December 31, 2018

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱150,010,885	₱–	₱–	₱150,010,885
Short-term debt	14,386,717	–	–	14,386,717
Long-term debt	23,239,191	83,586,294	65,886,637	172,712,122
Deposits and other current liabilities	5,544,289	–	–	5,544,289
Deposits and other noncurrent liabilities	–	32,437,911	5,502	32,443,413
	193,181,082	116,024,205	65,892,139	375,097,426
Interest payable*	₱6,801,028	₱23,189,458	₱8,041,909	₱38,032,395

**includes future interest payment*

December 31, 2017

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱116,440,223	₱–	₱–	₱116,440,223
Short-term debt	17,644,350	–	–	17,644,350
Long-term debt	6,583,334	67,181,422	83,633,192	157,397,948
Deposits and other current liabilities	3,359,779	–	–	3,359,779
Deposits and other noncurrent liabilities	–	42,769,030	728,390	43,497,420
	144,027,686	109,950,452	84,361,582	338,339,720
Interest payable*	₱6,207,902	₱23,029,949	₱11,764,882	₱41,002,733

**includes future interest payment*

Cash and cash equivalents, short-term investments and financial assets at FVPL are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There are no undrawn loan commitments from long-term credit facilities as of December 31, 2018 and 2017.

Credit risk
Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and financial assets at FVOCI. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2018 and 2017 is equal to the carrying values of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018 and 2017, the exposure at default amounts to ₱24,674.0 million and ₱73,948.2 million, respectively. The expected credit loss rate is 3.5% and 1.0% that resulted in the ECL of ₱872.3 million and ₱725.9 million as of December 31, 2018 and December 31, 2017, respectively.

As of December 31, 2018 and 2017, the aging analysis of past due but not impaired trade receivables presented per class follow:

December 31, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential and office development	₱31,149,975	₱1,365,932	₱840,946	₱481,319	₱328,043	₱2,264,139	₱5,280,379	₱–	₱36,430,354
Shopping centers	996,664	409,377	296,025	308,243	62,595	252,583	1,328,823	360,794	2,686,281
Construction contracts	1,343,275	418,124	9,746	8,789	4,738	61,872	503,269	26,547	1,873,091
Corporate business	3,832,306	333,030	97,304	73,108	93,023	396,319	992,784	60,780	4,885,870
Management fees	49,203	–	8,896	4,690	5,699	12,009	31,294	5,550	86,047
Others	2,504,430	32,641	152,302	9,112	11,201	244,734	449,990	146,577	3,100,997
Advances to other companies	14,159,361	4,043	510,092	24,994	102,893	5,016,498	5,658,520	5,900	19,823,781
Accrued receivables	5,285,913	394,184	103,466	100,677	210,836	708,084	1,517,247	–	6,803,160
Related parties	5,677,422	2,961	945	140	–	1,769	5,815	–	5,683,237
Receivables from employees	841,056	26,343	9,859	11,352	13,596	211,000	272,150	–	1,113,206
	₱65,839,605	₱2,986,635	₱2,029,581	₱1,022,424	₱832,624	₱9,169,007	₱16,040,271	₱606,148	₱82,486,024

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential and office development	₱78,002,747	₱1,919,761	₱1,661,734	₱1,903,018	₱1,923,855	₱3,787,501	₱11,195,869	₱–	₱89,198,616
Shopping centers	1,173,130	223,190	88,550	273,673	80,647	466,491	1,132,551	403,906	2,709,587
Construction contracts	1,515,589	230,384	242,186	84,440	67,198	328,382	952,590	26,547	2,494,726
Corporate business	1,080,987	44,152	53,175	26,832	116,657	204,921	445,737	79,209	1,605,933
Management fees	286,416	–	10,461	4,526	4,229	20,368	39,584	2,614	328,614
Others	1,042,885	142,876	44,697	20,118	23,835	75,000	306,526	27,438	1,376,849
Advances to other companies	11,296,914	22,143	349,750	78,318	15,539	4,411,749	4,877,499	10,946	16,185,359
Accrued receivables	4,105,494	44,388	86,060	55,768	62,569	345,888	594,673	–	4,700,167
Related parties	750,201	258,946	238,871	67,739	190,345	228,375	984,276	–	1,734,477
Receivables from employees	775,781	4,599	3,193	6,330	757	41,200	56,079	–	831,860
	₱100,030,144	₱2,890,439	₱2,778,677	₱2,520,762	₱2,485,631	₱9,909,875	₱20,585,384	₱550,660	₱121,166,188

The table below shows the credit quality of the Company's financial assets as of December 31, 2018 and 2017:

December 31, 2018

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱23,939,708	₱–	₱–	₱–	₱23,939,708	₱–	₱–	₱23,939,708
Short-term investments	3,085,373	–	–	–	3,085,373	–	–	3,085,373
Financial assets at FVPL	476,245	–	–	–	476,245	–	–	476,245
Accounts and notes receivables:								
Trade:								
Residential and office development	25,113,148	3,217,698	2,819,129	–	31,149,975	5,280,379	–	36,430,354
Shopping centers	560,938	301,188	134,538	–	996,664	1,328,823	360,794	2,686,281
Construction contracts	1,343,275	–	–	–	1,343,275	503,269	26,547	1,873,091
Corporate business	3,705,372	104,806	22,128	–	3,832,306	992,784	60,780	4,885,870
Management fees	28,496	6,102	14,605	–	49,203	31,294	5,550	86,047
Others	2,396,875	40,891	66,664	–	2,504,430	449,990	146,577	3,100,997
Advances to other companies	13,537,359	288,451	333,551	–	14,159,361	5,658,520	5,900	19,823,781
Accrued receivables	4,987,699	272,237	25,977	–	5,285,913	1,517,247	–	6,803,160
Related parties	3,355,745	2,011,575	310,102	–	5,677,422	5,815	–	5,683,237
Receivable from employees	702,738	126,481	11,837	–	841,056	272,150	–	1,113,206
Financial Assets at FVOCI:								
Unquoted	–	–	–	521,912	521,912	–	–	521,912
Quoted	973,882	–	–	–	973,882	–	–	973,882
	₱84,206,853	₱6,369,429	₱3,738,531	₱521,912	₱94,836,725	₱16,040,271	₱606,148	₱111,483,144

December 31, 2017

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱20,945,895	₱–	₱–	₱–	₱20,945,895	₱–	₱–	₱20,945,895
Short-term investments	4,739,734	–	–	–	4,739,734	–	–	4,739,734
Financial assets at FVPL	540,606	–	–	–	540,606	–	–	540,606
Accounts and notes receivables:								
Trade:								
Residential and office development	69,673,802	4,420,801	3,908,144	–	78,002,747	11,195,869	–	89,198,616
Shopping centers	864,438	172,244	136,448	–	1,173,130	1,132,551	403,906	2,709,587
Construction contracts	1,515,589	–	–	–	1,515,589	952,590	26,547	2,494,726
Corporate business	975,600	60,065	45,322	–	1,080,987	445,737	79,209	1,605,933
Management fees	228,921	4,454	53,041	–	286,416	39,584	2,614	328,614
Others	887,298	54,287	101,300	–	1,042,885	306,526	27,438	1,376,849
Advances to other companies	11,072,734	138,479	85,701	–	11,296,914	4,877,499	10,946	16,185,359
Accrued receivables	3,612,566	269,518	223,410	–	4,105,494	594,673	–	4,700,167
Related parties	492,328	157,672	100,201	–	750,201	984,276	–	1,734,477
Receivable from employees	772,615	926	2,240	–	775,781	56,079	–	831,860
AFS financial assets:								
Unquoted	–	–	–	523,693	523,693	–	–	523,693
Quoted	951,548	–	–	–	951,548	–	–	951,548
	₱117,273,674	₱5,278,446	₱4,655,807	₱523,693	₱127,731,620	₱20,585,384	₱550,660	₱148,867,664

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

Cash and cash equivalents, short-term investments, financial assets at FVTPL, financial assets at FVOCI and AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system;

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

The unquoted AFS financial assets and unquoted financial assets at FVOCI are unrated.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 89:11 and 85:15 as of December 31, 2018 and 2017, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2018 and 2017, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2018

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱210,576)**	**₱210,576**

December 31, 2017

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(₱254,397)	₱254,397

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2018

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱23,939,708	₱23,939,708	₱–	₱–	₱23,939,708
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	3,085,373	3,085,373	–	–	3,085,373
Accounts and notes receivable	Fixed at the date of sale	Date of sale	1,113,205	220,227	892,978	–	1,113,205
			₱28,138,286	₱27,245,308	₱892,978	₱–	₱28,138,286
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱13,500,900	₱13,500,900	₱–	₱–	₱13,500,900
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000	9,341,196	5,644,680	–	14,985,876
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	21,000,000	–	18,989,546	1,907,664	20,897,210
Peso	Fixed at 5.6250%	11 years	8,000,000	–	–	7,945,703	7,945,703
Peso	Fixed at 4.5000%	7 years	7,000,000	–	6,960,744	–	6,960,744
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	22,000,000	–	6,952,613	14,888,889	21,841,502
Peso	Fixed at 3.00%	3 years	2,982,530	2,971,976	–	–	2,971,976
Peso	Fixed at 5.2624%	10 years	7,000,000	–	–	6,969,630	6,969,630
Peso	Fixed at 5.9203% to 7.0239%	5 and 10 years	18,000,000	–	7,909,305	9,886,828	17,796,133
Peso	Fixed at 2.7500%	1.75 years	4,000,000	3,995,630	–	–	3,995,630
Peso	Fixed at 3.2500%	1.25 years	3,100,000	3,097,745	–	–	3,097,745
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	5,770,000	60,000	4,800,000	904,859	5,764,859
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	29,465,677	488,719	8,113,458	20,785,262	29,387,439
Floating							
USD	Variable	3.4 and 10.3 years	–	–	–	–	–
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	885,817	885,817	–	–	885,817
Long-term debt							
Fixed							
Peso	Fixed at 3.627% to 5.75%	5 to 10 years	23,465,452	2,556,770	19,274,884	1,607,802	23,439,456
Floating							
MYR	Variable	Monthly	6,658,219	727,155	4,941,064	990,000	6,658,219
			₱187,828,595	₱37,625,908	₱83,586,294	₱65,886,637	₱187,098,839

December 31, 2017

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱20,945,895	₱20,945,895	₱–	₱–	₱20,945,895
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	4,739,734	4,739,734	–	–	4,739,734
Accounts and notes receivable	Fixed at the date of sale	Date of sale	831,860	56,079	775,781		831,860
			₱ 26,517,489	₱ 25,741,708	₱ 775,781	₱–	₱ 26,517,489
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱ 16,991,350	₱ 16,991,350	₱–	₱-	₱ 16,991,350
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000	–	14,968,117	–	14,968,117
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	21,000,000	–	3,984,041	16,894,123	20,878,164
Peso	Fixed at 5.6250%	11 years	8,000,000	–	–	7,938,923	7,938,923
Peso	Fixed at 4.5000%	7 years	7,000,000	–	6,953,043	–	6,953,043
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	22,000,000	–	–	21,819,967	21,819,967
Peso	Fixed at 3.00%	3 years	2,990,950	–	2,969,108	–	2,969,108
Peso	Fixed at 5.2624%	10 years	7,000,000	–	–	6,966,801	6,966,801
Peso	Fixed at 2.7500%	1.75 years	4,000,000	–	3,980,934	–	3,980,934
Peso	Fixed at 3.2500%	1.25 years	3,100,000	–	3,082,433	–	3,082,433
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	9,064,000	93,000	3,541,000	5,408,576	9,042,576
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	24,873,145	399,594	5,614,450	18,812,161	24,826,205
Floating							
USD	Variable	3.4 and 10.3 years	1,516,624	478,597	435,210	602,817	1,516,624
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	653,000	653,000	–	–	653,000
Long-term debt							
Fixed							
Peso	Fixed at 3.627% to 5.75%	5 to 10 years	25,574,500	4,039,747	20,130,165	1,358,954	25,528,866
Floating							
Peso	Variable at 0.75% over 91-day PDST-R2	3 months	6,278,729	1,559,722	1,333,513	3,376,410	6,269,645
			₱175,042,298	₱24,215,010	₱66,992,014	₱83,178,732	₱174,385,756

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies amounting to $158.4 million and MYR685.9 million as of December 31, 2018 and $180.6 million as of December 31, 2017. The amount of the Group's foreign currency-denominated debt amounting to $61.9 million and MYR816.7 million as of December 31, 2018 and $33.0 million as of December 31, 2017. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2018 and December 31, 2017:

	December 31				
	2018			2017	
	US Dollar	**MYR ringgit**	**Php Equivalent**	US Dollar	Php Equivalent
Financial Assets					
Cash and cash equivalents	**$41,201**	**MYR333,726**	**₱6,377,767**	$102,275	₱5,106,601
Short-term investments	**62,466**	**230,661**	**6,211,741**	62,991	3,145,158
Accounts and notes receivable - net	**47,722**	**82,505**	**3,561,610**	14,598	728,895
Other current assets	**6,532**	–	**340,619**	590	29,439
Other noncurrent assets	**484**	**39,001**	**516,739**	104	5,192
Total	**158,405**	**685,893**	**17,008,476**	180,558	9,015,285
Financial Liabilities					
Accounts and other payables	**11,915**	**479,143**	**6,676,292**	1,664	83,106
Other current liabilities	**217**	–	**10,594**	–	–
Short-term debt	**46,675**	**70,000**	**3,339,988**	–	–
Long-term debt	**–**	**267,540**	**3,385,587**	30,375	1,516,624
Other noncurrent liabilities	**3,053**	**–**	**160,698**	919	45,866
Total	**61,860**	**816,683**	**13,573,159**	32,958	1,645,596
Net foreign currency denominated financial instruments	**$96,545**	**(MYR130,790)**	**₱3,435,317**	$147,600	₱7,369,689

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱52.58 to US$1.00, and ₱49.93 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2018 and 2017, respectively. The Philippine Peso- MY ringgit exchange rate as of December 31, 2018 used was ₱12.66 to MYR1.00.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on income before tax Increase (decrease)	
Change in exchange rate	**2018**	2017
USD		
₱1.00	**₱96,545**	₱147,600
(₱1.00)	**(96,545)**	(147,600)
MYR		
₱1.00	**(₱130,790)**	₱–
(₱1.00)	**130,790**	–

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)	
Change in PSEi index	**2018**	2017
	(In Thousands)	
+5%	**₱34,690**	₱51,552
-5%	**(34,690)**	(51,552)

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As of December 31, 2018 and 2017, the Group's investment in the Fund where all other variables held constant, the fair value, net income and equity will increase or decrease by: (i) BPI UITF ₱0.4 million with a duration of 0.41 year and ₱0.3 million with a duration of 0.39 year, respectively, for a 100 basis points decrease or increase, in interest rates.

31. Segment Information

The industry segments where the Group and its associates and joint ventures operate follows:

- Property developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development
- International – development and sale of residential lots and units in MCT Berhad
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities, gas stations and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Offices - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Construction - land development and construction of the Group and third-party projects
- Property management and others - facilities management of the Group and third-party projects

Assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2018, 2017 and 2016, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the two years in the period ended December 31 (in millions):

2018

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱105,753	₱7,602	₱–	₱–	₱6,387	₱2,394	₱237	₱–	₱–	₱122,373
Interest income from real estate sales	7,042	–	–	–	–	–	–	–	–	7,042
Rental revenue	–	–	19,908	8,614	–	–	5,060	–	–	33,582
Intersegments sales	–	–	–	–	–	69,027	–	–	(69,027)	–
Equity in net earnings of associates and joint ventures	451	–	10	–	–	–	–	289	–	750
Total revenue	113,246	7,602	19,918	8,614	6,387	71,421	5,297	289	(69,027)	163,747
Real estate costs and expenses	81,662	5,528	9,001	3,204	4,994	66,111	5,919	1,302	(67,541)	110,180
Gross margin	31,584	2,074	10,917	5,410	1,393	5,310	(622)	(1,013)	(1,486)	53,567
Interest and investment income										958
Other charges										(1,271)
Interest and other financing charges										(9,594)
Other income										1,541
Provision for income tax										(11,984)
Net income										₱33,217
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱29,241
Non-controlling interests										3,976
										₱33,217
Other Information										
Segment assets	₱274,128	₱21,774	₱69,488	₱46,013	₱34,190	₱54,955	₱6,590	₱460,890	(₱335,639)	₱632,389
Investment in associates and joint ventures	21,667	–	38	–	–	56	–	1,629	–	23,390
	295,795	21,774	69,526	46,013	34,190	55,011	6,590	462,519	(335,639)	655,779
Deferred tax assets	3,164	–	333	137	339	56	44	2,615	6,353	13,041
Total assets	₱298,959	₱21,774	₱69,859	₱46,150	₱34,529	₱55,067	₱6,634	₱465,134	(₱329,286)	₱668,820
Segment liabilities	₱170,872	₱10,348	₱27,659	₱16,855	₱13,631	₱47,355	₱3,176	₱264,436	(₱111,628)	₱442,704
Deferred tax liabilities	1,721	–	271	40	10	4	8	18	3,823	5,895
Total liabilities	₱172,593	₱10,348	₱27,930	₱16,895	₱13,641	₱47,359	₱3,184	₱264,454	(₱107,805)	₱448,599
Segment additions to:										
Property and equipment	₱(1,008)	₱4,570	₱(426)	₱833	₱524	₱2,774	₱833	(₱658)	₱–	₱7,442
Investment properties	₱4,289	₱7,683	₱6,143	₱3,883	₱3,337	₱787	(₱1)	₱16,881	(₱438)	₱42,564
Depreciation and amortization	₱707	₱618	₱2,724	₱1,555	₱207	₱1,475	₱242	₱266	(₱1,475)	₱6,319
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	(₱5)	₱–	(₱2)	₱–	₱–	₱–	₱173	₱8	₱–	₱174

2017

	Property Development	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱96,387	₱17,657	₱6,664	₱5,621	₱1,559	₱5,408	₱–	(₱198)	₱133,098
Interest income from real estate sales	5,410	–	–	–	–	–	–	–	5,410
Intersegments sales	–	–	–	–	65,841	–	–	(65,841)	–
Equity in net earnings of associates and joint ventures	529	(113)	–	–	–	–	450	–	866
Total revenue	102,326	17,544	6,664	5,621	67,400	5,408	450	(66,039)	139,374
Real estate costs and expenses	75,322	8,415	2,622	4,619	62,921	4,779	1,114	(64,596)	95,196
Gross margin	27,004	9,129	4,042	1,002	4,479	629	(664)	(1,443)	44,178
Interest and investment income									675
Other charges									(1,196)
Interest and other financing charges									(7,914)
Other income									2,248
Provision for income tax									(9,825)
Net income									₱28,166
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱25,305
Non-controlling interests									2,861
									₱28,166
Other Information									
Segment assets	₱474,286	₱135,479	₱96,243	₱44,494	₱50,014	₱7,696	₱20,026	(₱291,695)	₱536,543
Investment in associates and joint ventures	9,964	7,897	–	–	51	–	8,889	–	26,801
	484,250	143,376	96,243	44,494	50,065	7,696	28,915	(291,695)	563,344
Deferred tax assets	2,465	367	154	267	31	23	2,260	5,081	10,648
Total assets	₱486,715	₱143,743	₱96,397	₱44,761	₱50,096	₱7,719	₱31,175	(₱286,614)	₱573,992
Segment liabilities	₱227,905	₱113,880	₱54,234	₱37,194	₱42,381	₱3,303	₱12,769	(₱113,481)	₱378,185
Deferred tax liabilities	1,612	244	26	40	–	13	14	1,595	3,544
Total liabilities	₱229,517	₱114,124	₱54,260	₱37,234	₱42,381	₱3,316	₱12,783	(₱111,886)	₱381,729
Segment additions to:									
Property and equipment	₱359	₱119	₱304	₱1,058	₱1,122	₱655	₱279	(₱1,570)	₱2,326
Investment properties	₱1,774	₱20,967	₱12,971	₱2,998	₱–	₱6	₱17,220	(₱25,943)	₱29,993
Depreciation and amortization	₱267	₱2,151	₱927	₱586	₱1,570	₱258	₱990	(₱1,569)	₱5,180
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱–	₱39	₱21	₱–	₱–	₱–	₱96	₱–	₱156

2016

	Property Development	Shopping Centers	Corporate Businesses	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱77,728	₱16,079	₱5,803	₱6,052	₱10,701	₱1,337	₱–	₱–	₱117,700
Interest income from real estate sales	5,011	–	–	–	–	–	–	–	5,011
Intersegments sales	–	–	137	–	54,615	1,837	–	(56,589)	–
Equity in net earnings of associates and joint ventures	352	(293)	–	–	–	–	495	–	554
Total revenue	83,091	15,786	5,940	6,052	65,316	3,174	495	(56,589)	123,265
Real estate costs and expenses	62,355	8,408	1,966	4,709	59,969	2,044	1,049	(56,902)	83,598
Gross margin	20,736	7,378	3,974	1,343	5,347	1,130	(554)	313	39,667
Interest and investment income									703
Other charges									(1,053)
Interest and other financing charges									(7,314)
Other income									660
Provision for income tax									(8,231)
Net income									₱24,432
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱20,908
Non-controlling interests									3,524
									₱24,432
Other Information									
Segment assets	₱435,290	₱124,331	₱81,819	₱37,740	₱48,988	₱7,641	₱20,661	(₱254,901)	₱501,569
Investment in associates and joint ventures	9,392	7,362	–	–	–	–	8,231	–	24,985
	444,682	131,693	81,819	37,740	48,988	7,641	28,892	(254,901)	526,554
Deferred tax assets	2,141	385	107	379	42	28	2,539	4,258	9,879
Total assets	₱446,823	₱132,078	₱81,926	₱38,119	₱49,030	₱7,669	₱31,431	(₱250,643)	₱536,433
Segment liabilities	₱216,231	₱110,465	₱38,483	₱28,395	₱42,249	₱4,072	₱22,120	(₱102,622)	₱359,393
Deferred tax liabilities	2,215	231	24	498	–	16	11	1,362	4,357
Total liabilities	₱218,446	₱110,696	₱38,507	₱28,893	₱42,249	₱4,088	₱22,131	(₱101,260)	₱363,750
Segment additions to:									
Property and equipment	₱65	₱665	₱152	₱612	₱1,992	₱1,908	₱45	₱–	₱5,439
Investment properties	₱199	₱15,072	₱10,391	₱2,394	₱-	₱36	₱1,297	₱–	₱29,389
Depreciation and amortization	₱173	₱1,787	₱574	₱521	₱1,606	₱249	₱965	₱–	₱5,875
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱–	₱81	₱13	₱–	₱–	₱–	₱305	₱–	₱399

32. **Performance Obligations**

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (ii) condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

Hotels and resorts
Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Construction
Revenue from fixed price construction contracts are recognized overtime using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 are as follows:

	December 31, 2018
	(In Thousands)
Within one year	₱47,937,926
More than one year	55,328,212
	₱103,266,138

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three years and five years, respectively, from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

33. Registration with Philippine Economic Zone Authority (PEZA)

Ayala Land Inc., the Parent Company, was registered with PEZA last December 13, 2017 as a Developer/Operator of the Southpark Corporate Center.

North Eastern Commercial Corporation, a wholly owned subsidiary, was registered with PEZA last November 28, 2017 as a Developer/Operator of the 30^{th} Coporate Center.

Ayala Land Inc., the Parent Company, was registered with PEZA last November 6, 2017 as a Developer/Operator of the Vertis North IT Park.

Central Block Developers, Inc., a wholly owned subsidiary, was registered with PEZA last June 22, 2017 as a Developer/Operator of the Central Bloc 1 & 2.

Ayalaland Metro North, Inc., a wholly owned subsidiary, was registered with PEZA last December 29, 2016 as a Developer/Operator of the UP Town Corporate Center.

Pangulasian Island Resort Corporation (PIRC), a subsidiary of Ten Knots Development Corporation which is a subsidiary of Ayala Land, Inc., is registered with the Philippine Economic Zone Authority (PEZA) under the Certificate of Registration number 16-055 and Registration Agreement dated March 21, 2016. The registration shall entitle PIRC to conduct activities limited to resort operations, travel/tours/leisure and recreation-related activities, and the importation of raw materials, machinery, equipment, tools, goods, wares, articles, or merhandise directly used in its registered operations inside the Green Tourism Ecozone - Pangulasian.

PIRC shall be entitled to the following incentives as provided under PEZA Board Resolution No. 02-342 (Guidelines for the Registration and Administration of Incentives to Tourism Ecozone Developers Operators and Locators) and the 2014 Investments Priorities Plan: (a) Remaining Income Tax Holiday (ITH) of Ten Knots Development Corporation (TKDC) reckoned from October 2012 per PEZA Notice of Approval of Start of Commercial Operations (SCO) to TKDC dated November 12, 2012, and upon expiry of the ITH period, PIRC shall pay the 5% Gross Income Tax (5% GIT) on income solely derived from servicing foreign clients, in lieu of all national and local taxes; (b) Tax and duty-free importation of capital equipment required for the technical viability and operation of PIRC's registered activity.

Nuevo Centro, a wholly-owned subsidiary of Ayala Land, Inc., is registered with PEZA with Certificate of Registration number EZ 16-30 under Registration Agreement dated July 19, 2016. The registration as a Special Economic Zone Developer/Operator shall entitle Nuevo Centro, Inc. to establish, develop, administer, manage, and operate a Special Economic Zone to be known as Alviera Industrial Park. It has been designated a 311,954-square meter area located at Barangays Dolores and Banaba, Porac, Pampanga. The Company shall be exempt from payment of all national and local taxes, except real property taxes on land and shall pay a 5% final tax on gross income.

ALO Prime Realty Corporation, a wholly-owned subsidiary is registered with the PEZA with certificate of registration number 09-03-F under Registration Agreement dated May 29, 2009, as amended by Registration Agreement dated May 6, 2010, pursuant to the provision of Republic Act (R.A.) No. 7916, as amended, as an Ecozone Facilities Enterprise to construct a 12-storey office building (exclusive of 1 penthouse and 2 level basement parking) with a gross floor area of 24,214 square meters, more or less, which shall be established on a 3,621 square meter lot, located at Block 8, Lots 1 and 2, Asiatown IT Park, for lease to registered enterprises.

APRC, a wholly-owned subsidiary is registered with the PEZA with certificate of registration number 09-03-F under Registration Agreement dated May 29, 2009, as amended by Registration Agreement dated May 6, 2010, pursuant to the provision of Republic Act (R.A.) No. 7916, as amended, as an Ecozone Facilities Enterprise to construct a 12-storey office building (exclusive of 1 penthouse and 2 level basement parking) with a gross floor area of 24,214 square meters, more or less, which shall be established on a 3,621 square meter lot, located at Block 8, Lots 1 and 2, Asiatown IT Park, for lease to registered enterprises.

APRC shall be exempted from the payment of all national and local taxes and in lieu thereof, the company shall pay a 5% final tax on gross income (GIT) earned from locator IT enterprise and related operations in accordance with the provision of Rule XX of the Rules and Regulations implementing R.A. 7916, as amended. The company shall pay the real property taxes on commercial spaces occupied by non-PEZA registered enterprises. Pursuant to BIR's Rules and Regulation No. 14-2002 (amending further pertinent provision of Revenue Regulations No. 2-98, as amended), income payments to PEZA-registered enterprises under the 5% GIT incentives are exempt from expanded withholding tax.

APRC will be subjected to all evaluation and/or processing requirement and procedures prescribed under PEZA Rules and Regulations, and other pertinent circulars and directives. The company's entitlement to incentives shall continue as long as it remains in good standing, commit no violation of PEZA Rules and Regulations, other pertinent circulars and directives, and the terms and conditions of its registration agreement with PEZA.

Laguna Technopark, Inc. was registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator". The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci Realty, Inc. also became registered with PEZA in 2007 as the "developer/operator" of the Lakeside Ecozone.

Glensworth Development, Inc., a wholly owned subsidiary of Ayala Land Offices, Inc., was registered with PEZA as an Economic Zone Information IT Facility Enterprise last December 14, 2007 to construct a 4-storey building at the Lakeside Ecozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Glensworth is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

Hillsford Property Corporation, a wholly owned subsidiary, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield E-Office Corporation, a wholly owned subsidiary, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Westview Commercial Ventures Corporation, a wholly owned subsidiary, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

On December 18, 2007, PEZA approved the registration of AiO, the subsidiary, as an Economic Zone Information Technology (IT) Facility Enterprise. As a registered ecozone facilities enterprise, the subsidiary is entitled to establish, develop, construct, administer, manage and operate a 12-storey building and 17-storey building located at Asia Town IT Park, in accordance with the terms and conditions of the Registration Agreement with PEZA. The Group shall pay income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes. Gross income earned refers to gross sales or gross revenues derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. Income generated from sources outside of the PEZA economic zone shall be subject to regular internal revenue taxes. It is certified by the Bureau of Internal Revenue under Section 4.106-6 and 4 108-6 of Revenue Regulation No. 16-2005 that the enterprise is conducted for purposes of its VAT zero-rating transactions with its local suppliers of goods, properties and services.

Cebu Property Ventures Development Corporation was registered with PEZA on April 6, 2000 as an Information Technology (IT) Park developer or operator and was granted approval by PEZA on October 10, 2001. The PEZA registration entitled CPVDC to a four-year tax holiday from the start of approval of registered activities. At the expiration of its four-year tax holiday, CPVDC pays income tax at the special rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

34. Leases

Operating Leases - 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.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2018	2017
	(In Thousands)	
Within one year	**₱8,300,061**	₱887,835
After one year but not more than five years	**27,223,203**	3,457,212
More than five years	**18,204,281**	21,121,236
	₱53,727,545	₱25,466,283

Operating Leases - Group as Lessee
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2018	2017
	(In Thousands)	
Within one year	**₱969,402**	₱733,899
After one year but not more than five years	**3,214,368**	2,687,534
More than five years	**38,974,801**	18,594,127
	₱43,158,571	₱22,015,560

Parent Company
On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company.

On April 26, 2012 Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company.

Arvo
On December 4, 2013, Arvo entered an agreement with Liberty Commercial Center, Inc. (LCC) to construct a five-storey commercial mall building with an aggregate gross floor area of approximately 30,400 square meters on a 10,000 square meter portion of the land, and the Company to act as coordinator for the construction and development of the building. The Company assisted LCC in

obtaining a loan from a local bank in the aggregate amount of approximately ₱1,325.00 million to fully fund the cost of the design and construction of the building. Upon completion of the construction of the building, the Company shall lease the building from LCC under a building lease agreement.

On October 15, 2014, Arvo entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of 2 years and lease payments shall commence thereafter. Lease payments shall be paid annually at ₱60.00 per sqm, subject to an annual escalation of 4%.

On March 5, 2015, Arvo entered into a building lease agreement with L.C. Lopez Resources, Inc. that has a lease term of 40 years with an option for renewal for another 10 years upon mutual agreement of the parties. Arvo shall have the right but not the obligation to retrofit the leased premises as may be deemed necessary. Arvo shall pay monthly rent equivalent of ₱170.00 per sqm with annual escalation of 5%.

AMNI
On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area have been constructed on the property.

SBTCI
On October 16, 2009, SBTCI has executed a lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. SBTCI offered to develop a mall with an estimated gross leasable area of 38,000 sqm. On March 25, 2010, SBTCI entered into an assignment of lease agreement whereby SBTCI assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, SBTCI. The lease payments to SBMA started from the commencement of the commercial operation of the mall last April 26, 2012 which was completed during the same period.

SSECC
The Company has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues.

POPI
On August 28, 1990, POPI, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, POPI entered into an agreement with PNR for the

renewal of its lease contract for another 25 years beginning September 5, 2014. Rent expense charged to operations amounted to ₱149.56 million for the year ended December 31, 2018.

35. Interest in Joint Operation

MDC has a 51.0% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a joint operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig. The application of PFRS 11 does not have significant impact on the Group's accounting of its interest in joint operation since it already reported its share in interest in joint operation using proportionate consolidation.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 sqm, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2011 to 2018 mainly pertain to winding down operations.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2018 and 2017 which are included in the consolidated financial statements follow:

	2018	2017
	(In Thousands)	
Current assets:		
Cash and cash equivalents	**₱7,643**	₱7,701
Other current assets	**37,376**	37,365
Total assets	**₱45,019**	₱45,066
Total liabilities	**₱6,727**	₱6,859

The following is the share of the MDC on the net income (loss) of the Joint Venture:

	2018	2017
	(In Thousands)	
Construction costs	**(₱29)**	(₱384)
Interest and other income	**137**	120
Income (loss) before income tax	**108**	(264)
Provision for income tax	**(23)**	(21)
Net income (loss)	**₱85**	(₱285)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱20.0 million in 2017 (nil in 2018). Based on 51% share, MDC received ₱10.7 million cash dividends in 2017.

Provision for income tax pertains to the final tax on interest income.

36. Long-term Commitments and Contingencies

Commitments

a. On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to P631.2 million.

b. ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on March 13, 2016.

c. On August 11, 2015, the Group won the bid for the Integrated Transport System Project – South Terminal (“ITS South Project"). The Company was awarded by the Department of Transportation and Communications (“DOTC”) with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Full blast construction of the terminal to start by 2H 2018 and targeted to be operational by 1H 2020.

d. On June 30, 2015, the Parent Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Company and CHI (together with the Company collectively referred to as the “ALI Group”). The SM-ALI Group has finished with the joint masterplan and is now securing permits to commence development. Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2017 the ALI Group has paid ₱3.8 billion, excluding taxes.

e. On August 8, 1997, an “Assignment Agreement” was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

f. On February 21, 2002, MRTDC and NTDCC entered into an assignment agreement wherein the development rights of MRTDC over an 8.3 hectare portion of the MRT Depot (inclusive of project development costs incurred in relation thereto) was assigned to NTDCC in exchange for 32,600,000 shares of stock to be issued out of the increase in the authorized capital stock of NTDCC, each share with a par value of ₱10, or an aggregate par value of ₱326.00 million. The amount of development rights in excess of the aggregate par value of the shares subscribed was credited to additional paid-in capital.

   On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2018 and 2017, the DRP obligation amounted to ₱1,001.1 million and ₱958.8 million, respectively (see Notes 16 and 19).Total DRP obligation paid amounted to ₱229.8 million and ₱223.1 million in 2018 and 2017, respectively. Total rent expense recognized in the statements of comprehensive income under the “Real estate costs and expenses” account included in direct operating expenses amounted to ₱318.0 million and ₱344.83 million in 2018 and 2017, respectively.

   On March 21, 2007, DOTC, National Housing Authority (NHA), MRTDC, and NTDCC entered into a Memorandum of Agreement (MOA) whereby DOTC assigns, transfers and conveys to NHA, its successors or assigns, the right to demand and collect the Depot DRP Payable and Depot DRP. In the MOA, DOTC authorizes MRTDC/ NTDCC to remit the Depot DRP Payable and the Depot DRP to NHA directly which shall be credited by DOTC in favour of MRTDC/ NTDCC as payment for the DRP.

   On December 17, 2014, NTDCC, MRTDC and MRTDC shareholders executed a “Funding and Repayment Agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

g. On June 4, 2014, AHRC, a wholly owned subsidiary of the Parent Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2020, the new Mandarin Oriental Manila will be featuring 275 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. AHRC is committed to pay $5 million (₱223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier. In 2017, the Group fully paid the said amount.

h. On May 12, 2014, ALI has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group’s financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group’s position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

37. Concession Agreement with Department of Transportation (DOTr)

On January 26, 2016, the Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction the Project, DOTr will give to ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to ₱277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As of December 31, 2018, construction of the Project has not yet commenced.

38. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

2018

	January 1, 2018	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**December 31, 2018**
			(In Thousands)		
Short-term debt	**₱17,644,350**	**(₱3,257,633)**	**₱–**	**₱–**	**₱14,386,717**
Current long-term debt	**6,572,775**	**(6,598,176)**	**23,265,173**	**25,401**	**23,265,173**
Non-current long-term debt	**150,168,631**	**18,880,582**	**(20,513,059)**	**910,795**	**149,446,949**
Dividends payable (Note 16)	**360,130**	**(7,181,498)**	**7,485,914**	**–**	**664,546**
Deposits and other noncurrent liabilities	**41,857,646**	**(5,584,237)**	**6,019,262**	**–**	**42,292,671**
Total liabilities from financing activities	**₱216,603,532**	**(₱2,742,734)**	**₱16,257,290**	**₱936,196**	**₱230,056,056**

2017

	January 1, 2017	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2017
			(In Thousands)		
Short-term debt	₱24,244,350	(₱6,600,000)	₱-		₱17,644,350
Current long-term debt	5,187,111	1,362,005	-	23,659	6,572,775
Non-current long-term debt	130,369,877	20,263,514	-	(464,760)	150,168,631
Dividends payable (Note 16)	426,244	(8,295,914)	8,229,800		360,130
Deposits and other noncurrent liabilities	39,321,390	2,536,256	-		41,857,646
Total liabilities from financing activities	₱199,548,972	₱9,265,861	₱8,229,800	(₱441,101)	₱216,603,532

The noncash activities of the Group pertain the following:

2018
- transfer from investment properties to inventories amounting to ₱7,446.2 million
- transfer from inventories to investment properties amounting to ₱116.4 million
- transfer from investment properties to property and equipment amounting to ₱4,900.6 million
- transfer from investment properties to other noncurrent assets amounting to □60.0 million, respectively

2017
- transfer from inventories to investment properties amounting to ₱2,454.9 million
- transfer from investment properties to property and equipment amounting to ₱1,764.6 million
- transfer from investment properties to other current and noncurrent assets amounting to ₱86.3 million and □62.1 million, respectively

2016
- transfers from inventories to investment properties amounting to ₱1,065.3 million
- transfer from investment properties to property and equipment amounting to ₱16.7 million

39. Events After Reporting Date

On February 4, 2019, the Executive Committee approved the exchange of the 20% equity interest acquired from Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800 million, for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

On February 27, 2019, the BOD approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share. These will be paid on March 29, 2019 to shareholders on record as of March 13, 2019.

On the same date, the BOD approved the filing with the SEC of a 3-year shelf registration of up to ₱50 billion of debt securities ('the Shelf Registration'). It also approved the raising of up to ₱45 billion through: (a) retail bonds of up to ₱16 billion under the Shelf Registration and listed on the Philippine Dealing and Exchange Corporation (PDEx), (b) SEC-exempt Qualified Buyer Notes of up to ₱4 billion for enrollment on the PDEx, and (c) bilateral term loans of up to ₱25 billion to partially finance general corporate requirements and to refinance maturing loans.

The BOD also approved the Parent Company's 2019 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to qualified executives, in accordance with the terms of the Plan, stock options covering up to a total of 14,430,750 common shares at a subscription price of ₱44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

Ayala Land, Inc.

Parent Company Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

Building a better
working world

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 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 Board of Directors and Stockholders
Ayala Land, Inc.

Opinion

We have audited the accompanying parent company financial statements of Ayala Land, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

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

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent Company's internal control.

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Ayala Land, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332607, January 3, 2019, Makati City

February 27, 2019

AYALA LAND, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017 (As restated - see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 27)	**₱1,123,468,643**	₱587,557,457
Financial assets at fair value through profit or loss (Notes 5, 23 and 27)	**1,969,029**	1,918,566
Accounts and notes receivable (Notes 6, 23 and 27)	**89,681,769,079**	67,598,545,021
Contract assets (Note 14)	**10,608,729,457**	–
Inventories (Note 7)	**25,375,032,394**	20,712,785,349
Other current assets (Note 8)	**11,317,254,276**	12,085,637,521
Total Current Assets	**138,108,222,878**	100,986,443,914
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 6 and 27)	**663,422,134**	16,712,201,933
Noncurrent contract assets (Note 14)	**7,953,482,357**	–
Financial assets at fair value through other comprehensive income (Notes 9 and 27)	**247,401,447**	–
Available-for-sale financial assets (Notes 9 and 27)	**–**	217,714,920
Investments in subsidiaries, associates and joint ventures (Note 10)	**151,498,802,354**	119,844,019,436
Investment properties (Note 11)	**88,663,136,558**	86,650,733,443
Property and equipment (Note 12)	**1,066,994,712**	828,989,167
Deferred tax assets - net (Note 22)	**2,562,368,952**	2,181,321,759
Other noncurrent assets (Note 13)	**4,202,816,282**	5,707,416,860
Total Noncurrent Assets	**256,858,424,796**	232,142,397,518
	₱394,966,647,674	₱333,128,841,432
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 16, 23 and 27)	**₱13,500,900,000**	₱16,991,350,000
Accounts and other payables (Notes 15, 23 and 27)	**90,670,281,141**	59,476,247,167
Contract liabilities (Note 14)	**10,476,250,868**	–
Current portion of long-term debt (Notes 16, 23 and 27)	**20,255,266,261**	971,190,276
Deposits and other current liabilities (Note 17)	**2,596,506,307**	4,194,740,011
Total Current Liabilities	**137,499,204,577**	81,633,527,454
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16, 23 and 27)	**122,659,181,389**	124,271,705,905
Pension liabilities - net (Note 24)	**1,214,803,803**	1,212,493,603
Contract liabilities - net of current portion (Note 14)	**3,143,547,293**	–
Deposits and other noncurrent liabilities (Notes 18 and 27)	**4,026,622,637**	7,727,724,424
Total Noncurrent Liabilities	**131,044,155,122**	133,211,923,932
Total Liabilities	**268,543,359,699**	214,845,451,386
Equity (Note 19)		
Paid-in capital	**62,350,964,177**	61,948,711,384
Stock options outstanding (Note 26)	**65,461,806**	99,063,674
Retained earnings	**64,244,722,057**	56,563,943,910
Fair value reserve of financial assets at FVOCI (Note 9)	**69,173,878**	39,487,351
Remeasurement loss on defined benefit plans (Note 24)	**(307,033,943)**	(367,816,273)
Total Equity	**126,423,287,975**	118,283,390,046
	₱394,966,647,674	₱333,128,841,432

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2018	2017
REVENUE		
Real estate (Note 20)	**₱40,938,668,136**	₱37,202,154,673
Interest income from real estate sales (Notes 6, 20 and 14)	**1,701,410,613**	1,595,607,661
	42,640,078,749	38,797,762,334
Interest income (Notes 4 and 23)	**665,038,570**	494,497,136
Dividend income	**8,620,607,070**	10,495,133,950
Other income (Note 21)	**3,685,996,737**	2,436,534,959
	12,971,642,377	13,426,166,045
	55,611,721,126	52,223,928,379
COSTS AND EXPENSES (Note 21)		
Real estate	**28,585,376,175**	25,580,926,543
General and administrative expenses	**2,267,438,383**	2,462,133,741
Interest expense and other financing charges	**8,167,354,685**	6,448,102,197
Other charges	**92,785,049**	4,782,138
Other expenses	**2,013,205**	273,084
	39,114,967,497	34,496,217,703
INCOME BEFORE INCOME TAX	**16,496,753,629**	17,727,710,676
PROVISION FOR INCOME TAX (Note 22)		
Current	**1,704,899,608**	1,760,394,894
Deferred	**(407,096,763)**	354,873,532
	1,297,802,845	2,115,268,426
NET INCOME	**₱15,198,950,784**	₱15,612,442,250
Earnings Per Share (Note 25)		
Basic and diluted	**₱1.03**	₱1.06

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
Net Income	**₱15,198,950,784**	₱15,612,442,250
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss in subsequent years:		
Fair value reserve of financial assets at FVOCI (Note 9)	**29,686,527**	13,061,701
Items that will not be reclassified to profit or loss in subsequent years:		
Remeasurement gain (loss) on pension liability (Note 24)	**86,831,900**	(13,241,200)
Income tax effect	**(26,049,570)**	3,972,360
Total other comprehensive income - net of tax	**90,468,857**	3,792,861
Total comprehensive income	**₱15,289,419,641**	₱15,616,235,111

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Note 19)	Appropriated Retained Earnings (Note 19)	Unappropriated Retained Earnings (Note 19)	Stock Options Outstanding (Note 26)	Net Unrealized Gain on Available for Sale Financial Assets (Note 9)	Remeasurement Loss on Defined Benefit Plans (Note 24)	Total
As of January 1, 2018	**₱16,031,597,034**	**₱47,454,239,398**	**(₱1,537,125,048)**	**₱8,000,000,000**	**₱48,563,943,910**	**₱99,063,674**	**₱39,487,351**	**(₱367,816,273)**	**₱118,283,390,046**
Net income	**–**	**–**	**–**	**–**	**15,198,950,784**	**–**	**–**	**–**	**15,198,950,784**
Other comprehensive gain	**–**	**–**	**–**	**–**	**–**	**–**	**29,686,527**	**60,782,330**	**90,468,857**
Total comprehensive income	**–**	**–**	**–**	**–**	**15,198,950,784**	**–**	**29,686,527**	**60,782,330**	**15,289,419,641**
Cost of stock options	**–**	**132,121,289**	**–**	**–**	**–**	**(33,601,868)**	**–**	**–**	**98,519,421**
Adjustment in prior year					**(32,257,932)**				**(32,257,932)**
Collections of subscription receivable	**–**	**–**	**270,131,504**	**–**	**–**	**–**	**–**	**–**	**270,131,504**
Stock options exercised	**9,933,523**	**399,628,314**	**(409,561,837)**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends declared	**–**	**–**	**–**	**–**	**(7,485,914,705)**	**–**	**–**	**–**	**(7,485,914,705)**
As of December 31, 2018	**₱16,041,530,557**	**₱47,985,989,001**	**(₱1,676,555,381)**	**₱8,000,000,000**	**₱56,244,722,057**	**₱65,461,806**	**₱69,173,878**	**(₱307,033,943)**	**₱126,423,287,975**
As of January 1, 2017	₱16,019,332,064	₱46,928,519,282	(₱1,385,680,992)	₱8,000,000,000	₱40,078,570,822	₱89,696,962	₱26,425,650	(₱358,547,433)	₱109,398,316,355
Net income	–	–	–	–	15,612,442,250	–	–	–	15,612,442,250
Other comprehensive loss	–	–	–	–	–	–	13,061,701	(9,268,840)	3,792,861
Total comprehensive income	–	–	–	–	15,612,442,250	–	13,061,701	(9,268,840)	15,616,235,111
Cost of stock options	–	144,477,825	–	–	–	9,366,712	–	–	153,844,537
Collections of subscription receivable	–	–	242,063,205	–	–	–	–	–	242,063,205
Stock options exercised	12,264,970	381,242,291	(393,507,261)	–	–	–	–	–	–
Cash dividends declared	–	–	–	–	(7,127,069,162)	–	–	–	(7,127,069,162)
As of December 31, 2017	₱16,031,597,034	₱47,454,239,398	(₱1,537,125,048)	₱8,000,000,000	₱48,563,943,910	₱99,063,674	₱39,487,351	(₱367,816,273)	₱118,283,390,046

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017 (As restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱16,496,753,629**	₱17,727,710,676
Adjustments for:		
Interest expense and amortization of transaction cost (Note 17 and 21)	**7,443,676,259**	6,183,863,123
Depreciation (Notes 11, 12 and 21)	**1,214,401,615**	990,581,981
Cost of share-based payments (Note 24)	**98,519,421**	153,844,537
Unrealized foreign exchange loss (gain) (Note 21)	**(189,879,957)**	24,131,249
Provision for impairment losses and write-offs (Note 21)	**2,013,205**	526,630,121
Gain on financial assets at fair value through profit or loss (Note 21)	**(50,463)**	(27,135)
Gain on sale of property and equipment (Note 21)	**(20,261,459)**	(34,784,163)
Gain on sale of investment property (Note 21)	**–**	(388,954,545)
Gain on sale of investment in subsidiaries, associates and joint ventures (Note 21)	**(3,072,132,224)**	–
Interest income	**(665,038,570)**	(494,497,136)
Dividend income	**(8,620,607,070)**	(10,495,133,950)
Operating income before changes in working capital	**12,687,394,386**	14,193,364,758
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets (Note 14)	**7,501,868,819**	–
Inventories (Notes 7 and 30)	**2,203,290,407**	4,282,598,610
Other current assets	**2,225,411,824**	(3,307,130,599)
Accounts and notes receivable (Note 6)	**(26,637,138,088)**	8,438,896,659
Increase (decrease) in:		
Accounts and other payables (Note 15)	**31,259,657,882**	(11,492,777,259)
Contract liabilities (Note 14)	**6,842,341,358**	–
Pension liabilities (Note 24)	**89,142,100**	35,603,294
Other current liabilities	**5,179,223,099**	4,151,895,498
Cash generated from operations	**41,351,191,787**	16,302,450,961
Dividends received	**8,898,190,029**	10,374,705,370
Interest received	**664,983,278**	394,386,083
Income tax paid	**(3,164,254,804)**	(2,899,127,992)
Interest paid	**(7,184,760,234)**	(8,811,664,285)
Net cash provided by operating activities	**40,565,350,056**	15,360,750,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal/maturity/redemption of:		
Investment properties (Note 11)	**8,487,327,932**	15,252,347,521
Investments in subsidiaries, associates and joint ventures (Note 10)	**1,713,057,874**	2,136,196,999
Property and equipment (Note 12)	**24,625,545**	46,446,913
Decrease (increase) in other noncurrent assets	**1,506,927,194**	(2,574,945,544)
Increase in accounts and notes receivable – nontrade (Note 6)	**(5,740,927,675)**	(7,059,688,486)
Purchases/additions to:		
Available-for-sale financial assets	**–**	(4,262,248)

(Forward)

	Years Ended December 31	
	2018	2017 (As restated - see Note 2)
Property and equipment (Note 12)	**(₱432,346,680)**	(₱278,816,310)
Investment properties (Note 11)	**(16,462,705,261)**	(18,883,950,790)
Investments in subsidiaries, associates and joint ventures (Note 10)	**(30,327,966,500)**	(15,492,366,518)
Net cash used in investing activities	**(41,232,007,571)**	(26,859,038,463)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debts (Note 16)	**123,457,980,477**	84,482,556,117
Proceeds from capital stock subscriptions	**270,131,504**	242,063,205
Decrease in deposits and other noncurrent liabilities (Note 18)	**(5,803,125,746)**	(4,005,298,319)
Payments of cash dividends (Note 19)	**(7,485,914,705)**	(7,127,069,162)
Payments of short-term and long-term debts (Note 16)	**(109,236,502,829)**	(62,789,051,250)
Net cash provided by financing activities	**1,202,568,701**	10,803,200,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**535,911,186**	(695,087,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**587,557,457**	1,282,645,192
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,123,468,643**	₱587,557,457

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the "Parent Company", or "ALI") is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with a corporate life of 50 years. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly-listed company, 47.04%-owned by Mermac, Inc. and the rest by the public as of December 31, 2018. The Parent Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company is incorporated 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; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Parent Company or of other persons; and to engage or act as real estate broker.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee on February 14, 2019 and were approved and authorized for issue by the Board of Directors (BOD) on February 27, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale financial assets that have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all amounts are rounded to the nearest peso, except when otherwise indicated.

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

Statement of Compliance

The parent company financial statements of Ayala Land, Inc., which are prepared for submission to the Philippine Securities and Exchange Commission (SEC) and to the Bureau of Internal Revenue (BIR), have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained from the Parent Company's registered address.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018.

The nature and impact of each new standard and amendment are described below:

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

  The Parent Company's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Parent Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Parent Company's financial statements.

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

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

  The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

	As previously reported December 31, 2017	**Reference**	**Adjustment**	**A restated January 1, 2018**
Available-for-sale financial assets	₱217,714,920	(a)	(₱217,714,920)	₱–
Financial assets at fair value through other comprehensive income		(a)	217,714,920	217,714,920

  The nature of these adjustments are described below:

  (a) Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Parent Company's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of PFRS 9 did not have a significant impact to the Parent Company. The Parent Company continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Parent Company's financial assets:

  - Cash and cash equivalents, short term investments and accounts and notes receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

- Equity investments in listed and non-listed companies previously classified as Available-for-sale (AFS) financial assets are now classified and measured as financial assets designated at fair value through OCI. The Parent Company elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future.

The Parent Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Parent Company's financial liabilities.

In summary, upon adoption of PFRS 9, the Parent Company had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	Fair value through profit or loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash and cash equivalents	₱587,557,457	₱–	₱587,557,457	₱–
Accounts and notes receivables	84,310,746,954	–	84,310,746,954	–
Available-for-sale financial assets	217,714,920	–	–	217,714,920
Financial assets at FVPL	1,918,566	1,918,566	–	–
	₱85,117,937,897	₱1,918,566	₱84,898,304,411	₱217,714,920

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Parent Company to record an allowance for impairment losses for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) presented under trade receivables and contract assets, the Parent Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given loan 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 inflation and interest rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers an ICR in default when contractual payment are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

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 Parent Company 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 Parent Company 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, cost to complete (for incomplete units).

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

For other financial assets such as accrued interest receivable, receivable from tenants and others, 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 cash and cash equivalents, the Parent Company 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 Parent Company'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 Parent Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

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

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

  The amendments are not applicable to the Parent Company since there are no activities within the Parent Company that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting 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 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
  c. Accounting to 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.

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

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

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

  The Parent Company availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the parent company financial statements:
  - The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- For airconditioning services, common use services and administration and handling services, would have acted as principal, these would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Parent Company records the repossessed inventory at cost.

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

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

The effect of adopting PFRS 15 as at January 1, 2018 was as follows:

	As previously reported December 31, 2017	Reference	Adjustment	A restated January 1, 2018
Contract assets	₱–	(a)	₱26,064,081,633	₱26,064,080,633
Contract liabilities	–	(a)	6,777,456,803	6,777,456,803

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on profit or loss, OCI or the Parent Company's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Parent company statement of financial position for the year ended December 31, 2018

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase (decrease)
ASSETS			
Current Assets			
Accounts and notes receivable (Note 6)	**₱89,681,769,079**	₱100,290,498,536	(₱10,608,729,457)
Contract assets (Note 14)	**10,608,729,457**	–	10,608,729,457
Total Current Assets	**100,290,498,536**	100,290,498,536	–
Noncurrent Assets			
Noncurrent accounts and notes receivable (Note 6)	**663,422,134**	8,616,904,491	(7,953,482,357)
Noncurrent contract assets (Note 14)	**7,953,482,357**	–	7,953,482,357
Total Noncurrent Assets	**8,616,904,491**	8,616,904,491	–
Total Assets	**₱108,907,403,027**	₱108,907,403,027	₱–

(Forward)

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase (decrease)
LIABILITIES AND EQUITY			
Current Liabilities			
Contract liabilities (Note 14)	**₱10,476,250,868**	₱–	₱10,476,250,868
Deposits and other current liabilities (Note 18)	**2,596,506,307**	16,216,304,468	13,619,798,161
Total Current Liabilities	**13,072,757,175**	16,216,304,468	(3,143,547,293)
Noncurrent Liabilities			
Noncurrent contract liabilities (Note 14)	**3,143,547,293**	–	3,143,547,293
Total Noncurrent Liabilities	**3,143,547,293**	–	3,143,547,293
Total Liabilities	**₱16,216,304,468**	₱16,216,304,468	₱–

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the parent company statement of financial position as at December 31, 2018 for the year ended December 31, 2018 are described below:

(a) The Parent Company records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, as contract asset while the excess of collection/ receivable over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as customers' deposit. For those receivables with interest rate explicit in the contract, the Parent Company records interest income based on the principal amount multiplied by the applicable interest rate while for those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

The above resulted in recording of contract assets of ₱26,064.1 million and contact liabilities of ₱6,777.5 million as of January 1, 2018.

As at December 31, 2018, PFRS 15 increased contract assets and contract liabilities by ₱17,999.0 million and ₱13,619.8 million, respectively and decreased installment contracts receivable and customers' deposit liabilities by ₱17,999.0 million and ₱13,619.8 million, respectively.

PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification

The Parent Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the parent company statements of financial position.

December 31, 2016	Reference	Inventories/ Current Asset	Investment Properties/ Non-current Asset
Land and improvements	(a)	₱5,258,105,373	₱49,404,410,897
Advances to contractors and suppliers	(b)	9,421,308,041	435,865,155
		₱14,679,413,414	₱49,840,276,052

(a) Land and improvements previously presented as non-current asset includes land which the Board of Directors has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Parent Company's timing to start the development of the property. This was reclassified under inventories in the parent company statement of financial position. Land intended as investment property or with unintended future use was reclassified to investment properties.

(b) Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to non-current asset. Before the adoption of PIC Q&A 2018-15, the classification of the Parent Company is based the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property, property plant and equipment).

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

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

  The amendments do not have material impact on the Parent Company's financial statements.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

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

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

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

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

Effective beginning on or after January 1, 2019

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

  The Parent Company is currently assessing the impact of adopting this interpretation.

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

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

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Parent Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 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 not relevant to the Parent Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

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

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

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

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Effective beginning on or after January 1, 2020

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

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

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

These amendments will apply on future business combinations of the Parent Company.

- 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:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Parent Company since there are no activities within the Parent Company that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council 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.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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 Parent Company.

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 non-financial 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 Parent Company 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 for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, corporate finance analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Parent Company's accounting policies.

The Parent Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

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 original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

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

Financial Instruments
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instruments
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 Parent Company's business model for managing them. The Parent Company 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, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or 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 Parent Company'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 recognised on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortised 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 Parent Company's financial assets at amortized cost includes "Cash and cash equivalents" and "Accounts and notes receivables".

Financial assets at fair value through OCI (debt instruments)
The Parent Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

Financial assets at fair value through profit or loss are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of profit or loss.

This category includes investment in Unit Investment Trust Fund (UITF) as held for trading and classified this as financial assets at FVPL.

<u>Derecognition</u>
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 Parent Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired
  Or
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company 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 Parent Company could be required to repay.

<u>Impairment of Financial Assets</u>
The Parent Company 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 Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For other financial assets such accrued receivable, receivable from related parties and advances to other companies, 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 cash and cash equivalents, the Parent Company 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 Parent Company'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 Parent Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Parent Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers trade receivables and contract assets in default when contractual payment are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

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

The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. 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 Parent Company's financial liabilities include "Accounts and other payables" (other than "Taxes payable and Interest payable" which is covered by other accounting standard), "Short-term and long-term debts", "Deposits and other noncurrent liabilities" (other than unearned income under "Deposits").

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

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

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

Gains or losses on liabilities held for trading are recognized in the parent company statement of income.

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

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

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

This category generally applies to "Short-term debt" and "Long-term debt".

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 parent company statement of income.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Parent Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the parent company statement of income under "Other income" or "Other charges".

Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2017, the Parent Company holds its investment in Unit Investment Trust Fund (UITF) as held for trading and classified this as financial assets at FVPL. Management takes the view that these are held for trading and such portfolios are managed by professional managers.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in “Interest and investment income” in the parent company statement of income. Gains and losses are recognized in the parent company statement of income under “Other income” or “Other charges” when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2017, the Parent Company has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the parent company statement of financial position caption “Accounts and notes receivable”.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the “Interest income from real estate sales” in the parent company statement of income. The losses arising from impairment of such loans and receivables are recognized in the parent company statement of income under the “Other expenses” account. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Net unrealized gain on available-for-sale financial assets” in the equity section of the parent company statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the parent company statement of income under “Other income” account or “Other charges” account. Where the Parent Company holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the parent company statement of income under the “Other charges” account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the parent company statement of income.

This accounting policy applies primarily to the Parent Company's "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts," and other obligations that meet the above definition.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

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

Impairment of Financial Assets
The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the parent company statement of income under "Other charges" account.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivable, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any difference between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. The Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 9). Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statement of income - is removed from equity and recognized in the parent company statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in equity through the parent company statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest and investment income" account in the parent company statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deposits and Retentions Payable
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate revenue" account in the parent company statement of income.

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 or net realizable value (NRV).

Cost includes:

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- 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 costs of sale.

<u>Prepaid Expenses</u>
Prepaid expenses are carried at cost less the amortized portion. These typically comprise marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

<u>Input Value-Added Tax (VAT)</u>
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

<u>Deposits in Escrow</u>
Deposits in escrow pertain to the proceeds from the sale of the Parent Company's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates.

<u>Materials, Parts and Supplies</u>
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

<u>Advances to Other Companies, Advances to Contractors and Suppliers and Deposits on Land Purchases</u>
Advances to other companies, advances to contractors and suppliers and deposits on land purchases are carried at cost less impairment losses, if any.

<u>Investments in Subsidiaries, Associates and Joint Ventures</u>
The Parent Company's investments in its subsidiaries, associates and joint ventures are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Parent Company. It also includes land intended as investment property or with unintended future use.

The Parent Company uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

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

Construction-in-progress are carried at cost (including borrowing 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 are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties, which is comprised of buildings, ranges from 20 to 40 years.

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Parent Company discloses the fair values of its investment properties in accordance with PAS 40. The Parent Company engaged independent valuation specialist to assess fair value as at December 31, 2018 and 2017. The Parent Company's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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

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 Parent Company 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 are available for use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Furniture, fixtures and office equipment	3-10
Transportation equipment	3-5

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

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

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Parent Companys of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

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

The following criteria are also applied in assessing impairment of specific assets:

Investments in subsidiaries, associates and joint ventures
The Parent Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates or joint ventures is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable

amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes: a) service costs comprising current service costs and past-service costs b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the parent company statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments
The Parent Company has equity-settled, share-based compensation plans with its employees.

PFRS 2 options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Binomial Tree and Black-Scholes model, further details of which are presented in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 25).

Employee Stock Ownership Plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company’s shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

<u>Equity</u>
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of its own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized under “Additional paid-in capital”. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

<u>Revenue Recognition effective January 1, 2018</u>
Revenue from Contract with Customers
The Parent Company primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

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

Real estate sales
The Parent Company 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 Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

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

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the parent company statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the parent company statements of financial position.

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

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

Dividend income is recognized when the Parent Company's right to receive the payment is established.

<u>Contract Balances</u>
Receivables
A receivable represents the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

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

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

Costs to Obtain Contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Parent Company expects to recover them. The Parent Company 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 "Real estate costs and expenses" account in the parent company statement of income.

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

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Parent Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Parent Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Parent Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Parent Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Parent Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Parent Company's project engineers.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the parent company statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the parent company statements of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and 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 Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Revenue from construction contracts included in the "Real estate" account in the parent company statements of income is recognized using the percentage-of-completion method, based on the completion of a physical proportion of the contract work inclusive of the uninstalled goods and materials delivered to the site.

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

Rental income under noncancellable and cancellable leases on investment properties is recognized in the parent company statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Parent Company's right to receive the payment is established.

Commissions
Commissions paid to sales or 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. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the parent company statement of income.

Expense Recognition
Expenses are recognized in the parent company statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the parent company statement of income:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the parent company statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are 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 cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Parent Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

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

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

Parent Company 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 are recognized as an expense in the parent company statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

As disclosed under Adoption of New and Amended Accounting Standards and Interpretations, the Parent Company will adopt PFRS 16, *Leases* on January 1, 2019. The standard requires lessess to account for all leases under s single on-balance sheet model. The Parent Company is currently assessing the impact of this standard.

Parent Company as lessor
Leases where the Parent Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the parent company statement of income on a straight-line basis over the lease term. 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. Contingent rents are recognized as revenue in the period in which they are earned.

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

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred 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 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 and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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

Deferred 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 28 of the parent company financial statements.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

Existence of a contract
The Parent Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company 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 with the 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.

Revenue recognition method and measure of progress
The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

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

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

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

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Parent Company's expected loss calculation.

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

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

The base case represents a most-likely outcome and is aligned with information used by the Parent Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Parent Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Distinction of land between real estate inventories and investment properties
The Parent Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Control of entities in which the Parent Company holds only 50% or less than majority of voting rights
The Parent Company considers that it controls the following entities even though it owns 50% or less than majority of the voting rights.

Alabang Commercial Corp. (ACC)
For ACC, the Parent Company holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, the Parent Company has an existing management services

agreement which gives the Parent Company the exclusive control and decision over the relevant activities of ACC.

BGWest Properties, Inc. (BG West)
For the BG West, wherein the Parent Company and the other shareholder each own 50% of the voting rights, the Parent Company controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled the Parent Company to conclude that it has control.

Ayala Hotels, Inc. (AHI), Roxas Land Corp. (RLC), ALI-CII Development Corp. (ALI-CII) and Leisure and Allied Industries Philippines, Inc. (LAIP).
Parent Company has an existing management services agreement with AHI, RLC, ALI-CII and LAIP which gives Parent Company the exclusive control and decision over the relevant activities of AHI, RLC, ALI-CII and LAIP.

Significant influence on OCLP Holdings, Inc.(OHI) and Bonifacio Land Corp (BLC)
The Parent Company considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 11).

Contingencies
The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings will have a material effect on the Parent Company's financial position (see Note 29).

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

Revenue and cost recognition on real estate projects
The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quanitity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). See Notes 20 and 21 for the related balances.

Similarly, the commission is determined using the percentage of completion.

Provision for expected credit losses of trade receivables and contract assets
The Parent Company uses a provision matrix to calculate ECLs for trade receivables other than trade receivables from residential business. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and interest rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Parent Company uses vintage analysis approach to calculate ECLs for trade receivables from residential business and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan 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 PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interert rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Parent Company's trade receivables and contract assets is disclosed in Notes 6, 14 and 27.

Evaluation of net realizable value of real estate inventories
The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability 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 Parent Company 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. See Note 7 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company. See Note 26 for the related balances.

Estimating pension liabilities and other retirement benefits
The determination of the Parent Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 24 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 24 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded and disclosed in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques and generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 27 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱905,774**	₱1,187,483
Cash in banks	**868,621,495**	481,215,547
Cash equivalents	**253,941,374**	105,154,427
	₱1,123,468,643	₱587,557,457

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term investment rates.

The annual interest rates of the cash equivalents are as follows:

	2018	2017
Philippine Peso	**5.8% to 6.8%**	2.5% to 2.8%
US Dollar	**–**	1.1% to 2.0%

There is no restriction on the Parent Company's cash balances as of December 31, 2018 and 2017.

5. Financial Assets at FVPL

The Parent Company has investments in the BPI Money Market Fund (MMF) (the Fund). The Fund, which is structured as a money market UITF, aim to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

As of December 31, 2018, the Parent Company invested in the Fund with a fair value of ₱2.0 million. The BPI MMF's Net Asset Value (NAV) was at ₱8,331.5 million with duration of 150 days.

As of December 31, 2017, the Parent Company invested in the Fund with a fair value of ₱1.9 million. The BPI MMF's Net Asset Value (NAV) was at ₱5,866.9 million with duration of 142 days.

The following table provides the fair value hierarchy of the Parent Company's financial assets at FVPL which are measured at fair value as of December 31, 2018 and 2017:

2018

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment in UITF	**December 31, 2018**	**₱1,969,029**	**₱–**	**₱1,969,029**	**₱–**

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment in UITF	December 31, 2017	₱1,918,566	₱–	₱1,918,566	₱–

The fair value of the investment in UITF is based on net asset values as of reporting dates.

Reconciliation of the fair value measurement is shown below:

	2018	2017
Balance at beginning of year	**₱1,918,566**	₱1,891,431
Unrealized gains included under "Other income" (see Note 21)	**50,463**	27,135
Balance at end of year	**₱1,969,029**	₱1,918,566

6. **Accounts and Notes Receivable**

Accounts and notes receivable account consists of:

	2018	2017
Trade		
Residential and office development	**₱36,813,840,342**	₱30,870,053,637
Corporate business	**697,893,154**	600,337,803
Shopping centers	**562,648,223**	496,047,893
Rent receivables	**11,792,950**	8,510,295
Others	**1,761,052,911**	1,126,434,420
Receivable from related parties (Note 23)	**37,692,233,291**	39,604,749,149
Advances to other companies	**10,752,450,763**	9,295,570,595
Dividends receivable	**1,984,062,467**	2,261,645,426
Receivable from employees	**227,170,279**	203,392,990
Interest receivable (Note 23)	**12,711,404**	12,656,112
	90,515,855,784	84,479,398,320
Less allowance for impairment losses	**170,664,571**	168,651,366
	90,345,191,213	84,310,746,954
Less noncurrent portion	**663,422,134**	16,712,201,933
	₱89,681,769,079	₱67,598,545,021

The classes of trade receivables of the Parent Company follow:

- Residential and office development - pertains to receivables from the sale of high-end and upper middle-income residential lots and units, sale of commercial lots, and leisure community developments. Upon adoption of PFRS 15, the Parent Company records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development trade receivables, as contract asset (see Notes 2 and 14).
- Corporate business - pertain to lease receivables of office buildings.
- Shopping centers - pertain to lease receivables from retail spaces
- Rent receivables - pertain to receivables for lease of land and Ayala Property Management Corporation (APMC) - administered properties.
- Others - pertain mainly to receivables from facility management and other support services.

Sales contract receivables, included under residential and office development, are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 8.3% to 13%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers and rent receivables are due within 30 days upon billing.

Receivables from facility management and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

Receivable from related parties, dividends receivable and interest receivable are due and demandable.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Receivables from employees pertain to housing, car, salary and other loans granted to the Parent Company's employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

Receivables amounting to ₱171.0 million and ₱168.7 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided with allowance. The movements in the allowance for ECLs on receivables follow:

2018

	Trade				
	Shopping centers	**Corporate business**	**Others**	**Advances to other companies**	**Total**
Balance at beginning of year	**₱146,696,986**	**₱21,954,380**	**–**	**–**	**₱168,651,366**
Provisions during the year (Note 21)	**2,013,205**	**–**	**–**	**–**	**2,013,205**
Reversal (Note 21)	**–**	**–**	**–**	**–**	**–**
Accounts written off	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**₱148,710,191**	**₱21,954,380**	**₱–**	**₱–**	**₱170,664,571**
Individually impaired	**₱41,154,049**	**₱21,954,380**	**₱–**	**₱–**	**₱63,108,429**
Collectively impaired	**107,556,142**	**–**	**–**	**–**	**107,556,142**
Total	**₱148,710,191**	**₱21,954,380**	**₱–**	**₱–**	**₱170,664,571**
Gross amounts of receivables Individually determined to be impaired	**₱41,154,049**	**₱21,954,380**	**₱–**	**₱–**	**₱63,108,429**

2017

	Trade				
	Shopping centers	Corporate business	Others	Advances to other companies	Total
Balance at beginning of year	₱149,977,931	₱12,806,532	₱89,029,354	₱443,194,586	₱695,008,403
Provisions during the year (Note 21)	–	9,147,848	–	–	9,147,848
Reversal (Note 21)	(3,280,945)	–	(89,029,354)	(443,194,586)	(535,504,885)
Accounts written off	–	–	–	–	–
Balance at end of year	₱146,696,986	₱21,954,380	₱–	₱–	₱168,651,366
Individually impaired	₱39,140,844	₱21,954,380	₱–	–	₱61,095,224
Collectively impaired	107,556,142	–	–	–	107,556,142
Total	₱146,696,986	₱21,954,380	₱–	₱–	₱168,651,366
Gross amounts of receivables Individually determined to be impaired	₱39,140,844	₱21,954,380	₱–	₱–	₱61,095,224

As of December 31, 2017, nominal amount of trade receivables from residential development amounting to ₱33,685.6 million were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Parent Company's receivables as of 2017 are as follows:

	2017
Balance at beginning of year	₱2,705,737,737
Additions during the year	1,797,032,350
Accretion for the year (Note 20)	(1,595,607,661)
Balance at end of year	₱2,907,162,426

The Parent Company entered into agreements with BPI Asset Management and Trust Corporation in 2018 and 2017 for the assignment of interest-bearing employee receivables amounting to nil and ₱69.0 million, respectively. The transactions were without recourse and did not result to any gain or loss.

In 2017, the Parent Company sold receivables on a without recourse basis to partner mortgage banks, which include BPI Family savings bank, a related party, totaling to ₱1,214.7 million and were sold at discount with total proceeds ₱1,137.5 million. The Parent Company recognized loss on sale (under "Interest and other financing charges") amounting ₱76.6 million in 2017.

7. **Inventories**

This account consists of:

	2018	2017 (As restated)
Real estate		
Residential and commercial lots	**₱17,430,924,850**	₱10,317,609,822
Residential and commercial units - at cost	**7,944,107,544**	10,395,175,527
	₱25,375,032,394	₱20,712,785,349

A summary of the movements in inventories is set out below:

2018

	Residential and commercial lots	Residential and commercial units	Total
Balances at beginning of year	**₱10,317,609,822**	**₱10,395,175,527**	**₱20,712,785,349**
Construction/development costs incurred/adjustments	**3,249,444,027**	**14,612,690,545**	**17,862,134,572**
Disposals (recognized as cost of real estate sales) (Note 21)	**(3,001,666,450)**	**(17,063,758,528)**	**(20,065,424,978)**
Transfers from investment property (Note 11)	**6,865,537,451**	**–**	**6,865,537,451**
Balances at end of year	**₱17,430,924,850**	**₱7,944,107,544**	**₱25,375,032,394**

2017 (as restated, see Note 2)

	Residential and commercial lots	Residential and commercial units	Total
Balances at beginning of year	₱14,787,292,564	₱9,626,070,274	₱24,413,362,838
Construction/development costs incurred/adjustments	4,341,562,217	6,363,776,643	10,705,338,860
Disposals (recognized as cost of real estate sales) (Note 21)	(12,893,885,479)	(5,594,671,390)	(18,488,556,869)
Transfers from investment property (Note 11)	2,784,202,467	–	2,784,202,467
Write-down of inventories/reversal of write-down (Note 21)	1,298,438,053	–	1,298,438,053
Balances at end of year	₱10,317,609,822	₱10,395,175,527	₱20,712,785,349

On January 1, 2018, the Parent Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*. Land and improvements previously presented as non-current asset includes land which the Board of Directors has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Parent Company's timing to start the development of the property. This was reclassified under inventories in the parent company statement of financial position (see Note 2).

The Parent Company has no purchase commitments pertaining to its inventories as of December 31, 2018 and 2017.

None of these assets were used as collateral or as a security to the loans and obligations of the Parent Company.

8. Other Current Assets

This account consists of:

	2018	January 1, 2018 (As restated)
Prepaid taxes and licenses	**₱4,377,359,930**	₱2,780,324,930
Advances to contractors and suppliers	**3,409,868,454**	4,878,060,269
Prepaid expenses	**1,998,782,468**	1,538,497,790
Value-added input tax – net	**1,525,215,468**	2,882,726,576
Materials and supplies	**6,027,956**	6,027,956
	₱11,317,254,276	₱12,085,637,521

Prepaid taxes and licenses pertains to the excess of payments made against current income tax due which can be claimed against income tax for future periods, and prepayments on other taxes and licenses.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment. On January 1, 2018, the Parent Company adopted PIC Q&A 2018-15, *PAS 1-Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*. Advances to contractors and suppliers previously presented as current assets, representing prepayments for the construction of investment property were reclassified to non-current assets (see Note 13).

Prepaid expenses mainly include prepayments for commissions, marketing and management fees, advertising and promotions, rentals and insurance.

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

9. Financial Assets at Fair Value through OCI and Available-for-sale Financial Assets

As of December 31, 2018, financial assets at FVOCI consists of investments in:

Shares of stock:	
Unquoted	**₱165,740,922**
Quoted	**12,486,647**
	178,227,569
Net unrealized gain	**69,173,878**
	₱247,401,447

As of December 31, 2017, available-for-sale financial assets consists of investments in:

Shares of stock:	
Unquoted	₱165,740,922
Quoted	12,486,647
	178,227,569
Net unrealized gain	39,487,351
	₱217,714,920

Investments in quoted shares of stock include shares held for clubs wherein the Parent Company does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Parent Company will continue to carry as part of the infrastructure that it provides to its real estate projects.

Movements in the reserves for financial assets at FVOCI and AFS financial assets as of December 31, 2018 and 2017 are as follows:

	2018	January 1, 2018
Balance at beginning of year	**₱39,487,351**	₱26,425,650
Fair value changes during the year	**29,686,527**	13,061,701
Balance at end of year	**₱69,173,878**	₱39,487,351

The following tables provide the fair value hierarchy of the Parent Company's financial assets at FVOCI and AFS financial assets which are measured at fair value as of December 31, 2018 and 2017:

2018

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Shares of stock:			**(In Thousands)**		
Quoted					
Tourism and leisure	**December 31, 2018**	**₱69,074**	**₱69,074**	**₱–**	**₱–**
Unquoted					
Tourism and leisure	**Various**	**157,850**	**–**	**–**	**157,850**
Utilities and energy	**Various**	**8,590**	**–**	**–**	**8,590**
Real estate	**Various**	**11,887**	**–**	**–**	**11,887**

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	December 31, 2017	₱51,974	₱51,974	₱–	₱–

10. Investments in Subsidiaries, Associates and Joint Ventures

This account consists of:

	Percentages of Direct Ownership		**Carrying Amounts**	
	2018	2017	**2018**	2017
Subsidiaries:				
Regent Wise Investment Ltd. and Subsidiary (Regent Wise)	**100%**	100%	**₱14,335,140,045**	₱7,835,600,112
AyalaLand Hotels and Resorts Corporation and Subsidiaries (AHRC)	**100**	100	**12,680,432,000**	10,856,932,000
Prime Orion Philippines, Inc. (POPI)	**67**	51	**9,154,662,866**	5,626,260,734
One Dela Rosa Property Development, Inc. (ODR)	**90**	-	**8,815,000,000**	-
Amaia Land Corporation and Subsidiary (Amaia)	**100**	100	**7,006,931,640**	7,006,931,640
AyalaLand Offices, Inc. (ALO)	**100**	100	**6,769,686,376**	6,913,336,376
Avida Land Corporation and Subsidiaries (Avida)	**100**	100	**6,689,977,831**	6,689,977,831
Bay City Commercial Ventures Corp. (BCCVC)	**100**	100	**4,939,087,324**	2,466,076,875
Cebu Holdings, Inc. and Subsidiaries (CHI)	**70**	72	**4,392,171,631**	4,039,411,704
AyalaLand Estates, Inc. (formerly Southgateway Development Corp.) (SDC)	**100**	100	**4,005,642,479**	4,047,717,118
North Ventures Commercial Corp. (Fairview Prime)	**100**	100	**3,904,145,284**	4,094,145,284
Summerhill E-Office Corporation (Summerhill)	**100**	100	**2,978,700,000**	2,623,700,000
Alveo Land Corporation and Subsidiaries (Alveo)	**100**	100	**2,677,613,403**	2,677,613,403
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73	**2,640,805,402**	2,640,805,402
ALI Capital Corp.	**100**	100	**2,625,000,000**	1,339,000,000

(Forward)

	Percentages of Direct Ownership		Carrying Amounts	
	2018	2017	**2018**	2017
Arca South Commercial Ventures Corp. (ASCVC)	**100%**	100%	**₱2,310,500,000**	₱1,367,302,500
BellaVita Land Corporation (BellaVita)	**100**	100	**2,300,000,000**	2,300,000,000
Amorsedia Development Corp. and Subsidiary (ADC)	**100**	100	**2,274,943,627**	2,274,943,627
Makati Cornerstone Leasing Corp. (MCLC)	**100**	100	**2,213,961,000**	2,213,961,000
Capitol Central Commercial Ventures Corp. (CCCVC)	**100**	100	**2,156,642,500**	1,641,642,500
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100	**2,006,038,210**	1,665,726,210
Arvo Commercial Corporation (Arvo)	**100**	100	**1,800,000,000**	1,800,000,000
Central Block Developers Inc. (CBDI)	**45**	45	**1,495,017,000**	871,325,000
North Beacon Commercial Corporation (NBCC)	**100**	100	**1,388,100,000**	1,403,500,000
North Eastern Commercial Corp. (formerly Asterion Technopod Inc.) (ATI)	**100**	100	**1,300,100,000**	1,300,100,000
Aurora Properties Incorporated (API)	**80**	80	**1,199,997,664**	1,199,997,664
Cavite Commercial Town Centre, Inc. (CCTC)	**100**	100	**1,154,160,793**	999,540,793
Roxas Land Corporation (RLC)	**50**	50	**1,117,022,960**	1,361,022,960
Aviana Development Corporation (Aviana)	**50**	50	**966,000,000**	966,000,000
Accendo Commercial Corp. (Accendo)	**67**	67	**874,697,062**	774,197,062
Cagayan De Oro Gateway Corporation (CDOGC)	**70**	70	**867,680,000**	867,680,000
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	100	**854,500,000**	854,500,000
Nuevo Centro, Inc. (Nuevo Centro)	**54**	54	**819,223,620**	819,223,620
Laguna Technopark, Inc. (LTI)	**20**	75	**800,000,000**	30,229,290
Soltea Commercial Corp. (Soltea)	**60**	60	**796,416,740**	796,416,740
Makati Development Corporation and Subsidiaries (MDC)	**100**	100	**750,958,813**	750,958,813
Westview Commercial Ventures Corp. (Westview)	**100**	100	**745,429,824**	592,672,116
ALO Prime Realty Corporation	**100**	100	**733,676,554**	673,676,554
Ecoholdings Company, Inc. (Ecoholdings)	**100**	100	**718,368,400**	718,368,400
Ceci Realty, Inc. (Ceci)	**60**	60	**699,785,665**	699,785,665
Whiteknight Holdings, Inc. (WHI)	**100**	100	**693,925,952**	693,925,952
Prow Holdings, Inc. (Prow)	**55**	55	**670,273,870**	670,273,870
Anvaya Cove Golf & Sports Club, Inc. (Anvaya Cove Golf)	**76**	78	**629,662,382**	661,203,707
Adauge Commercial Corporation (Adauge)	**60**	60	**600,000,000**	600,000,000
ALI Makati Hotel Property, Inc.	**20**	20	**584,702,865**	584,702,865
Vesta Property Holdings, Inc. (VPHI)	**70**	70	**574,188,300**	714,188,300
Ayala Hotels, Inc. (AHI)	**50**	50	**564,772,538**	564,772,538
Anvaya Cove Beach & Nature Club Inc. (Anvaya Cove Beach)	**73**	73	**527,834,847**	530,938,546
Subic Bay Town Centre, Inc. (SBTCI)	**100**	100	**508,500,000**	508,500,000
Crans Montana Holdings, Inc. (CMHI)	**100**	100	**505,329,030**	505,329,030
Ten Knots Development Corporation and Subsidiaries (TKDC)	**60**	60	**495,000,000**	495,000,000
Station Square East Commercial Corporation (SSECC)	**69**	69	**461,825,050**	461,825,050
Red Creek Properties, Inc. (RCPI)	**100**	100	**431,511,128**	431,511,128
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100	**300,000,000**	300,000,000
Serendra, Inc. (Serendra)	**28**	28	**266,027,100**	266,027,100
Alabang Commercial Corporation (ACC)	**50**	50	**258,431,769**	258,431,769
Ayalaland Medical Facilities Leasing, Inc. (AMFLI)	**100**	100	**255,000,000**	205,000,000
BGWest Properties, Inc. (BG West)	**50**	50	**250,000,000**	250,000,000
AMSI, Inc. (formerly Ayalaland Malls Synergies, Inc.) (AMSI)	**100**	100	**235,000,000**	125,000,000
Crimson Field Enterprises, Inc. (CFEI)	**100**	100	**219,714,272**	219,714,272

(Forward)

	Percentages of Direct Ownership		Carrying Amounts	
	2018	2017	**2018**	2017
Southportal Properties, Inc. (Southportal)	**65%**	65%	**₱188,500,000**	₱188,500,000
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100	**173,000,000**	173,000,000
First Longfield Investments Limited (FLIL)	**100**	100	**167,923,610**	167,923,610
Arca South Integrated Terminal, Inc.	**100**	100	**151,000,000**	151,000,000
Hillsford Property Corporation (HPC)	**100**	100	**150,000,000**	150,000,000
Ayala Land International Sales, Inc. and Subsidiary (ALISI)	**100**	100	**138,700,000**	138,700,000
ALInet.com, Inc. (ALInet)	**100**	100	**130,482,764**	130,482,764
ALI Commercial Center, Inc. (ACCI)	**100**	100	**125,000,000**	125,000,000
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50	**106,300,000**	106,300,000
ALI-CII Development Corporation (ALI-CII)	**50**	50	**102,765,300**	102,765,300
Ten Knots Philippines, Inc.and Subsidiaries (TKPI)	**60**	60	**93,131,600**	93,131,600
Primavera Towncentre, Inc. (PTI)	**100**	100	**91,000,000**	91,000,000
Lagdigan Land Corp. (Lagdigan)	**60**	60	**63,000,000**	48,000,000
Aprisa Business Process Solutions (Aprisa)	**100**	100	**40,000,000**	40,000,000
DirectPower Services, Inc. (DirectPower)	**100**	100	**40,000,000**	40,000,000
CMPI Holdings, Inc. (CMPI)	**60**	60	**28,800,000**	28,800,000
ALI Makati Hotel & Residences, Inc. (AMHRI)	**20**	20	**22,097,135**	22,097,135
Ayala Land Sales, Inc. (ALSI)	**100**	100	**10,000,000**	10,000,000
AyalaLand Malls, Inc. (ALMI)	**100**	100	**5,000,000**	5,000,000
Ayala Land Premier, Inc. (ALPI)	**100**	100	**5,000,000**	2,500,000
Altaraza Prime Realty Corporation (Altaraza)	**100**	100	**4,000,000**	4,000,000
Verde Golf Development Corp (Verde Golf)	**100**	100	**3,125,000**	3,125,000
Buendia Landholdings, Inc. (BLI)	**100**	100	**2,833,562**	2,833,562
Ayala Land Club Management, Inc.	**100**	100	**2,500,000**	2,500,000
Ayala Property Management Corporation (APMC)	**100**	100	**1,912,026**	1,912,026
Ayala Theatres Management, Inc. (ATMI)	**100**	100	**864,559**	864,559
Next Urban Alliance Development Corp.	**100**	100	**365,500**	62,500
Five Star Cinema, Inc. (FSCI)	**100**	100	**250,000**	250,000
Regent Time International, Limited (Regent Time)	**100**	100	**52**	52
Joint Ventures:				
ALI-ETON Property Development Corporation	**50**	50	**2,176,000,000**	642,000,000
AKL Properties, Inc. (AKL)	**50**	-	**1,959,687,075**	-
Emerging City Holdings, Inc. (ECHI)	**50**	50	**1,555,004,550**	1,555,004,550
Cebu District Property Enterprise, Inc. (CDPEI)	**35**	35	**1,050,000,000**	1,050,000,000
Berkshires Holdings, Inc. (BHI)	**50**	50	**666,430,521**	666,430,521
Associates:				
OHI	**21**	21	**7,190,241,828**	7,190,241,828
BLC	**10**	5	**346,881,162**	346,881,015
Lagoon Development Corporation (LDC)	**30**	30	**37,050,000**	37,050,000
			151,818,762,060	120,163,979,142
Less allowance for probable losses			**319,959,706**	319,959,706
			₱151,498,802,354	₱119,844,019,436

The above companies are domestic except for Regent Time which is domiciled and incorporated in British Virgin Islands and FLIL and Regent Wise which are domiciled and incorporated in Hong Kong.

As of December 31, 2018, and 2017, the Parent Company had no commitments to its interests in joint ventures.

<u>Investment in Regent Wise</u>
In 2015 and 2014, the Parent Company's additional investments amounted to ₱6,096.5 million and ₱208.4 million, respectively, which increased the total investment in Regent Wise to ₱7,835.6 milllion and ₱1,739.1 million, respectively.

On April 6, 2015, Regent Wise has acquired 9.2% of the shares of Modular Construction Technology (MCT) Bhd. (formerly Malaysian company GW Plastics Holdings Bhd.), through a private placement for a total amount of US$43.0 million or ₱1.9 billion. MCT Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. MCT Bhd. is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants.

In May 2015, Regent Wise entered into call option agreements with the two founders and majority shareholders of MCT, Barry Goh Ming Choon and Tong Seech Wi, that will give Regent Wise the opportunity to increase its shareholdings in MCT up to a maximum of 33.0%. Then, on October 15, 2015, Regent Wise exercised its option to acquire additional shares of Malaysian development and construction company, MCT, Bhd. (MCT) for a total cost of US$92 million to bring its total shareholding from 9.2% to 33.0%. The increase in stake will provide the Parent Company with the opportunity to establish a stronger foothold in the Real Estate sector in Malaysia.

On January 2, 2018, Regent Wise signed a share purchase agreement to acquire an additional 17.24% share in MCT from Barry Goh Ming Choon for a total cost of RM202.5 million which brought Regent Wise's shareholding in MCT from 33.0% to 50.2%. Subsequently, Regent Wise conducted a mandatory take-over offer (MO) from the period January 26 to February 19, 2018 in accordance with the laws of Malaysia. Acceptances for 295,277,782 shares were received from the MO equivalent to 22.1% that increased Regent Wise's ownership stake to 72.1% as of February 19, 2018.

In March 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 shares. This resulted in a 6.1% dilution of Regent Wise's stake in MCT as of date of share issuance. As such, the current ownership stake of Regent Wise in MCT is 66.3%.

Due to the acquisition of additional MCT shares, the Parent Company made additional cash infusions to Regent Wise amounting to ₱6,499.5 million in 2018. As of December 31, 2018 and 2017, the investment in Regent Wise amounted to ₱14,335.1 million and ₱7,835.6 million, respectively.

Investment in AHRC
In 2010, the Parent Company established AHRC to support the Parent Company's hotel and resort business. The Parent Company subscribed to all common and preferred shares issued at a total consideration of ₱1.2 billion.

In 2018 and 2017, the Parent Company made additional infusions amounting to ₱1,823.5 million and ₱2,750.5 million, respectively. As of December 31, 2018, and 2017, the Parent Company's investment amounted to ₱12,680.4 million and ₱10,856.9 million, respectively.

Investment in POPI
On February 24, 2016, ALI and POPI executed a Deed of Subscription and Supplement to the Deed of Subscription whereby the Parent Company subscribed to 2.5 billion of common shares of POPI stock at ₱2.25 per share or representing 51.4% of the total outstanding shares of POPI to be taken out of the increase in capital stock of POPI. On July 4, 2016, SEC approved such increase in POPI and issued a Certificate of Increase in Capital Stock.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.3 million. ALI's interest remains at 51.0% of the total POPI's outstanding capital stock.

In 2018, ALI's 75.0% equity interest in LTI was exchanged into additional shares of stock in POPI amounting to ₱3,030.8 million. The acquisition resulted to LTI becoming a subsidiary of POPI. The Parent Company also purchased additional investment from Genez Investment Corporation amounting to ₱497.7 million increasing its investment to ₱9,154.7 million and its interest to 67.0%.

Investment in ODR
ODR is a wholly-owned subsidiary of ALO, which is involved in leasing office and commercial spaces. In October 2018, ODR increased its authorized capital stock by 881,500,000 shares which were subsequently acquired by ALI for ₱8,815.0 million, resulting to a 90.0% ownership in ODR.

Investment in ALO
On July 18, 2014, the Board of Directors (BOD) and the stockholders of APPCo approved the change of its corporate name to AyalaLand Offices, Inc (ALO). On October 17, 2014, the amended Articles of Incorporation was executed and subsequently approved by SEC on November 18, 2014. In 2015, the Parent Company made additional infusions amounting to ₱3,270.5 million increasing its investment cost to ₱7,200.6 million as of December 31, 2015. In 2018 and 2017, the Parent Company redeemed preferred shares amounting to ₱143.65 million for each year, decreasing its investment cost to ₱6,769.7 million and ₱6,913.3 million as of December 31, 2018 and 2017.

Investment in BCCVC
Bay City Commercial Ventures Corp. was incorporated on November 3, 2017. BCCVC is a wholly owned subsdiary which was organized primarily for the development of Ayala Malls Bay City. The Parent Company made capital infusions for a total cost 2,473.0 million in 2018 which increased the Parent Company's investment to ₱4,939.1 million and ₱2,446.1 million as of December 31, 2018 and 2017, respectively.

Investment in CHI
In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up ALI ownership to 72.0% of the total outstanding capital stock of CHI.

In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

As of December 31, 2018 and 2017, the investment in CHI amounted to ₱4,392.2 million and ₱4,039.4 million, respectively.

Investment in Fairview Prime
On July 31, 2014, the Board of Directors and stockholders of Fairview Prime Commercial Corp. approved the amendment of Fairview Prime's Articles of Incorporation to change its name to North Ventures Commercial Corp. The Amendment was subsequently approved by the SEC on December 3, 2014.

In 2015 and 2014, the Parent Company made additional investments amounting to ₱145.9 million and ₱2,515.9 million, respectively in Fairview Prime. As of December 31, 2015 and 2014, the Parent Company's investment amounted to ₱4,264.1 million and ₱1,748.3 million, respectively.

In 2018 and 2017, the Parent Company's investment in preferred shares of Fairview Prime amounting to ₱190.0 million and ₱120.0 million was redeemed, which decreased the Parent Company's total investment in Fairview Prime to ₱3,904.1 million and ₱4,094.1 million as of December 31, 2018 and 2017, respectively.

Investment in Summerhill
In 2018 and 2017, the Parent Company made additional capital infusions for a total cost of ₱355.0 million and ₱462.7 million, respectively which increased the Parent Company's investment to ₱2,978.7 million and ₱2,623.7 million as of December 31, 2018 and 2017, respectively.

Investment in ALI Capital Corp.
In 2018, the Parent Company converted its intercompany receivable from ALI Capital Corp to equity securities amounting to ₱1,286 million increasing its investment. The carrying amount of the Parent Company's investment is ₱2,399.1 million, net of impairment amounting to ₱225.9 million as of December 31, 2018.

Investment in ASCVC
Arca South Commercial Ventures Corp., a wholly owned subsidiary, was incorporated on November 16, 2017 for the development of Ayala Malls Arca South. The Parent Company's investment amounted to ₱1,367.3 million as of December 31, 2017.

In 2018, the Parent Company funded a construction which amounted to ₱943.2 million increasing its investment to ₱2,310.5 million as of December 31, 2018

Investment in CCCVC
Capitol Central Commercial Ventures Corp., a wholly-owned subsidiary was incorporated on December 4, 2017 for the development of Ayala Malls Capitol Central. In 2018, the Parent Company made additional investment of ₱515.0 million increasing its investment cost to ₱2,156.6 million as of December 31, 2018.

Investment in AMNI
AMNI was incorporated in November 29, 2012 and is a wholly owned subsidiary of the Parent Company. It is established primarily to develop and operate shopping malls and offices.

In 2015, the Parent Company made additional investment amounting to ₱1,179.2 million increasing its investment cost to ₱1,665.7 million as of December 31, 2017.

In 2018, the Parent Company made subscription amounting to ₱340.3 million increasing its investment cost to ₱2,006.0 million as of December 31, 2018.

Investment in CBDI
CBDI is a subsidiary of the Parent Company with pro-rata ownership of the ALI Parent Company's Cebu Companies, CPVDC and CHI. The project of CBDI is called Central Bloc and is located at the core of Cebu IT Park. The development includes two BPO towers, an Ayala branded hotel, and a 5-storey mall. On July 28, 2015, CBDI was registered in SEC. CBDI was organized to develop, sell, invest, own, acquire, lease, hold, mortgage, administer, or otherwise deal with commercial, residential, industrial, or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, including to own, hold in ownership, manage deal and engage in the general business of a hotel, apartment hotel, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, alone or jointly with other persons, natural or artificial.

In 2018 and 2017, the Parent Company made additional infusion amounting to ₱623.7 million and ₱608.8 million, respectively. The carrying amount of Parent Company's investment in CBDI amounted to ₱1,495.0 million and ₱871.3 million as of December 31, 2018 and 2017, respectively.

Investment in NBCC
In 2008, the Parent Company, through NBCC and as part of its ongoing development in North Luzon, started to develop a 70,000 square meter retail center dubbed as "The MarQuee" mall located in Angeles City, Pampanga.

In 2015, the Parent Company made additional infusion amounting to ₱910.0 million and redeemed ₱21.0 million of its preferred shares. The carrying amount of the Parent Company's investment amounted to ₱1,580.0 million as of December 31, 2015.

In 2017 and 2016, the Parent Company redeemed ₱131.0 million and ₱45.5 million of its preferred shares which decreased the total cost of its investment to ₱1,403.5 million and ₱1.534.5 million as of December 31, 2017 and 2016.

In 2018, the Parent Company redeemed ₱15.4 million of its preferred shares which decreased the total cost of its investment to ₱1,388.1 million as of December 31, 2018.

Investment in ATI
Asterion Technopod Inc., a wholly-owned subsidiary was incorporated on July 8, 2008. ATI was organized to manage the operations of the commercial businesses in the northeast area of Metro Manila.

On August 16, 2016, the Board of Directors and stockholders of Asterion Technopod, Inc. approved the amendment of ATI's Articles of Incorporation to change its name to North Eastern Commercial Corp. The Amendment was subsequently approved by the SEC on September 29, 2017.

In 2017, the Parent Company made additional infusions amounting to ₱1,218.8 million which increased the Parent Company's investment amount to ₱1,300.1 million as of December 31, 2018 and 2017.

Investment in CCTC
In 2015, the Parent Company made additional infusions amounting to ₱682.7 million. The Parent Company's investment amount is ₱1,086.1 million as of December 31, 2015.

In 2018 and 2017, the Parent Company redeemed ₱30.0 million and ₱31.0 million of its preference shares, respectively. Also, in 2018, the Parent Company made an additional infusion of ₱184.6 millon thus increasing its investment to ₱ 1,154.1 million and ₱999.5 million as of December 31, 2018 and 2017, respectlively.

Investment in RLC
In 2018, the Parent Company's investment in preferred shares of RLC amounting to ₱244 million was redeemed, which decreased the Parent Company's total investment in RLC to ₱1,117 million as of December 31, 2018.

Investment in Accendo
In November 2018, ALI invested ₱100.5 million in exchange for 10,050,000 common shares and 90,450,000 preferred shares of Accendo increasing its investment to ₱874.7 million in 2018.

Investment in LTI
On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of ₱3.0 billion in exchange for its 30,186 common shares of LTI equivalent to 75% ownership.

In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million which is equivalent to a 20.0% ownership.

Investment in Westview
In 2017, the Parent Company redeemed ₱15.0 million of its investment in preferred shares in Westview, which decreased the Parent Company's total investment to ₱592.7 million as of December 31, 2017.

In 2018, the Parent Company made additional infusion amounting to ₱152.8 million increasing its investment which amounted to ₱745.4 million.

Investment in ALO Prime Realty Corporation
In 2018 and 2017, the Parent Company made additional infusion amounting to ₱60 million and ₱160.0 million which increased the total cost of its investment to ₱733.7 million and ₱673.7 million as of December 31, 2018 and 2017,respectively.

Investment in Anvaya Cove Golf
In 2016, the Parent Company reclassified its Investment in Anvaya Cove Golf to investment in subsidiaries, associates and joint ventures in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity. As of December 31, 2018 and 2017, the Parent Company's investment amounted to ₱629.7 million and ₱661.2 million.

Investment in VPHI
In 2018 and 2017, the Parent Company's investment in preferred shares of VPHI was redeemed amounting to ₱140.0 million and ₱420.0million, respectively. This decreased its investment in VPHI to its carrying amount of ₱574.2 million and ₱714.2 million as of December 31, 2018 and 2017, respectively.

Investment in Anvaya Cove Beach
In 2016, the Parent Company reclassified its Investment in Anvaya Cove Beach to investment in subsidiaries, associates and joint ventures in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity. As of December 31, 2018 and 2017, the Parent Company's investment amounted to ₱527.8 million and ₱530.9 million.

Investment in AMFLI
Ayalaland Medical Facilities Leasing, Inc. is a wholly owned subsidiary of the Parent Company. It was incorporated with SEC on April 13, 2015 to engage primarily in developing and lease of Built-to-suit structure for AMFLI's hospital operations and retail.

In 2018, the Parent Company made additional infusion amounting to ₱50.0 million. The carrying amount of Parent Company's investment amounted to ₱255.0 million as of December 31, 2018.

Investment in AMSI
AMSI is a wholly owned subsidiary that was incorporated on June 1, 2016. AMSI will house the Commercial Business Parent Company's allied businesses such as but not limited to the partnership with Meralco, LED, and operation of upcoming mall's foodcourt. As of December 31, 2016, investment in AMSI amounted to ₱62.5 million.

On December 23, 2016, the Board of Directors and stockholders of AMSI approved the amendment of its Articles of Incorporation to change its name to AMSI, Inc. The Amendment was subsequently approved by the SEC on April 7, 2017.

In 2017, the Parent Company made additional infusion amounting to ₱62.5 million increasing its investment to ₱125.0 million as of December 31, 2017.

In 2018, the Parent Company made additional capitalization amounting to ₱110.0 million increasing its investment to ₱235.0 million as of December 31, 2018.

Investment in FLIL and ARCH Entities
In 2006, the Parent Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Parent Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and Philippines. In the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Parent Company Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of FLIL, transferring the interests of AC and the Parent Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine

State and Green Horizons are wholly owned Hong Kong subsidiaries of AC and the Parent Company, respectively.

The Parent Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the private equity fund called ARCH Asian Partners, L.P. (Fund). As of December 31, 2015 and 2014, the Parent Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of 50%.

In 2012, the Parent Company's investment over the Fund was reclassified from associate to FVPL. The Parent Company lost significant influence over the Fund since its investments pertain to monetary interest and no longer equity interest.

As of December 31, 2015 and 2014, the Parent Company's remaining capital commitment with the Fund both amounted to nil.

In 2017, the Parent Company reversed the impairment of the investment which amounted to ₱36.4 million. The carrying amount of the Parent Company's investment amounted to ₱167.9 million as of December 31, 2018 and 2017.

Investment in Lagdigan

Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Parent Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental. As of December 31, 2015 and 2014, investment in Lagdigan amounted to ₱12.0 million.

In 2017, the Parent Company made additional infusion amounting to ₱36.0 million, equivalent to 1,800,000 common shares and 16,200,000 preferred shares, increasing its investment to ₱48.0 million as of December 31, 2017.

In 2018, the Parent Company made additional infusion amounting to ₱15.0 million increasing its investment which amounted to ₱63.0 million as of December 31, 2018.

Investment in AMHRI

In December 2007, the Parent Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprising of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 7,377-square meter property developed was conveyed by the Parent Company to KAMI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

As of December 31, 2018 and 2017, the Parent Company's investment in AMHRI amounted to ₱22.1 million.

Investment in ALPI

AyalaLand Premier, Inc., is a wholly owned subsidiary which was registered with the SEC on July 7, 2017 to engage primarily in general contracting services. In 2018, the Parent Company made additional infusion amounting to ₱2.5 million thus increasing its investment from ₱2.5 million in December 31, 2017 to ₱5 million as of December 31, 2018.

Investment in ALI-ETON Property Development Corporation
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. and LT Parent Company, Inc. The ALI and LT Parent Company, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2018 and 2017, ALI made additional infusions amounting to ₱1,534.0 million and ₱622.0 million, respectively. The Parent Company's investment amounted to ₱2,176.0 and ₱642.0 million as of December 31, 2018 and 2017.

Investment in AKL
In 2018, the Parent Company invested ₱1,959.7 million in AKL, which is a 50:50 joint venture between Ayala Land, Inc. and Royal Asia Land, Inc., and is organized primarily for future mixed-use development in South Luzon area.

Investment in ECHI, BHI and BLC
On April 17, 2003, the following transactions have been consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation (GDC) and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Parent Company, EHI and Metro Pacific Corporation (MPC) as amended:

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Parent Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Parent Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC represented 50.38% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as a security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

The Parent Company and EHI acquired additional shares of BLC in 2009 and 2008 through a combination of direct acquisition and through Columbus at varying dates as follows:

- On July 31, 2008, the Parent Company acquired, through Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.7% ownership in BLC.

- In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

- In 2011, BLC redeemed its preferred shares amounting to ₱48.2 million. In 2012, the Parent Company invested additional ₱50.5 million. As of December 31, 2015 and 2014, the Parent Company's interest in BLC amounted to ₱373.5 million.

Investment in CDPEI
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Parent Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue.

On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI and 15% CHI. As of December 31, 2018 and 2017, the Parent Company's interest in CDPEI amounted to ₱1,050.0 million.

Investment in LDC
In 2016, the Parent Company redeemed ₱7.2 million of investment in LDC decreasing the total cost of investment amounting to ₱37.05 million as of December 31, 2018 and 2017.

11. **Investment Properties**

The rollforward analysis of this account follows:

2018

	Land	Buildings	Construction in Progress	Total
Cost				
Balance at beginning of year	₱53,404,379,135	₱31,179,084,229	₱12,843,281,476	₱97,426,744,840
Additions	3,941,489,863	1,825,785,453	12,622,417,748	18,389,693,064
Transfers (Notes 7)	(6,865,915,301)	77,954,210	(77,576,360)	(6,865,537,451)
Disposals	(1,110,822,122)	–	(7,376,505,810)	(8,487,327,932)
Balance at end of year	49,369,131,575	33,082,823,892	18,011,617,054	100,463,572,521
Accumulated depreciation				
Balance at beginning of year	–	10,673,185,915	–	10,673,185,915
Depreciation (Note 21)	–	1,024,424,566	–	1,024,424,566
Transfers	–	–	–	–
Balance at end of year	–	11,697,610,481	–	11,697,610,481
Accumulated impairment losses				
Balance at beginning and end of year	102,825,482	–	–	102,825,482
Net Book Value	₱49,266,306,093	₱21,385,213,411	₱18,011,617,054	₱88,663,136,558

2017 (as restated, see Note 2)

	Land	Buildings	Construction in Progress	Total
Cost				
Balance at beginning of year	₱54,491,077,545	₱24,685,074,329	₱26,389,626,219	₱105,565,778,093
Additions	1,899,794,035	1,447,000,598	15,537,156,158	18,883,950,791
Transfers (Notes 7 and 12)	(2,638,095,149)	5,047,009,302	(5,269,551,672)	(2,860,637,519)
Disposals	(348,397,296)	–	(23,813,949,229)	(24,162,346,525)
Balance at end of year	53,404,379,135	31,179,084,229	12,843,281,476	97,426,744,840
Accumulated depreciation				
Balance at beginning of year	–	9,879,297,809	–	9,879,297,809
Depreciation (Note 21)	–	791,434,966	–	791,434,966
Transfers (Note 12)	–	2,453,140	–	2,453,140
Balance at end of year	–	10,673,185,915	–	10,673,185,915
Accumulated impairment losses				
Balance at beginning of year	151,825,482	–	–	151,825,482
Reversal	(49,000,000)	–	–	(49,000,000)
Balance at end of year	102,825,482	–	–	102,825,482
Net Book Value	₱53,301,553,653	₱20,505,898,314	₱12,843,281,476	₱86,650,733,443

On January 1, 2018, the Parent Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*. Land and improvements previously presented as non-current asset includes land which the Board of Directors has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Parent Company's timing to start the development of the property. Land with undetermined future use was reclassified to Investment Properties (see Note 2).

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress (CIP) pertain to buildings under construction to be leased as retail and office spaces upon completion. The remaining CIP in 2018 mainly pertains to the ongoing construction of Vertis Towers and Seda Hotels which are expected to be completed in 2020.

On October 5, 2018, the Parent Company sold at cost to One Dela Rosa Properties, Inc. (ODRPI), a wholly-owned subsidiary, the Ayala North Exchange BPO and Mall which is still under construction located along Ayala Avenue, Makati City. The carrying value of the parcels of land and buildings amounted to ₱6,012.8 million.

The aggregate fair value of the Parent Company's investment properties amounted to ₱217,179.8 million and ₱174,827.6 million as of December 31, 2018, and 2017, respectively.

The fair value of the investment properties was determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Parent Company's investment properties as of December 31, 2018 and 2017:

2018

	Date of Valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land properties	**Various**	**₱186,380,399,739**	**₱–**	**₱–**	**₱186,380,399,739**
Office properties	**Various**	**19,187,659,074**	**–**	**–**	**19,187,659,074**
Retail properties	**Various**	**11,611,761,976**	**–**	**–**	**11,611,761,976**

2017

	Date of Valuation	Total	Fair value measurement using: Quoted prices in active Markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
Land properties	Various	₱124,562,841,036	₱–	₱–	₱124,562,841,036
Retail properties	Various	21,479,066,372	–	–	21,479,066,372
Office properties	Various	28,785,682,172	–	–	28,785,682,172

The values of the land and buildings were arrived at using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The significant unobservable inputs to valuation of investment properties ranges from ₱6,617 to ₱30,793 per sqm.

Rental income from investment properties amounted to ₱4,061.9 million and ₱3,842.6 million in 2018 and 2017, respectively (see Note 20). Direct operating expenses arising from the investment properties amounted to ₱2,687.5 million and ₱1,697.8 million in 2018 and 2017, respectively (see Note 21).

Depreciation expense pertaining to investment properties amounted to ₱1,024.4 million and ₱791.4 million in 2018 and 2017, respectively (see Note 21).

In 2018 and 2017, the gain on sale of Investment properties amounted to nil and ₱389.0 million, respectively, included under "Other income" in the parent company statements of income (see Note 21).

12. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

2018

	Land, Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	**₱840,752,086**	**₱1,538,492,793**	**₱448,527,120**	**₱2,827,771,999**
Additions	**202,585,568**	**168,597,398**	**61,163,714**	**432,346,680**
Disposals	**–**	**(242,813)**	**(26,937,030)**	**(27,179,843)**
Balance at end of year	**1,043,337,654**	**1,706,847,378**	**482,753,804**	**3,232,938,836**
Accumulated depreciation				
Balance at beginning of year	**442,773,659**	**1,249,345,816**	**306,663,357**	**1,998,782,832**
Depreciation (Note 21)	**49,819,549**	**74,536,788**	**65,620,712**	**189,977,049**
Disposals	**–**	**(4,030,428)**	**(18,785,329)**	**(22,815,757)**
Balance at end of year	**492,593,208**	**1,319,852,176**	**353,498,740**	**2,165,944,124**
Net Book Value	**₱550,744,446**	**₱386,995,202**	**₱129,255,064**	**₱1,066,994,712**

2017

	Land, Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱771,705,868	₱1,417,576,253	₱454,416,772	₱2,643,698,893
Additions	77,702,807	122,136,509	78,976,994	278,816,310
Transfers (Note 11)	(8,656,589)	(1,219,969)	–	(9,876,558)
Disposals	–	–	(84,866,646)	(84,866,646)
Balance at end of year	840,752,086	1,538,492,793	448,527,120	2,827,771,999
Accumulated depreciation				
Balance at beginning of year	393,813,620	1,164,162,515	317,316,718	1,875,292,853
Depreciation (Note 21)	50,715,101	85,881,379	62,550,535	199,147,015
Transfers (Note 11)	(1,755,062)	(698,078)	–	(2,453,140)
Disposals	–	–	(73,203,896)	(73,203,896)
Balance at end of year	442,773,659	1,249,345,816	306,663,357	1,998,782,832
Net Book Value	₱397,978,427	₱289,146,977	₱141,863,763	₱828,989,167

In 2018 and 2017, the gain on sale of Property plant and equipment amounted to ₱20.3 million and ₱34.8 million, respectively, included under “Other income” in the parent company statements of income (see Note 21).

Depreciation of property and equipment included in the general and administrative expenses amounted to ₱190.0 million and ₱199.1 million in 2018 and 2017, respectively (see Note 20). No interest was capitalized in 2018 and 2017 (see Note 21).

13. Other Noncurrent Assets

Other noncurrent assets totaling ₱4,202.8 million and ₱5,707.4 million as of December 31, 2018 and 2017, respectively, consist of deferred charges, deposits, project costs, and other assets.

	2018	January 1, 2018 (As restated)
Advances to contractors	**₱1,411,252,859**	₱1,951,620,540
Deposit on land purchases	**946,399,671**	1,652,162,983
Deferred charges	**253,175,293**	272,222,912
Recoverable deposits	**209,404,293**	205,901,478
Project costs	**59,226,375**	55,850,017
Other assets	**1,323,357,791**	1,569,658,930
	₱4,202,816,282	₱5,707,416,860

Advances to contractors represents prepayments for the construction of investment properties and property and equipment. On January 1, 2018, the Parent Company adopted PIC Q&A 2018-15, *PAS 1-Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*. Advances to contractors and suppliers previously presented as current assets, representing prepayments for the construction of investment property were reclassified to non-current assets

Deferred charges and project costs consist of project costs incurred for unlaunched projects of the Group, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions

Recoverable deposits pertain to various utility deposits and security deposits for leases.

Other assets pertain to prepayments for expenses that is amortized for more than one year.

14. Contract Balances and Cost to Obtain a Contract

Contract assets and liabilities

As of December 31, 2018, the account consists of the following:

	Current	Noncurrent	Total
Contract asset	₱10,608,729,457	₱7,953,482,357	₱18,562,211,814
Contract liabilities	10,476,250,868	3,143,547,293	13,619,798,161

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

There is no allowance for ECLs on contract assets as of December 31, 2018.

As of December 31, 2018, nominal amount of contract assets from residential and office development amounting to ₱24,760.0 million was recorded initially at fair value. The fair values of the contract assets were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Parent Company's contract assets as of December 31, 2018 follow:

	2018
Balance at beginning of year	₱2,907,162,426
Additions during the year	4,992,013,012
Accretion for the year (Note 20)	(1,701,410,613)
Balance at end of year	₱6,197,764,825

The Parent Company sold contract assets on a without recourse basis to partner mortgage banks, which include BPI Family savings bank, a related party, totaling to ₱7,391.5 million in 2018 and ₱1,214.7 million in 2017. These were sold at discount with total proceeds of ₱6,933.3 million and ₱1,137.5 million, respectively. The Parent Company recognized loss on sale (under "Interest and other financing charges") amounting to ₱458.1 million and ₱76.6 million in 2018 and 2017, respectively.

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱6,777.5 million.

Cost to Obtain a Contract

The balances below pertains to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 8 and 13):

	2018
Balance at the beginning of year	₱498,934,848
Additions	1,265,950,160
Amortization (Note 21)	(1,145,995,148)
Balance at the end of year	₱618,889,860

In line with the Parent Company's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

15. Accounts and Other Payables

This account consists of:

	2018	2017
Accounts payable	**₱49,904,374,467**	₱27,759,408,044
Payable to related parties (Note 23)	**17,629,693,407**	11,637,100,944
Accrued expenses		
Salaries and employee benefits	**4,522,149,050**	4,217,910,395
Project costs	**2,606,919,785**	1,930,230,638
Utilities	**1,107,954,717**	1,101,542,206
Commissions	**1,047,140,810**	1,124,298,951
Professional and management fees	**936,518,992**	1,422,148,520
Advertising and promotions	**902,238,760**	835,220,522
Repairs and maintenance	**457,157,967**	482,138,379
Representation	**386,138,282**	360,964,801
Rentals	**124,712,711**	174,902,491
Others	**314,853,194**	155,582,230
Taxes payable	**8,543,051,783**	6,478,288,391
Interest payable	**1,540,004,242**	1,430,591,994
Retentions payable	**456,490,469**	–
Liability for purchased land	**190,882,505**	365,918,661
	₱90,670,281,141	₱59,476,247,167

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within 15-60 days. Other payables are noninterest-bearing and are normally settled within one year.

Accrued project cost are expenses related to materials, overhead and subcontractor cost not yet billed by the contractor.

Other accrued expenses consist mainly of transportation and travel, janitorial and security, postal and communication, insurance and supplies.

Taxes payable pertain to statutory liabilities for expanded withholding tax, withholding tax on compensation, final tax and fringe benefit tax.

Retentions payable pertains to the amount withheld by the Parent Company on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

16. Short-term and Long-term Debt

The short-term debt of ₱13,500.9 million and ₱16,991.4 million as of December 31, 2018 and 2017, respectively, represents peso-denominated bank loans.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱4,998.0 million and ₱6,734.2 million as of December 31, 2018 and 2017 are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱2,618.9 million and ₱3,121.3 million as of December 31, 2018 and 2017, respectively which is accounted as part of the "Investment properties" account. The remaining balance of ₱152,121.1 million and ₱136,101.9 million as of December 31, 2018 and 2017, respectively, are unsecured.

Peso-denominated short term loans had a weighted average cost of 3.6% and 2.6% per annum in 2018 and 2017.

Long-term debt consists of:

	2018	2017
Bonds:		
Due 2019	**₱12,332,530,000**	₱12,340,950,000
Due 2020	**4,000,000,000**	4,000,000,000
Due 2022	**12,650,000,000**	12,650,000,000
Due 2023	**15,000,000,000**	7,000,000,000
Due 2024	**15,000,000,000**	15,000,000,000
Due 2025	**15,000,000,000**	15,000,000,000
Due 2026	**8,000,000,000**	8,000,000,000
Due 2027	**7,000,000,000**	7,000,000,000
Due 2028	**10,000,000,000**	
Due 2033	**2,000,000,000**	2,000,000,000
Short-dated notes	**7,400,000,000**	7,400,000,000
Fixed rate corporate notes (FXCNs)	**5,770,000,000**	9,064,000,000
Php - denominated long term loan	**29,465,676,562**	24,873,145,313
US Dollar - denominated long term loan	**–**	1,516,623,750
	143,618,206,562	125,844,719,063
Less unamortized transaction costs	**703,758,912**	601,822,882
	142,914,447,650	125,242,896,181
Less current portion	**20,255,266,261**	971,190,276
	₱122,659,181,389	₱124,271,705,905

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount	Carrying Value 2018	2017	Features
2012	7.0	5.6250%	₱9,350,000,000	**₱9,341,196,000**	₱9,330,125,932	Fixed rate bond due 2019
2012	10.0	6.0000%	5,650,000,000	**5,644,680,000**	5,637,990,537	Fixed rate bond due 2022
2013	7.0	4.6250%	4,000,000,000	**3,989,546,000**	3,984,041,328	Fixed rate bond due 2020
2013	20.0	6.0000%	2,000,000,000	**1,984,613,000**	1,983,989,711	Fixed rate bond due 2033
2013	10.5	5.0000%	15,000,000,000	**14,923,051,000**	14,910,133,377	Fixed rate bond due 2024
2014	11.0	5.6250%	8,000,000,000	**7,945,703,000**	7,938,922,633	Fixed rate bond due 2025
2015	7.0	4.5000%	7,000,000,000	**6,960,744,000**	6,953,043,125	Fixed rate bond due 2022
2016	9.5	4.7500%	7,000,000,000	**6,949,421,000**	6,943,374,833	Fixed rate bond due 2025
2016	10.0	4.8500%	8,000,000,000	**7,939,468,000**	7,932,643,298	Fixed rate bond due 2026
2016	3.0	3.0000%	2,982,530,000	**2,971,976,000**	2,969,107,726	Homestarter Bond due 2019
2016	7.0	3.8915%	7,000,000,000	**6,952,613,000**	6,943,949,082	Fixed rate bond due 2023
2017	10.0	5.2624%	7,000,000,000	**6,969,630,000**	6,966,801,225	Fixed rate bond due 2027
2018	10.0	5.9023%	10,000,000,000	**9,886,828,000**	−	Fixed rate bond due 2028
2018	5.0	7.02395%	8,000,000,000	**7,909,305,000**	−	Fixed rate bond due 2028
Total				**₱100,368,774,000**	₱82,494,122,807	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2018 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest rating assigned by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong and that that it has the smallest degree of investment risk. On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Parent Company issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% p.a. depending on the term of the notes. The Company prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, the Parent Company paid ₱43.0 million for the matured portion of the loan. In January 2016, the Parent Company paid ₱3,750 million notes for the matured portion of the loan. In 2017, the Parent Company paid ₱43.0 million for the matured portion of the loan. In 2018, the Company prepaid ₱3,234.0 million notes and paid ₱10.0mn for the matured portion of the loan. As of December 31, 2018 and 2017, the remaining balance of the FXCN amounted to ₱970.0 million and ₱4,214.0 million, respectively.

US Dollar-denominated Long-term Loans
In October 2012, the Parent Company executed and had fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, the Company made partial prepayments on the loan in the amount of US$5.8 million and US$12.8 million, respectively. Subsequently in March 2016, a US$30.0 million long-term facility was assigned by ALI Makati Hotel Property, Inc. to the Parent Company. The assigned loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly and had a remaining term of 3 years and 4 months from the time of assignment. The Parent Company fully paid the remaining dollar-denominated loans on December 20, 2018.

Philippine Peso 10-year Note due 2023
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, ₱50.0 million was prepaid by the Company. In 2016, another

₱50.0 million worth of amortization was paid by the Parent Company. In 2017, the Parent Company paid another amortization in the amount of ₱50.0 million. In 2018, another ₱50.0 million worth of amortization was paid by the Company. As of December 31, 2018 and 2017, the remaining balance of the note amounted to ₱4,800.0 million and ₱4,850.0 million, respectively.

Peso-denominated Long-term Loans
In August to September 2015, the Parent Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% p.a. and terms ranging from 4.4 years to 10.5 years. In 2016, the Company paid ₱251.6 million. During 2017, the Parent Company also paid ₱317.6 million for its current portion Peso-denominated loans. In March 2017, the Company executed a ₱10,000.0 million long-term facility with a domestic bank, of which the Company had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.949% p.a. and a term of 10 years. The balance of facility of ₱5,000.0 million was drawn in April 2017. In March 2018, the Parent Company executed a ₱5,000.0 million long-term facility with a domestic bank, of which the Company had simultaneously drawn the entire facility amount. As of December 31, 2018 and 2017, remaining balance of the Peso-denominated long-term loans amounted to ₱29,465.7 million and ₱24,873.1 million, respectively.

Philippine Peso 21-month Note due 2019
In July 2017, the Parent Company issued and listed on the PDEx a ₱4,300.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 2.75% p.a. The Corporate Notes will mature in April 2019.

Philippine Peso 15-month Note due 2019
In November 2017, the Parent Company issued and listed on the PDEx Corp. a ₱3,100.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 3.25% p.a. The Corporate Notes will mature in February 2019.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, the Parent Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances.

Philippine Peso 10-year and 6-month Bonds due 2024
In July 2013, the Parent Company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Parent Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 11-year Bonds due 2025
In April 2014, the Parent Company issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022
In April 2015, the Parent Company issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 10-year Bonds due 2026
In March 2016, the Parent Company issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000,000,000 Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025
In April 2016, the Parent Company issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000.0 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023
In October 2016, the Parent Company issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% p.a. and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% p.a. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In 2017, the Parent Company paid ₱9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, the Parent Company paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. As of December 31, 2018 and 2017, the remaining balance of the 3-Year Homestarter Bond amounted to ₱2,982.5 million and ₱2,990.9 million, respectively.

Philippine Peso 10-year Bonds due 2027
In May 2017, the Parent Company issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028
In April 2018, the Parent Company issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC,and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023
In October 2018, the Parent Company issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Parent Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Parent Company as of December 31, 2018 and 2017.

Transaction costs capitalized amounted to ₱251.4 million and ₱129.8 million in 2018 and 2017, respectively. Amortization amounted to ₱149.5 million and ₱98.9 million in 2018 and 2017, respectively and included under “Interest expense and other financing charges” (see Note 21).

17. Deposits and Other Current Liabilities

This account consists of:

	2018	2017
Deposits	**₱1,998,803,799**	₱3,597,501,899
Unearned income	**597,702,508**	597,238,112
	₱2,596,506,307	₱4,194,740,011

Deposits are equivalent to to three (3) to six (6) months’ rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Unearned income pertains to rents and other charges paid in advance by the tenants and are being deferred monthly.

18. Deposits and Other Noncurrent Liabilities

This account consists of:

	2018	2017
Deposits	**₱1,777,573,330**	₱6,939,509,266
Liability for purchased land	**2,102,023,959**	–
Retentions payable	**33,479,744**	474,592,155
Subscriptions payable	**25,875,052**	25,875,052
Others	**87,670,552**	287,747,951
	₱4,026,622,637	₱7,727,724,424

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to one (1) to three (3) months’ rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Parent Company for the processing of title are charged to this account.

Liability for purchased land pertains to the portion of unpaid investment in land acquired during the year. It is payable in annual installment payments within six (6) years.

Retentions payable pertain to retentions from the contractors' progress billings which will be released after the expiration of the project's warranty period. The retention serves as a security from the contractor should there be defects in the project.

Subscription payable mainly pertains to the Parent Company's subscription payable to its subsidiaries. The outstanding balance pertains to subscriptions to Batangas Asset Corp., Crimson Field Enterprises, Regent Time and Las Lucas Development Corp. In 2017, the Parent Company paid its subscriptions payable to POPI amounting to ₱4,218.7 million in exchange of the latter's 1,875.0 million shares with ₱2.25 subscription price per share.

Others pertains to non-trade payable payables which are expected to be paid beyond 12 months.

19. Equity

The details of the number of shares follow:

December 31, 2018

	Number of Shares		Amount	
	Preferred	**Common**	**Preferred**	**Common**
Authorized	**15,000,000,000**	**20,000,000,000**	**₱1,500,000,000**	**₱20,000,000,000**
Issued	**13,066,494,760**	**14,614,387,486**	**₱1,306,649,476**	**₱14,614,387,486**
Subscribed	**–**	**120,493,595**	**–**	**120,493,595**
Outstanding	**13,066,494,760**	**14,734,881,081**	**₱1,306,649,476**	**₱14,734,881,081**

December 31, 2017

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000,000	20,000,000,000	₱1,500,000,000	₱20,000,000,000
Issued	13,066,494,760	14,606,355,313	₱1,306,649,476	₱14,606,355,313
Subscribed	–	118,592,245	–	118,592,245
Outstanding	13,066,494,760	14,724,947,558	₱1,306,649,476	₱14,724,947,558

The additional paid-in capital amounted to ₱47,986.0 million and ₱47,454.2 million as of December 31, 2018 and 2017, respectively.

Preferred Shares (₱0.10 par value per share)
The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

i. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.

ii. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
iii. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 1,300 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.75% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:
a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

As of December 31, 2018, the Parent Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,306.6 million, respectively.

Common Shares (₱1.00 par value per share)
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward of the outstanding number of common shares follows:

	2018	2017
At beginning of year	**14,724,947,558**	14,712,682,588
Additional subscriptions	**9,933,523**	12,264,970
At end of year	**14,734,881,081**	14,724,947,558

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Parent Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on Janaury 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Parent Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1.0 billion common shares of stock of the Parent Company with an aggregate par value of ₱1,000 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Parent Company launched its Initial Public Offering where a total of 400 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Parent Company has 9,102 and 9,209 existing certified shareholders as of December 31, 2018 and 2017, respectively.

Subscription receivable amounted to ₱1,676.6 million and ₱1,537.1 million as of December 31, 2018 and 2017, and presented as a reduction in paid-in capital.

<u>Treasury Shares</u>
The amendment of the Articles of Incorporation on April 17, 2013 allows the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.5 per share resulting to additional paid-in capital of ₱1,601.6 million.

On July 16, 2012, the Parent Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and was subsequently retired upon approval of the Parent Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved the creation of a share buyback program. It is part of the Parent Company's financial position management program and aims to: (i) improve the Parent Company's financial position structure and capital efficiency; and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.51 and ₱0.48 per share in 2018 and 2017, respectively, to all issued and outstanding shares.

On February 20, 2018, the BOD approved the declaration of cash dividends amounting to ₱0.252 per outstanding common share and was paid out on April 3, 2018 to the shareholders on record as of March 12, 2018. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or P0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2018 to the shareholders on record as of June 15, 2018.

On August 17, 2018, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of P0.252 per share. The cash dividend was paid out on October 2, 2018 to stockholders of common shares on record as of September 6, 2018.

On February 20, 2017, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 22, 2017 to the shareholders on record as of March 6, 2017. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2017 to the shareholders on record as of June 15, 2017.

On August 18, 2017, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.24 per share. The cash dividend was paid out on September 15, 2017 to stockholders of common shares on record as of September 5, 2017.

On February 26, 2016, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 23, 2016 to the shareholders on record as of March 11, 2016. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2016 to the shareholders on record as of June 15, 2016.

On August 18, 2016, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2380 per share. The cash dividend was paid out on September 16, 2016 to stockholders of common shares as of record date.

Total dividends for common shares declared for 2018 and 2017 amounted to ₱7,423.9 million and ₱7,065.0 million, respectively.

Retained earnings of ₱8,000.0 million are appropriated for future expansion. The increase of ₱2,000.0 million in 2016 represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD:

a) Ayala Triangle Garden 2 with product offering for a Triple A HQ Office Building, a 5-Star Hotel and 3-level Retail Podium with gardens and civic spaces which was approved by the Board on May 29, 2015. The project was launched in June 2015 and expected to be completed in 2020.

b) Ayala Center Redevelopment which will offer intermodal transport facility, a 5-storey regional mall, 2 BPO towers, a SEDA hotel and a 300-units residential for lease was approved by the Board on November 27, 2015. The project was launched in January 2016 and expected to be completed in 2021.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings, after reconciling items, available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱52,672.3 million and ₱45,343.5 million, respectively.

Capital Management
The primary objective of the Parent Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Parent Company establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis. As of December 31, 2018, and 2017, the Parent Company had the following ratios:

	2018	2017
Debt to equity	**123.8:1**	120.3:1
Net debt to equity	**122.9:1**	119.8:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents and financial assets at FVPL. Equity, which the Parent Company considers as capital, pertains to the total equity. The Parent Company excludes the "Fair value reserve of financial assets at FVOCI" in computing the debt to equity ratio.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018 and 2017.

Financial risk assessment
The Parent Company's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Parent Company's ratio of fixed to floating rate debt stood at 91:9 and 87:13 as of December 31, 2018, and 2017, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at US$0.4 million and US$28.0 million as of December 31, 2018, and December 31, 2017, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Parent Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on cash equivalents and financial assets at FVPL.

20. Revenue

This account consists of:

	2018	2017
Revenue from contracts with customer		
Residential development	**₱35,220,371,905**	₱31,267,022,204
Management and marketing fees	**1,656,380,571**	2,092,518,441
Interest income from real estate sales	**1,701,410,613**	1,595,607,661
Rental income (Note 11)	**4,061,915,660**	3,842,614,028
	₱42,640,078,749	₱38,797,762,334

The Parent Company's disaggregation of each sources of revenue from contracts with customers are presented below:

Residential development

	2018
Type of Product	
Condominium	₱21,607,221,843
House and lot	14,105,711,040
Lot only	1,208,849,635
	₱36,921,782,518

All of the Parent Company's real estate sales from residential development are revenue from contracts with customers recognized over time.

Management and marketing fees

	2018
Segment	
Property development	₱914,605,918
Shopping centers	504,821,488
Offices	236,953,165
	₱1,656,380,571

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information:

	2018			
	Property Development	Shopping Centers	Offices	Total
Sales to external customers	₱36,135	₱505	₱237	₱36,877
Interest income from real estate sales	1,701	–	–	1,701
Total revenue from contracts with customers	₱37,836	₱505	₱237	₱38,578

21. **Costs and Expenses and Other Income (Charges)**

Real estate costs and expenses consist of:

	2018	2017
Cost of real estate sales (Note 7)	**₱20,065,424,978**	₱18,488,556,869
Marketing and management fees	**3,876,840,445**	3,111,445,037
Depreciation (Note 11)	**1,024,424,566**	791,434,966
Rental	**274,075,041**	262,027,844
Manpower costs	**261,012,975**	171,685,229
Direct operating expenses		
Commissions	**1,145,995,148**	1,001,187,124
Taxes and licenses	**670,987,949**	849,789,305
Security	**441,168,172**	347,559,641
Insurance	**168,597,086**	30,054,043
Repairs and maintenance	**86,638,174**	100,236,080
Transportation and travel	**37,167,302**	25,040,297
Supplies	**8,792,980**	8,027,945
Others	**524,251,359**	393,882,163
	₱28,585,376,175	₱25,580,926,543

General and administrative expenses consist of:

	2018	2017
Manpower costs	**₱1,224,725,271**	₱1,530,569,094
Professional fees	**408,404,622**	386,285,692
Depreciation (Note 12)	**189,977,049**	199,147,015
Advertising	**81,919,922**	44,479,952
Donations and contribution	**70,643,570**	34,268,470
Repairs and maintenance	**57,817,433**	52,528,479
Utilities	**35,253,703**	37,662,469
Transportation and travel	**33,882,774**	53,826,367
Entertainment, amusement and recreation	**25,492,552**	28,296,723
Rentals	**23,297,294**	30,134,733
Security and janitorial	**15,497,593**	14,762,355
Supplies	**12,559,089**	11,644,159
Others	**87,967,511**	38,528,233
	₱2,267,438,383	₱2,462,133,741

Depreciation expense included in the parent company statements of income follow:

	2018	2017
Included in:		
Real estate costs and expenses	**₱1,024,424,566**	₱791,434,966
General and administrative expenses	**189,977,049**	199,147,015
	₱1,214,401,615	₱990,581,981

Other expenses consists of:

	2018	2017
Provision for (reversal) of impairment losses and write-offs:		
Inventories	**₱–**	₱621,001,330
Investment properties	**–**	(49,000,000)
Other noncurrent assets	**–**	(8,944,963)
Investments in subsidiaries, associates and joint ventures (Note 10)	**–**	(36,426,246)
Receivables (Note 6)	**2,013,205**	(526,357,037)
	₱2,013,205	₱273,084

Interest expense and other financing charges consist of:

	2018	2017
Interest expense on:		
Long-term debt	**₱6,647,234,838**	₱5,692,390,687
Short-term debt	**612,065,190**	370,078,746
Intercompany loans	**34,872,454**	22,486,898
Other financing charges	**873,182,203**	363,145,866
	₱8,167,354,685	₱6,448,102,197

Other financing charges pertain mainly to transaction costs from availment of short-term loans, availment of intercompany loans and bank charges.

Other charges consist of net realized/unrealized loss on foreign exchange transactions amounting to ₱92.8 million and ₱4.8 million for 2018 and 2017, respectively.

Other income consists of:

	2018	2017
Gain on sale of investment in subsidiaries, associates and joint ventures (Note 10)	**₱3,072,132,224**	₱75,094,450
Gain on sale of property and equipment (Note 12)	**20,261,459**	34,784,163
Unrealized gain on financial assets at FVPL (Note 5)	**50,463**	27,135
Gain on sale of investment property (Note 11)	**–**	388,954,545
Others	**593,552,591**	1,937,674,666
	₱3,685,996,737	₱2,436,534,959

22. **Income Tax**

The components of net deferred tax assets are as follows:

	2018	2017
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱2,074,436,787**	₱1,648,169,658
Allowance for probable losses	**530,278,353**	530,278,353
Employee benefits	**344,661,738**	347,079,220
Allowance for impairment losses	**51,199,372**	50,595,410
Unrealized foreign exchange loss	**(4,184,475)**	52,794,651
	2,996,391,775	2,628,917,292
Deferred tax liabilities on capitalized interest	**(434,022,823)**	(447,595,533)
	₱2,562,368,952	₱2,181,321,759

There are no income tax consequences attaching the payment of dividends by the Parent Company to its shareholders.

Provision for income tax consists of:

	2018	2017
Current	**₱1,687,765,787**	₱1,743,097,434
Deferred	**(407,096,763)**	354,873,532
Final	**17,133,821**	17,297,460
	₱1,297,802,845	₱2,115,268,426

Reconciliation between the statutory and the effective income tax rates follows:

	2018	2017
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income and capital gains taxed at lower rates	**(3.24)**	(2.54)
Dividend income	**(15.68)**	(17.76)
Others – net	**(3.21)**	2.23
Effective income tax rate	**7.87%**	11.93%

Deferred tax related to remeasurement gain (loss) on defined benefit plans recognized in OCI amounted to ₱26.0 million and ₱4.0 million in 2018 and 2017, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

23. **Related Party Transactions**

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

In its regular conduct of business, the Parent Company has entered into transactions with its subsidiaries, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year:

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC:

i. As of December 31, 2018 and 2017, the Parent Company maintains current and savings account, money market placements, UITF investments, short-term debt and long-term debt payable with BPI broken down as follows:

	2018	2017
Cash in bank	**₱188,135,123**	₱221,584,978
Cash equivalents	**–**	12,494,856
Financial assets at FVPL	**1,969,029**	1,918,566
Short-term debt	**4,467,000,000**	5,405,000,000
Long-term debt	**531,026,562**	1,329,194,063

From the Parent Company's placements with BPI, the Parent Company has accrued interest receivable amounting to nil and ₱0.01 million as of December 31, 2018 and 2017, respectively. Interest income earned amounted to ₱0.1 million in 2018 and ₱0.4 million in 2017.

As of December 31, 2018, and 2017, the Parent Company has an outstanding trust account contribution under BPI Asset Management and Trust Parent Company amounting to ₱1,315.4 million and ₱1,345.2 million, respectively.

ii. As of December 31, 2018 and 2017, the Parent Company has outstanding receivable from and payable to BPI as follows:

	2018	2017
Interest receivable	**₱–**	₱11,208
Interest payable	**6,557,235**	27,784,269

iii. Income earned and expenses incurred with BPI are as follows:

	2018	2017
Interest income	**₱106,539**	₱356,890
Interest expense	**170,587,705**	101,236,007

b. Outstanding balances with parent company, subsidiaries, associates, joint ventures and other related parties (entities under common control)

Receivables from/payables to related parties pertain mostly to development and management fees, advances and reimbursements of operating expenses related to development cost, working capital requirements and land acquisitions which are due and demandable.

Receivables from related parties follow:

2018

	Current	**Noncurrent**	**Total**
Parent Company	**₱138,955,030**	**₱–**	**₱138,955,030**
Subsidiaries	**36,981,628,844**	–	**36,981,628,844**
Associates	**293,131,978**	**–**	**293,131,978**
Joint Ventures	**44,341,308**	–	**44,341,308**
Other related parties	**234,176,131**	–	**234,176,131**
	₱37,692,233,291	**₱–**	**₱37,692,233,291**

2017

	Current	Noncurrent	Total
Parent Company	₱98,815,570	₱–	₱98,815,570
Subsidiaries	38,883,876,466	–	38,883,876,466
Associates	426,641,463	–	426,641,463
Joint Ventures	1,599,380	–	1,599,380
Other related parties	193,816,270	–	193,816,270
	₱39,604,749,149	₱–	₱39,604,749,149

Payable to related parties follow:

2018

	Current	**Noncurrent**	**Total**
Parent Company	**₱85,183,067**	**₱–**	**₱85,183,067**
Subsidiaries	**17,012,300,743**	**100,936,299**	**17,113,237,042**
Associates	**211,322,930**	**–**	**211,322,930**
Joint Ventures	**69,318**	**–**	**69,318**
Other related parties	**320,817,349**	**–**	**320,817,349**
	₱17,629,693,407	**₱100,936,299**	**₱17,730,629,706**

2017

	Current	Noncurrent	Total
Parent Company	₱72,206,977	₱–	₱72,206,977
Subsidiaries	11,028,777,419	100,936,666	11,129,714,085
Associates	211,892,890	–	211,892,890
Joint Ventures	69,318	–	69,318
Other related parties	324,154,340	–	324,154,340
	₱11,637,100,944	₱100,936,666	₱11,738,037,610

During 2018 and 2017, payables to related parties include a noncurrent liability pertaining to advances from Allysonia International, Inc amounting to □100.9 million.

c. Revenue and expenses from related parties

The revenue from parent company, subsidiaries, associates, joint ventures and other related parties pertains mostly to income from leasing and development projects, dividend income, marketing and management fees, while expenses composed of marketing and management fees, commission, and training expenses. Transactions are settled within one year, except as otherwise stated.

Revenue and expenses from related parties follow:

Revenue

2018

	Dividend Income	**Management and Marketing Income**	**Rental Income**	**Interest Income**	**Total**
Parent Company	**₱–**	**₱–**	**₱17,130,282**	**₱–**	**₱17,130,282**
Subsidiaries	**8,289,145,990**	**1,301,067,942**	**1,285,365,024**	**440,065,447**	**11,315,644,403**
Joint Ventures	**260,000,000**	**52,371,411**	**–**	**–**	**312,371,411**
Associates	**71,461,080**	**240,042,137**	**–**	**–**	**311,503,217**
Other Related Parties	**–**	**62,899,081**	**95,051,133**	**–**	**157,950,214**
Total	**₱8,620,607,070**	**₱1,656,380,571**	**₱1,397,546,439**	**₱440,065,447**	**₱12,114,599,527**

2017

	Dividend Income	Management and Marketing Income	Rental Income	Interest Income	Total
Parent Company	₱–	₱–	₱2,430,077	₱–	₱2,430,077
Subsidiaries	9,920,159,708	1,802,942,009	1,052,542,558	377,923,445	13,153,567,720
Joint Ventures	500,000,000	18,000,071	–	–	518,000,071
Associates	74,974,242	271,576,361	–	–	346,550,603
Other Related Parties	–	–	38,124,753	–	38,124,753
Total	₱10,495,133,950	₱2,092,518,441	₱1,093,097,388	₱377,923,445	₱14,058,673,224

Costs and expenses

2018

	Rental Expenses	**Management and Marketing Fees**	**Commission Expenses**	**Interest Expense**	**Total**
Parent Company	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Subsidiaries	**23,997,913**	**2,450,261,698**	**413,666,253**	**34,872,454**	**2,922,798,318**
Joint Ventures	**7,847,870**	**–**	**–**	**–**	**7,847,870**
Associates	**14,520,878**	**–**	**–**	**–**	**14,520,878**
Other Related Parties	**3,367,951**	**11,172**			**3,379,123**
Total	**₱ 49,734,612**	**₱2,450,272,870**	**₱413,666,253**	**₱34,872,454**	**₱ 2,948,546,189**

2017

	Rental Expenses	Management and Marketing Fees	Commission Expenses	Interest Expense	Total
Parent Company	₱–	₱210,000	₱–	₱–	₱210,000
Subsidiaries	556,964	1,231,826,443	51,168,607	22,486,898	1,306,038,912
Joint Ventures	–	–	–	–	–
Associates	13,767,076	–	–	–	13,767,076
Other Related Parties	4,641,225	15,475	–	–	4,656,700
Total	₱18,965,265	₱1,232,051,918	₱51,168,607	₱22,486,898	₱ 1,324,672,688

The following describes the nature of the material transactions of the Parent Company with related parties as of December 31, 2018, and 2017:

i. During 2015, the Parent Company purchased land from API and VPHI for the Soliento (K5), Riomonte (K6), and Cerilo (K7) projects. During 2017, payments were made amounting to ₱32.1 million to API and ₱1,373.6 million to VPHI which includes the final payment for the Riomonte (K6) project of ₱375.6 million.

ii. During the year, Parent Company lent to and borrowed funds from various subsidiaries and affiliates on an interest bearing basis. Outstanding intercompany peso-denominated loans of the Parent Company to subsidiaries and affiliates amounted to ₱2,415.2 million and ₱5,854.7 million as of December 31, 2018 and 2017, respectively. Interest rates ranges from 2.5% to 7.0% and 3.0% to 3.5% per annum for 2018 and 2017, respectively, with terms of 1 day up to 90 days.

iii. Receivables from/payables to MDC pertain to advances and retentions in relation to construction contracts involving the Parent Company's real estate projects, with MDC being the primary contractor.

iv. Transaction with APMC pertain to agreements to administer properties of the Parent Company for stipulated fees. Under this agreement, APMC shall manage, maintain, preserve and provide services for the efficient use of such properties. Further, APMC leases its carpark facilities (Ayala Center Carparks and Central Business District Carparks) under lease agreements with the Parent Company. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of net operating income, whichever is higher. The lease agreements are renewed annually upon mutual agreement of the parties. Aside from the property management services provided by APMC and the leases discussed above, transactions with the Parent Company include noninterest-bearing advances and reimbursements of expenses incurred in connection with the maintenance of the administered properties.

v. Receivable from ALISI pertains to lease agreement with the Parent Company for office and parking spaces.

vi. Receivables from Alveo pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related.

vii. On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

    In consideration of the lease, the Parent Company and ACCI executed a Deed of Assignment wherein, the Parent Company assigned to ACCI contracts of lease, security deposits, construction bonds and trade receivables with merchants occupying said development. ACCI assumed all rights and obligations under the contracts of lease, other contracts, permits and licenses, trade receivables, security deposits and construction bonds.

    The lease contract between ACCI and Parent Company has been renewed for five (5) years covering the period January 1, 2017 to December 31, 2021. Please refer to Notes 19 and 30.

viii. On January 1, 2017, the Parent Company and ATI entered into a lease contract for the lease of a parcel of land with an area of 19,988 sq.m., three office towers and a common retail podium mixed-use commercial building. The lease shall be for a period of 40 years which commenced on January 1, 2017. The commencement of the lease period for the buildings are by phase, Phase 1 started on January 18, 2017, Phase 2 on April 1, 2017, Phase 3 on October 1, 2017 and Phase 4 shall start on October 1, 2018. The lease on the buildings is co-terminous with the land lease. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month. Please refer to Notes 19 and 30.

ix. On November 29, 2017, the Parent Company sold to OLI the Southpark Mall and BPO in Alabang, Muntinlupa City for a gain of ₱381.7 million. Subsequently, the Parent Company assigned to OLI its Lease Agreement with Avida Land Corp. for the lease on the parcel of land where the buildings were constructed. Please refer to Notes 11 and 30.

x. On December 27, 2017, the Parent Company sold at cost to MCLC buildings under construction located at Ayala Triangle Gardens and Sta. Ana Park, A.P. Reyes Ave., Brgy. Carmona, Makati City. Subsequently, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings were constructed. Please refer to Notes 11 and 30.

xi. On December 28, 2017, the Parent Company sold at cost to CCCVC a 7-storey commercial mall which is still under construction. Subsequently, the Parent Company assigned to CCCVC its Lease Agreement with the Province of Negros Occidental for the lease on a parcel of land where the buildings were constructed. Please refer to Notes 11 and 30.

xii. On December 28, 2017, the Parent Company sold at cost to BCCVC a mixed-used commercial center which is still under construction. Subsequently, the Parent Company assigned to BCCVC its Lease Agreement with D.M. Wenceslao & Associates for the lease on several parcels of land where the buildings were constructed. Please refer to Notes 11 and 30.

xiii. On December 28, 2017, the Parent Company sold at cost to ASCVC, the Arca South BPO and Mall which is still under construction. Subsequently, the Parent Company signed a lease agreement with ASCVC for the lease on the parcels of land it owns where the buildings were constructed. Please refer to Notes 11 and 30.

xiv. During 2017, the Parent Company and ATI entered into a lease contract for the lease of a 24-storey building with a total construction floor area of 146,830 sq. m. located at 30 Meralco Ave., Pasig City. The lease shall be for a period of 40 years which commenced on February 1, 2016 for Phase 1 and August 1, 2017 for Phase 2. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month. Please refer to Notes 11 and 30.

xv. In 2017, the Parent Company sold a property to ALI ETON Property Development Corporation located in Quezon City amounting to ₱708.56 million.

xvi. In 2017, the Parent Company made advances to ALI Cap for infusion to Airswift amounting to ₱217.5 million.

xvii. On October 5, 2018, the Parent Company sold at cost to One Dela Rosa Properties, Inc. (ODRPI), a wholly-owned subsidiary, the Ayala North Exchange BPO and Mall which is still under construction located along Ayala Avenue, Makati City. The carrying value of the parcels of land and buildings amounted to ₱6,012.8 million.

d. Notes receivable pertains to housing, car, salary and other loans granted to the Parent Company's officers and employees which are collectible through salary deduction, bears 6% interest p.a. and have various maturity dates ranging from 2015 to 2032 (see Note 6).

e. Compensation of key management personnel by benefit type follows:

	2018	2017
Short-term employee benefits	**₱156,677,620**	₱129,686,100
Post-employment benefits	**15,496,600**	11,622,450
	₱172,174,220	₱141,308,550

24. Retirement Plan

The Parent Company has funded, noncontributory tax-qualified defined benefit type of retirement plan (the Plan) covering substantially all of its employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Parent Company's fund is in the form of a trust fund being maintained by BPI Asset Management and Trust Parent Company (the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The components of pension expense (included in "Manpower costs" under "General and administrative expenses") in the parent company statements of income follow:

	2018	2017
Current service cost	**₱174,652,400**	₱179,382,900
Net interest cost on benefit obligation	**68,262,800**	61,190,800
Total pension expense	**₱242,915,200**	₱240,573,700

The remeasurement effects recognized in other comprehensive income (loss) in the parent company statements of comprehensive income follow:

	2018	2017
Return (gain) loss on plan assets (excluding amount included in net interest)	**₱110,057,000**	₱7,993,700
Actuarial loss (gain) due to liability experience	**36,780,900**	97,022,600
Actuarial loss (gain) due to liability assumption changes – economic	**(233,669,800)**	(91,775,100)
Remeasurements in other comprehensive income	**(₱86,831,900)**	₱13,241,200

The funded status and amounts recognized in the parent company statements of financial position for the pension plan as of December 31, 2018, and 2017 follow:

	2018	2017
Benefit obligation	**₱2,513,859,792**	₱2,557,704,592
Plan assets	**(1,299,055,989)**	(1,345,210,989)
Net pension liability	**₱1,214,803,803**	₱1,212,493,603

Changes in net pension liability are as follows:

		Net benefit cost in parent company statement of income				**Remeasurements in other comprehensive income**						
	January 1, 2018	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets***	**Actuarial (gain) loss due to liability experience**	**Actuarial (gain) loss due to liability assumption changes - economic**	**Net remeasurement loss/ (gain)**	**Contribution by employer**	**Transfer in /(out)**	**December 31, 2018**
Present value of defined benefit obligation	**₱2,557,704,592**	**₱174,652,400**	**₱144,900,100**	**₱319,552,500**	**(₱158,302,600)**	**₱–**	**₱36,780,900**	**(₱233,669,800)**	**(₱196,888,900)**	**₱–**	**(₱8,205,800)**	**₱2,513,859,792**
Fair value of plan assets	**(1,345,210,989)**	**–**	**(76,637,300)**	**(76,637,300)**	**158,302,600**	**110,057,000**	**–**	**–**	**110,057,000**	**(153,773,100)**	**8,205,800**	**(1,299,055,989)**
Net defined benefit liability (asset)	**₱1,212,493,603**	**₱174,652,400**	**₱68,262,800**	**₱242,915,200**	**₱–**	**₱110,057,000**	**₱36,780,900**	**(₱233,669,800)**	**(₱86,831,900)**	**(₱153,773,100)**	**₱–**	**₱1,214,803,803**

**excluding amount included in net interest*

Changes in net pension liability in 2017 are as follows:

		Net benefit cost in parent company statement of income				Remeasurements in other comprehensive income						
	January 1, 2017	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets*	Actuarial (gain) loss due to liability experience	Actuarial (gain) loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	December 31, 2017
Present value of defined benefit obligation	₱2,503,563,392	₱179,382,900	₱128,283,300	₱307,666,200	(₱258,772,500)	₱–	₱97,022,600	(₱91,775,100)	₱5,247,500	₱–	₱–	₱2,557,704,592
Fair value of plan assets	(1,352,757,589)	–	(67,092,500)	(67,092,500)	254,645,400	7,993,700	–	–	7,993,700	(188,000,000)	–	(1,345,210,989)
Net defined benefit liability (asset)	₱1,150,805,803	₱179,382,900	₱61,190,800	₱240,573,700	(₱4,127,100)	₱7,993,700	₱97,022,600	(₱91,775,100)	₱13,241,200	(₱188,000,000)	₱–	₱1,212,493,603

**excluding amount included in net interest*

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2018	2017
Cash and cash equivalents	**₱20,187,737**	₱8,823,586
Equity investments		
Unit investment trust funds	**108,844,472**	110,236,635
Holding firms	**74,498,317**	59,372,809
Financials	**50,757,420**	38,604,718
Property	**54,757,594**	33,064,102
Industrials	**12,838,440**	15,816,575
Services	**3,989,749**	10,650,256
Mining and Oil	**–**	10,304
	305,685,992	267,755,399
Debt investments		
Government securities	**170,095,456**	252,860,530
AAA rated debt securities	**353,412,913**	464,973,407
Not rated debt securities	**–**	–
Others	**449,157,162**	350,449,243
	972,665,531	1,068,283,180
Other assets	**516,729**	348,824
	₱1,299,055,989	₱1,345,210,989

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history.

The Parent Company expects to make contributions of ₱244.4 million to its retirement fund in 2019.

The allocation of the fair value of plan assets follows:

	2018	2017
Investments in debt securities	**74.87%**	79.63%
Investments in equity securities	**23.53%**	19.70%
Others	**1.60%**	0.67%

Funds invested in debt securities include government securities, corporate notes and bonds, and special deposit accounts. Investments in equity securities consist of investments in PSE-listed stocks and equity securities held by unit investment trust funds. Others were in the form of cash and cash equivalents.

The Parent Company's transactions with the Fund mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2018 and 2017, the funds include investment in securities of its related parties. Details of the investment per type of security are as follows:

	December 31, 2018			December 31, 2017
	Carrying Value	**Fair Value**	**Unrealized (Gain) Loss**	Fair Value
		(In Thousands)		
Investments in debt securities	**₱1,024,052**	**₱1,005,358**	**₱18,694**	₱732,930
Investments in equity securities	**317,495**	**309,536**	**7,959**	423,729
Others	**227**	**523**	**(296)**	1,583
	₱1,341,774	**₱1,315,417**	**₱26,357**	₱1,158,242

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱27.7 million and ₱17.7 million as of December 31, 2018, and 2017, respectively. It also includes shares of stocks of related parties within the AC Group with fair value amounting to ₱42.2 million and ₱49.3 million as of December 31, 2018 and 2017, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱62.9 million and ₱74.2 million as of December 31, 2018, and 2017, respectively. The fund incurred a ₱1.1 million loss in 2018 arising from investments in debt and equity securities of the Parent Company and a gain of ₱0.01 million in 2017.

The cost of defined benefit pension plans as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below:

	2018	2017
Discount rate	**7.00%**	5.50%
Future salary increases	**6.00%**	6.00%

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:

2018

	Effect on Defined Benefit Obligation Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis Points**
Discount rate	**(135,418,370)**	**151,126,901**
Salary increase rate	**151,397,738**	**(138,126,737)**

2017

	Effect on Defined Benefit Obligation Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis Points
Discount rate	(156,787,291)	175,714,305
Salary increase rate	171,366,208	(156,019,980)

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

Year ending:	**2018**	2017
1 year and less	**396,308,800**	235,330,500
More than 1 year to 5 years	**1,630,312,500**	1,496,668,800
More than 5 years to 10 years	**1,387,325,200**	1,476,075,400

The average duration of the defined benefit obligation as at December 31, 2018 and 2017 is 5.3 years and 7.1 years, respectively.

25. Earnings Per Share

The following tables present information necessary to compute EPS:

	2018	2017
Net income attributable to equity holders of Ayala Land, Inc.	**₱15,198,950,784**	₱15,612,442,250
Less: dividends on preferred stock	**(62,037,888)**	(62,037,888)
Net income attributable to equity holders of the Parent for basic and diluted earnings per share	**₱15,136,912,896**	₱15,550,404,362
Weighted average number of common shares for basic EPS	**14,730,049,087**	14,721,881,314
Add: dilutive shares arising from stock options	**966,403**	66,996,707
Adjusted weighted average number of common shares for diluted EPS	**14,731,015,490**	14,788,878,021
Basic and diluted EPS	**₱1.03**	₱1.06

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

26. Stock Options and Ownership Plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

ESOP

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

The Parent Company has no ESOP grant and availment during 2018, 2017 and 2016.

ESOWN

In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2018	**WAEP**	2017	WAEP
At January 1	**5,150,628**	**₱19.31**	7,288,035	₱19.95
Granted	**10,384,365**		11,420,517	
Subscribed	**(9,933,523)**	**41.14**	(12,264,970)	33.32
Availment	**96,516**		113,541	
Cancelled	**(96,516)**		(1,406,495)	
At December 31	**5,601,470**	**₱32.71**	5,150,628	₱19.31

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date							
	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011
Number of unsubscribed shares	–	–	181,304	–	1,369,887	1,713,868	3,967,302	3,843,057
Fair value of each option (BTM)	₱–	₱8.48	₱13.61	₱16.03	₱12.60	₱16.05	₱9.48	₱7.81
Fair value of each option (BSM)	₱12.71	₱–	₱18.21	₱20.63	₱12.16	₱11.85	₱6.23	₱7.27
Weighted average share price	₱41.20	₱39.72	₱35.58	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5
Exercise price	₱45.07	₱35.81	₱26.27	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2
Expected volatility	34.04%	30.95%	32.03%	31.99%	33.50%	36.25%	33.00%	36.25%
Dividend yield	1.22%	1.34%	1.27%	1.02%	1.42%	1.93%	0.9%	1.01%
Interest rate	4.14%	4.41%	4.75%	4.11%	3.13%	2.78%	5.70%	5.60%

Total expense (included under "General and administrative expenses") recognized in 2018, 2017 and 2016 in the parent company statements of income arising from share-based payments amounted to ₱98.52 million, ₱153.8 million and ₱208.3 million, respectively (see Note 21).

27. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Parent Company's financial assets and liabilities recognized as of December 31, 2018 and 2017:

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets at FVPL	**₱1,969,029**	**₱1,969,029**	₱1,918,566	₱1,918,566
Financial Assets at FVOCI				
Unquoted equity securities	**178,327,497**	**178,327,497**	–	–
Quoted equity securities	**69,073,950**	**69,073,950**	–	–
	247,401,447	**247,401,447**	–	–
Available-for-Sale Financial Assets				
Unquoted equity securities	–	–	165,740,922	165,740,922
Quoted equity securities	–	–	51,973,998	51,973,998
	–	–	217,714,920	217,714,920
	₱249,370,476	**₱249,370,476**	₱219,633,486	₱219,633,486
Loans and Receivables				
Trade residential and office development	**₱–**	**₱–**	₱30,870,053,637	₱28,598,338,603
Receivable from employees	**–**	**–**	203,392,990	203,407,985
	₱–	**₱–**	₱31,073,446,627	₱28,801,746,588
Financial assets at amortized cost				
Trade residential and office development	**₱36,813,840,342**	**₱35,922,083,155**	₱–	₱–
Receivable from employees	**227,170,279**	**233,819,753**	–	–
	₱37,041,010,621	**₱36,155,902,908**	₱–	₱–
Other Financial Liabilities				
Long-term debt	**142,914,447,650**	**126,995,645,286**	125,242,896,181	116,718,280,937
Deposits and other noncurrent liabilities	**3,658,235,592**	**3,629,768,661**	7,727,724,424	7,756,008,339
	₱146,572,683,242	**₱130,625,413,947**	₱132,970,620,605	₱124,474,289,276

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

Cash and cash equivalents, current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in UITF. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts receivable - The fair values of residential accounts receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used for residential accounts receivable ranged from 1.8% to 6.7% as of December 31, 2017. The discount rates used for receivable from employees ranged from 6.0% to 12.0% as of December 31, 2018 and 2017

Financial assets at FVOCI and AFS quoted equity and debt securities - Fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities - Fair values are based on the latest selling price available.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments are estimated using the discounted cash flow methodology using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 7.3% to 8.8% and 3.9% to 7.2% as of December 31, 2018, and 2017, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

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

The Parent Company categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted FVOCI and AFS financial assets amounting to ₱69.0 million and ₱52.0 million as of December 31, 2018 and 2017, respectively, were classified under the Level 1 category (see Note 9).

Unquoted FVOCI financial assets amounting to ₱178.3 million as of December 31, 2018 were classified under Level 3 (see Note 9).

Investment in UITF amounting to ₱2.0 million and ₱1.9 million as of December 31, 2018, and 2017, respectively were classified under Level 2 (see Note 5).

There have been no reclassifications from Level 1 to Level 2 categories in 2018 and 2017.

Financial Risk Management Objectives and Policies
The Parent Company's principal financial instruments comprise cash and cash equivalents, financial assets at FVPL, AFS quoted and unquoted equity securities, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Parent Company's operations. The Parent Company has various financial assets such trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, foreign currency risks and equity price arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Parent Company's financial risk exposures. It is the Parent Company's policy not to enter into derivative transactions for speculative purposes.

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

There were no changes in the Parent Company's financial risk management objectives and policies in 2018 and 2017.

Liquidity risk
Liquidity risk is defined by the Parent Company as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Parent Company that make it difficult for the Parent Company to raise the necessary funds or that forces the Parent Company to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Parent Company employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Parent Company has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Parent Company ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Parent Company's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments:

December 31, 2018

	< 1 year	**1 to < 5 years**	**> 5 years**	**Total**
Accounts and other payables	**₱80,587,225,116**	**₱–**	**₱–**	**₱80,587,225,116**
Short-term debt	**13,500,900,000**	**–**	**–**	**13,500,900,000**
Long-term debt	**20,255,266,261**	**59,370,346,135**	**63,288,835,254**	**142,914,447,650**
Deposits and other current liabilities	**1,998,803,799**	**–**	**–**	**1,998,803,799**
Deposits and other noncurrent liabilities	**25,875,052**	**3,632,360,540**	**–**	**3,658,235,592**
	₱116,368,070,228	**₱63,002,706,675**	**₱63,288,835,254**	**₱242,659,612,157**
Interest payable*	**₱5,584,269,409**	**₱23,624,390,149**	**₱11,541,745,071**	**₱40,750,404,629**

**includes future interest payment*

December 31, 2017

	< 1 year	1 to < 5 years	> 5 years	Total
Accounts and other payables	₱51,567,366,782	₱–	₱–	₱51,567,366,782
Short-term debt	16,991,350,000	–	–	16,991,350,000
Long-term debt	971,190,276	45,828,337,418	78,443,368,487	125,242,896,181
Deposits and other current liabilities	3,597,501,899	–	–	3,597,501,899
Deposits and other noncurrent liabilities	–	7,727,724,424	–	7,727,724,424
	₱73,127,408,957	₱53,556,061,842	₱78,443,368,487	₱205,126,839,286
Interest payable*	₱4,866,829,683	₱20,095,924,263	₱11,320,315,530	₱36,283,069,477

**includes future interest payment*

Cash and cash equivalents and financial assets at FVPL are used for the Parent Company's liquidity requirements. Please refer to the terms and maturity profile of these financial statements under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There were no undrawn loan commitments from long-term credit facilities as of December 31, 2018 and 2017.

Credit risk
Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Parent Company's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Parent Company maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Parent Company also undertakes supplemental credit review procedures for certain installment payment structures. The Parent Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Parent Company security deposits and advance rentals which helps reduce the Parent Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Parent Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets comprise cash and cash equivalents, excluding cash on hand, financial assets at FVPL and financial assets at FVOCI. The Parent Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Parent Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Parent Company's maximum exposure to credit risk as of December 31, 2018 and 2017 is equal to the carrying values of its financial assets.

Given the Parent Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018 and 2017, the exposure at default amounts to ₱43,604.0 million and ₱43,638.4 million, respectively. The expected credit loss rate is 0.4% that resulted in the ECL of ₱171.0 million and ₱168.7 million as of December 31, 2018 and December 31, 2017, respectively.

As of December 31, 2018 and 2017, the aging analysis of past due but not impaired trade receivables presented per class, is as follows:

2018

	Neither Past Due nor Impaired	Past Due but not Impaired 30 days	30-60 days	60-90 days	90-120 days	120 days	Total	Individually Impaired	Total
Trade									
Residential development	**₱33,149,446,879**	**₱794,998,504**	**₱692,326,525**	**₱470,939,019**	**₱297,797,643**	**₱1,408,331,772**	**₱3,664,393,463**	**₱–**	**₱36,813,840,342**
Corporate business	**566,451,614**	**3,157,796**	**18,773,530**	**26,861,061**	**4,925,261**	**55,769,512**	**109,487,160**	**21,954,380**	**697,893,154**
Shopping centers	**464,946,412**	**5,018,140**	**2,221,089**	**2,841,605**	**2,364,043**	**44,102,885**	**56,547,762**	**41,154,049**	**562,648,223**
Rent receivables	**11,792,950**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,792,950**
Others	**1,761,052,911**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,761,052,911**
Receivable from related parties	**37,692,233,291**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,692,233,291**
Advances to other companies	**10,752,450,763**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,752,450,763**
Dividends receivable	**1,984,062,467**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,984,062,467**
Receivable from employees	**227,170,279**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**227,170,279**
Interest receivable	**12,711,404**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,711,404**
	₱86,622,318,970	**₱803,174,440**	**₱713,321,144**	**₱500,641,685**	**₱305,086,947**	**₱1,508,204,169**	**₱3,830,428,385**	**₱63,108,429**	**₱90,515,855,784**

2017

	Neither Past Due nor Impaired	Past Due but not Impaired 30 days	30-60 days	60-90 days	90-120 days	120 days	Total	Individually Impaired	Total
Trade									
Residential development	₱28,928,864,344	₱233,302,715	₱317,461,854	₱223,872,160	₱335,033,198	₱831,519,366	₱1,941,189,293	₱–	₱30,870,053,637
Corporate business	480,730,946	780,219	12,920,181	6,868,557	21,735,525	55,347,995	97,652,477	21,954,380	600,337,803
Shopping centers	339,773,506	6,047,785	10,573,315	2,479,737	4,283,415	93,749,291	117,133,543	39,140,844	496,047,893
Rent receivables	8,510,295	–	–	–	–	–	–	–	8,510,295
Others	1,126,434,420	–	–	–	–	–	–	–	1,126,434,420
Receivable from related parties	39,604,749,149	–	–	–	–	–	–	–	39,604,749,149
Advances to other companies	9,295,570,595	–	–	–	–	–	–	–	9,295,570,595
Dividends receivable	2,261,645,426	–	–	–	–	–	–	–	2,261,645,426
Receivable from employees	203,392,990	–	–	–	–	–	–	–	203,392,990
Interest receivable	12,656,112	–	–	–	–	–	–	–	12,656,112
	₱82,262,327,783	₱240,130,719	₱340,955,350	₱233,220,454	₱361,052,138	₱980,616,652	₱2,155,975,313	₱61,095,224	₱84,479,398,320

The table below shows the credit quality of the Parent Company's financial assets as of December 31, 2018 and 2017:

December 31, 2018

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	**₱1,122,562,869**	**₱–**	**₱–**	**₱–**	**₱1,122,562,869**	**₱–**	**₱–**	**₱1,122,562,869**
Financial asset at FVPL	**1,969,029**	**–**	**–**	**–**	**1,969,029**	**–**	**–**	**1,969,029**
Accounts and notes receivables								
Trade								
Residential development	**33,149,446,879**			**–**	**33,149,446,879**	**3,664,393,463**	**–**	**36,813,840,342**
Corporate business	**566,451,614**	**–**	**–**	**–**	**566,451,614**	**109,487,160**	**21,954,380**	**697,893,154**
Shopping centers	**444,222,792**	**20,723,620**	**–**	**–**	**464,946,412**	**56,547,762**	**41,154,049**	**562,648,223**
Rent receivables	**11,792,950**	**–**	**–**	**–**	**11,792,950**	**–**	**–**	**11,792,950**
Others	**1,761,052,911**	**–**	**–**	**–**	**1,761,052,911**	**–**	**–**	**1,761,052,911**
Advances to other companies	**10,752,450,763**	**–**	**–**	**–**	**10,752,450,763**	**–**	**–**	**10,752,450,763**
Receivable from related parties	**37,692,233,291**	**–**	**–**	**–**	**37,692,233,291**	**–**	**–**	**37,692,233,291**
Dividends receivable	**1,984,062,467**	**–**	**–**	**–**	**1,984,062,467**	**–**	**–**	**1,984,062,467**
Receivable from employees	**227,170,279**	**–**	**–**	**–**	**227,170,279**	**–**	**–**	**227,170,279**
Interest receivable	**12,711,404**	**–**	**–**	**–**	**12,711,404**	**–**	**–**	**12,711,404**
Financial Assets at Fair Value through OCI								
Unquoted	**–**	**–**	**–**	**178,327,497**	**178,327,497**	**–**		**178,327,497**
Quoted	**69,073,950**	**–**	**–**	**–**	**69,073,950**	**–**	**–**	**69,073,950**
	₱87,795,201,198	**₱20,723,620**	**₱-**	**₱178,327,497**	**₱87,994,252,315**	**₱3,830,428,385**	**₱63,108,429**	**₱91,887,789,129**

December 31, 2017

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱586,369,974	₱–	₱–	₱–	₱586,369,974	₱–	₱–	₱586,369,974
Financial asset at FVPL	1,918,566	–	–	–	1,918,566	–	–	1,918,566
Accounts and notes receivables								
Trade								
Residential development	26,578,675,035	1,595,586,284	754,603,025	–	28,928,864,344	1,941,189,293	–	30,870,053,637
Corporate business	480,730,946	–	–	–	480,730,946	97,652,477	21,954,380	600,337,803
Shopping centers	339,773,506	–	–	–	339,773,506	117,133,543	39,140,844	496,047,893
Rent receivables	8,510,295	–	–	–	8,510,295	–	–	8,510,295
Others	1,126,434,420	–	–	–	1,126,434,420	–	–	1,126,434,420
Advances to other companies	9,295,570,595	–	–	–	9,295,570,595	–	–	9,295,570,595
Receivable from related parties	39,604,749,149	–	–	–	39,604,749,149	–	–	39,604,749,149
Receivable from employees	2,261,645,426	–	–	–	2,261,645,426	–	–	2,261,645,426
Dividends receivable	203,392,990	–	–	–	203,392,990	–	–	203,392,990
Interest receivable	12,656,112	–	–	–	12,656,112	–	–	12,656,112
AFS financial assets								
Unquoted	–	–	–	165,740,922	165,740,922	–	–	165,740,922
Quoted	51,973,998	–	–	–	51,973,998	–	–	51,973,998
	₱80,552,401,012	₱1,595,586,284	₱754,603,025	₱165,740,922	₱83,068,331,243	₱2,155,975,313	₱61,095,224	₱85,285,401,780

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

Cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI and AFS quoted securities - based on the nature of the counterparty and the Parent Company's internal rating system.

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

The unquoted AFS financial assets and unquoted financial assets at FVOCI are unrated.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Parent Company manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Parent Company's ratio of fixed to floating rate debt stood at 91:9 and 83:17 as of December 31, 2018, and 2017 respectively.

The following tables demonstrate the sensitivity of the Parent Company's income before income tax and equity to a reasonably possible change in interest rates on December 31, 2018 and 2017, with all variables held constant, (through the impact of floating rate borrowings and changes in fair value of AFS financial assets):

2018

	Effect on income before income tax Change in basis points	
	+100 basis points	**-100 basis points**
Floating rate borrowings	**(₱135,009,000)**	**₱135,009,000**

2017

	Effect on income before income tax Change in basis points	
	+100 basis points	-100 basis points
Floating rate borrowings	(₱185,079,738)	₱185,079,738

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Parent Company's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with its corresponding nominal amounts and carrying values are shown in the following tables:

2018

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Parent Company							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	**₱1,122,562,869**	**₱1,122,562,869**	**₱–**	**₱–**	**₱1,122,562,869**
Accounts and notes receivable	Fixed at the date of sale	Date of sale	**227,170,279**	**227,170,279**	**–**	**–**	**227,170,279**
			₱1,349,733,148	**₱1,349,733,148**	**₱–**	**₱–**	**₱1,349,733,148**
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	**₱13,500,900,000**	**₱13,500,900,000**	**₱–**	**₱–**	**₱13,500,900,000**
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	**15,000,000,000**	**9,341,196,399**	**5,644,680,177**	**–**	**14,985,876,576**
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	**21,000,000,000**	**–**	**18,989,546,159**	**1,907,664,328**	**20,897,210,487**
Peso	Fixed at 5.6250%	11 years	**8,000,000,000**	**–**	**–**	**7,945,703,284**	**7,945,703,284**
Peso	Fixed at 4.5000%	7 years	**7,000,000,000**	**–**	**6,960,744,471**	**–**	**6,960,744,471**
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	**22,000,000,000**	**–**	**6,952,612,918**	**14,888,888,878**	**21,841,501,796**
Peso	Fixed at 3.00%	3 years	**2,982,530,000**	**2,971,976,035**	**–**	**–**	**2,971,976,035**
Peso	Fixed at 5.2624%	10 years	**7,000,000,000**	**–**	**–**	**6,969,629,781**	**6,969,629,781**
Peso	Fixed at 5.9203% to 7.0239%	5 and 10 years	**18,000,000,000**	**–**	**7,909,304,599**	**9,886,827,793**	**17,796,132,392**
Peso	Fixed at 2.7500%	1.75 years	**4,300,000,000**	**4,295,630,115**	**–**	**–**	**4,295,630,115**
Peso	Fixed at 3.2500%	1.25 years	**3,100,000,000**	**3,097,744,962**	**–**	**–**	**3,097,744,962**
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	**5,770,000,000**	**60,000,000**	**4,800,000,000**	**904,858,778**	**5,764,858,778**
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	**29,465,676,562**	**488,718,750**	**8,113,457,812**	**20,785,262,411**	**29,387,438,973**
Floating							
USD	Variable	3.4 and 10.3 years	**–**	**–**	**–**	**–**	**–**
			₱157,119,106,562	**₱33,756,166,261**	**₱59,370,346,136**	**₱63,288,835,253**	**₱156,415,347,650**

2017

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Parent Company							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱586,369,974	₱586,369,974	₱–	₱–	₱586,369,974
Accounts and notes							
receivable	Fixed at the date of sale	Date of sale	205,629,855	203,392,990	2,236,865	–	205,629,855
			₱791,999,829	₱789,762,964	₱2,236,865	₱–	₱791,999,829
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱16,991,350,000	₱16,991,350,000	₱–	₱–	₱16,991,350,000
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000,000	–	14,968,116,469	–	14,968,116,469
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	21,000,000,000	–	3,984,041,328	16,894,123,088	20,878,164,416
Peso	Fixed at 5.6250%	11 years	8,000,000,000	–	–	7,938,922,633	7,938,922,633
Peso	Fixed at 4.5000%	7 years	7,000,000,000	–	6,953,043,125	–	6,953,043,125
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	22,000,000,000	–	–	21,819,967,213	21,819,967,213
Peso	Fixed at 3.00%	3 years	2,990,950,000	–	2,969,107,726	–	2,969,107,726
Peso	Fixed at 5.2624%	10 years	7,000,000,000	–	–	6,966,801,225	6,966,801,225
Peso	Fixed at 2.7500%	1.75 years	4,300,000,000	–	4,280,936,331	–	4,280,936,331
Peso	Fixed at 3.2500%	1.25 years	3,100,000,000	–	3,082,432,587	–	3,082,432,587
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	9,064,000,000	93,000,000	3,541,000,000	5,408,575,573	9,042,575,573
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	24,873,145,313	399,593,750	5,614,450,000	18,812,161,383	24,826,205,133
Floating							
USD	Variable at 1.509% to 2.773% over 3-month LIBOR	3.4 and 10.3 years	1,516,623,750	478,596,526	435,209,852	602,817,372	1,516,623,750
			₱142,836,069,063	₱17,962,540,276	₱45,828,337,418	₱78,443,368,487	₱142,234,246,181

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets and credit facilities of the Parent Company, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies. As such, the Parent Company's foreign currency risk is minimal.

The following table shows the Parent Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2018 and 2017:

	2018		2017	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
Financial Assets				
Cash and cash equivalents	**$416,925**	**₱21,921,920**	$2,361,797	₱117,924,531
Financial Liabilities				
Short-term debt	–	–	–	–
Long-term debt	–	–	30,375,000	1,516,623,750
	$–	₱–	$30,375,000	₱1,516,623,750
Net foreign currency-denominated assets/(liabilities)	**$416,925**	**₱21,921,920**	($28,013,203)	(₱1,398,699,219)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rate used were ₱52.58 to US$1.00 and ₱49.93 to US$1.00, the Philippine Peso - USD exchange rates as of December 31, 2018 and 2017, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso - U.S. Dollar exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Increase (decrease)	Effect on profit before tax	
in exchange rate	**2018**	2017
₱1.00	**416,925**	(28,013,203)
(1.00)	**(416,925)**	28,013,203)

There is no impact on the Parent Company's equity other than those already affecting net income.

Equity price risk
Quoted financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Parent Company's equity.

	Effect on equity Increase (decrease)	
Change in PSEi index	**2018**	2017
	(In Thousands)	
+5%	**₱287,990**	₱173,796
-5%	**(287,990)**	(173,796)

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As of December 31, 2018 and 2017, the Parent Company's investment in the fund where all other variables held constant, the fair value, net income and equity will increase (decrease) by: (i) BPI UITF ₱8,073 with a duration of 0.4 year and ₱7,482 with a duration of 0.4 year, respectively, for a 100 basis points decrease or increase, in interest rates.

28. Segment Information

The industry segments where the Parent Company operates follow:

Core business:
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease of office buildings
- Residential developments - sale of high-end and upper middle-income residential lots and units, and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Parent Company's share in properties made available to subsidiaries for development.
- Corporate - company-wide activities not catering to specific business units

Support Business:
- Property management - facilities management of the Parent Company

Assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2018 and 2017, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for the years ended December 31:

2018

	Property Development	Shopping Centers	Offices	Property Management and Others	Corporate	Total
Revenue						
Revenues from contracts with customers	₱36,135	₱505	₱237	₱ –	₱ –	₱36,877
Interest income from real estate sales	1,701	–	–	–	–	1,701
Rental revenue	28	1,581	2,397	56	–	4,062
Total revenue	37,864	2,086	2,634	56	–	42,640
Real estate costs and expenses	25,848	1,260	675	7	795	28,585
Operating profit	12,016	826	1,959	49	(795)	14,055
General and administrative expenses	(524)	(454)	(179)	(83)	(1,028)	(2,268)
Interest expense and other financing charges	(424)	–	(1)	–	(7,742)	(8,167)
Interest income	3	2	1	179	480	665
Other income	277	328	–	–	3,081	3,686
Dividend income	–	–	–	–	8,621	8,621
Other expenses	–	(2)	–	–	–	(2)
Other charges	–	–	–	–	(93)	(93)
Provision for income tax	(178)	–	(405)	–	(715)	(1,298)
Net income	₱11,170	₱700	₱1,375	₱145	₱1,809	₱15,199
Other Information						
Segment assets	₱147,943	₱87,482	₱47,230	₱31,351	₱78,399	₱392,405
Deferred tax assets	–	–	–	–	2,562	2,562
Total assets	₱147,943	₱87,482	₱47,230	₱31,351	₱80,961	₱394,967
Segment liabilities	(₱95,087)	(₱65,187)	(₱30,723)	(₱56,863)	(₱20,683)	(₱268,543)
Segment additions to:						
Property and equipment	₱34	₱230	₱26	₱7	₱135	₱432
Investment properties	3,647	10,569	2,706	1,480	(₱12)	18,390
Depreciation and amortization	₱25	₱727	₱367	₱4	₱91	₱1,214

2017

	Property Development	Shopping Centers	Offices	Property Management and Others	Corporate	Total
Revenue						
Revenues from contracts with customers	₱32,632	₱505	₱215	₱–	₱–	₱33,352
Interest income from real estate sales	1,596	–	–	–	–	1,596
Rental revenue	39	1,786	1,967	58	–	3,850
Total revenue	34,267	2,291	2,182	58	–	38,798
Real estate costs and expenses	23,519	1,300	619	5	138	25,581
Operating profit	10,748	991	1,563	53	(138)	13,217
General and administrative expenses	(479)	(426)	(178)	(60)	(1,319)	(2,462)
Interest expense and other financing charges	(90)	–	(5)	–	(6,353)	(6,448)
Interest income	12	–	3	75	404	494
Other income	134	935	–	–	1,367	2,436
Dividend income	–	–	–	–	10,495	10,495
Other charges	–	(5)	–	–	–	(5)
Provision for income tax	(127)	(32)	(307)	–	(1,650)	(2,115)
Net income	₱10,198	₱1,463	₱1,074	(₱68)	₱2,806	₱15,612
Other Information						
Segment assets	₱142,002	₱85,910	₱53,713	₱19,544	₱29,781	₱330,950
Deferred tax assets	–	–	–	–	2,179	2,179
Total assets	₱142,002	₱85,910	₱53,713	₱19,544	₱31,960	₱333,129
Segment liabilities	(₱65,896)	(₱69,185)	(₱46,862)	(₱22,907)	(₱9,995)	(₱214,845)
Segment additions to:						
Property and equipment	₱20	₱17	₱67	₱2	₱173	₱279
Investment properties	1,343	3,273	13,729	473	66	18,884
Depreciation and amortization	₱26	₱615	₱245	₱4	₱101	₱991

29. **Performance Obligations**

Information about the Parent Company's performance obligations are summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (ii) condominium unit and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

After the delivery of the completed real estate unit, the Parent Company provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Parent Company as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 are as follows:

Within one year	₱19,606,414,936
More than one year	22,347,460,487
	₱41,953,875,423

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Parent Company's real estate projects. The Parent Company's condominium units are completed within three years and five years, respectively, from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

30. **Leases**

Operating Leases - Parent Company as Lessor
The Parent Company 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.

Future minimum rentals receivable under noncancellable operating leases of the Parent Company are as follows:

	2018	2017
Within one year	**₱1,877,760,950**	₱970,730,347
After one year but not more than five years	**8,791,627,257**	1,337,166,639
More than five years	**9,080,452,413**	5,180,815,115
	₱19,749,840,620	₱7,488,712,101

On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month. The lease was renewed from January 1, 2017 to December 31, 2021 under the same terms and conditions stated in the original contract of lease.

On January 1, 2017, the Parent Company and North Eastern Commercial Corp. (formerly Asterion Technopod, Inc.) entered into a lease contract for the lease of a parcel of land with an area of 19,988 sq.m., three office towers and a common retail podium mixed-use commercial building located at the Vertis North estate. The lease of land shall be for a period of 25 years which commenced on January 1, 2017. The commencement of the lease period for the buildings are by phase, Phase 1 started on January 18, 2017, Phase 2 on April 1, 2017, Phase 3 on October 1, 2017 and Phase 4 shall start on October 1, 2018. The lease on the buildings is co-terminous with the land lease. The lease may be renewed for a period upon mutual agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

On February 8, 2017, the Parent Company and North Eastern Commercial Corp. (formerly Asterion Technopod, Inc.) entered into a lease contract for the lease of a for the lease of land and building constructed on an approximately 20,000 sq.m parcel of land located at 30 Meralco Ave., Pasig City. The lease shall be for a period of 25 years which commenced on February 1, 2016 for Phase 1 and August 1, 2017 for Phase 2. The lease may be renewed for a period upon mutual agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

On December 27, 2017, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings bought by MCLC were constructed. Please refer to Notes 11 and 23.

On December 28, 2017, the Parent Company signed a lease agreement with ASCVC for the lease on the parcels of land it owns where the Arca South BPO and Mall were constructed. Please refer to Notes 11 and 23.

<u>Operating Leases - Parent Company as Lessee</u>

There are no future minimum rental payables under noncancellable operating leases since the Parent Company has assigned to its subsidiaries, its rights to the properties leased from third parties.

On April 26, 2012, the Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Parent Company. The lease was assigned by the Parent Company to Capitol Central Commercial Ventures Corp., a wholly-owned subsidiary, on December 28, 2017.

On September 1, 2013, the Parent Company signed a Lease Agreement with Avida Land Corp. for the lease of a parcel of land, with a total area of 19,311 sq. m., located along National Road, Muntinlupa City. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Parent Company. The lease was assigned by the Parent Company to Orion Land, Inc. on November 29, 2017.

On September 2, 2014, the Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. The Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The lease was assigned by the Parent Company to Bay City Commercial Ventures Corp., a wholly-owned subsidiary, on December 28, 2017.

31. Long-term Commitments and Contingencies

Commitments

On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to ₱631.2 million.

On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of Parent Company’s projects nationwide. The Memorandum of Agreement (MOA) was signed by Parent Company and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Total expenses amounted to ₱0.2 million.

The Parent Company and LT Parent Company, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on March 13, 2016. The new company is a joint venture between the Parent Company and LT Parent Company, Inc.

On August 11, 2015, the Parent Company won the bid for the Integrated Transport System Project – South Terminal (“ITS South Project"). The Parent Company was awarded by the Department of Transportation and Communications (“DOTC”) with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Parent Company is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Full blast construction of the terminal to start by 2H 2018 and targeted to be operational by 1H 2020.

On June 30, 2015, the Parent Company, through SM-ALI Parent Company Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Parent Company and CHI (together with the Parent Company collectively referred to as the “ALI Parent Company”). The SM-ALI Parent Company has finished with the joint masterplan and is now securing permits to commence development. Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2017 the Consortium has paid ₱3.8 billion, excluding taxes.

On May 12, 2014, the Parent Company has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Parent Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sq. m.

Contingencies
The Parent Company has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations. Accordingly, no provision for any liability has been made in the parent company financial statements.

Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Parent Company's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

32. **Notes to Statements of Cash Flows**

Disclosed below is the roll forward of liabilities under financing activities:

	January 1, 2018	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2018
Short-term debt	₱16,991,350,000	(₱3,490,450,000)	₱–	₱–	₱13,500,900,000
Current long-term debt	971,190,276	(1,063,975,325)	20,255,266,261	92,785,049	20,255,266,261
Non-current long-term debt	124,271,705,905	18,642,741,745	(20,255,266,261)	–	122,659,181,389
Dividends payable	–	(7,485,914,705)	7,485,914,705	–	–
Deposits and other noncurrent liabilities	7,727,724,424	(3,701,101,787)	–	–	4,026,622,637
Total liabilities from financing activities	₱149,961,970,605	₱2,901,299,928	₱7,485,914,705	₱92,785,049	₱160,441,970,287

The noncash activities of the Parent Company pertain to the following:

2018
- Transfer from investment properties to inventory amounted to ₱6,865.9 million
- Transfer from inventory to investment properties amounted to ₱0.4 million
- Liability for purchased land amounted to ₱2,277.06 million

2017
- Transfer from investment properties to inventory amounted to ₱5,291.3 million
- Transfer from investment properties to advances to contractors amounted to ₱1,581.2 million
- Transfer from investment properties to other current assets amounted to ₱86.3 million
- Transfer from property and equipment to investment properties amounted to ₱7.4 million
- Transfer from inventory to investment properties amounted to ₱2,507.1 million
- Outstanding receivables pertaining to the sale of investment properties amounted to ₱9,298.9 million

33. **Events After the Reporting Date**

On February 4, 2019, the Executive Committee approved the exchange of the 20% equity interest acquired from Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800 million, for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

On February 27, 2019, the BOD approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share. These will be paid on March 29, 2019 to shareholders on record as of March 13, 2019.

On the same date, the BOD approved the filing with the SEC of a 3-year shelf registration of up to ₱50 billion of debt securities ('the Shelf Registration'). It also approved the raising of up to ₱45 billion through: (a) retail bonds of up to ₱16 billion under the Shelf Registration and listed on the Philippine Dealing and Exchange Corporation (PDEx), (b) SEC-exempt Qualified Buyer Notes of up to ₱4 billion for enrollment on the PDEx, and (c) bilateral term loans of up to ₱25 billion to partially finance general corporate requirements and to refinance maturing loans.

The BOD also approved the Parent Company's 2019 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to qualified executives, in accordance with the terms of the Plan, stock options covering up to a total of 14,430,750 common shares at a subscription price of ₱44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

34. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value-Added Tax (VAT)
The Parent Company is a VAT-registered company with VAT output tax declaration as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales on:		
Sale of goods	₱40,513,774,223	₱4,861,652,907
Leasing income	2,783,963,188	334,075,583
Sales to Government	563,069,524	67,568,343
Others	5,809,394,134	697,127,295
Zero-Rated Sales	1,537,096,214	–
	₱51,207,297,283	₱5,960,424,128

The sale of goods is recorded under Land and residential sales account while leasing income is recorded under Rental income. The amount of VAT Input taxes claimed are broken down as follows:

Balance at beginning of year (net Input VAT position)	₱2,519,625,485
Current year's purchases:	
Capital goods subject to amortization	10,797,141
Goods other than capital goods	26,076,237
Services lodged under other accounts	4,302,549,673
Services rendered by non-residents	138,646
Input VAT attributed to Sales to Government	1,589,264
Input VAT applied during the year	(5,960,424,128)
Balance at end of year	₱900,352,318

Documentary Stamp Tax (DST)
The DST paid or accrued on the following transactions are:

Transaction	Amount	DST
Interest expense and other financing charges		
DST on loans	₱204,301,674,091	₱161,621,829
DST on Intercompany loan	23,134,739,000	6,732,115
Issuance of PDTC bonds	18,000,000,000	135,000,000
DST on original issue of shares of stock	1,574,933,415	12,938,217
Shares of stock not traded in stock exchange	383,132,402	2,873,495
Direct Operating Expenses		
DST on leases and other hiring agreements	1,486,133,839	2,012,892
General and administrative expenses	–	–
DST on original issue of shares of stock	1,743,472,000	10,059,720
DST on leases and other hiring agreements	9,976,773	21,101
Capitalized DST		
DST on promissory note	889,865,513	3,445,848
DST on transfer of real property	13,063,838,824	195,957,613
	₱264,587,765,857	₱530,662,830

Taxes and Licenses
The following are the taxes, licenses and permit fees in 2018 excluding DST:

	Direct Operating Expenses	General and Administrative Expenses	Total
Local			
Real property tax	₱411,142,226	₱120,413	₱411,262,639
License and permit fees	254,327,775	28,344,207	282,671,982
Inspection fees	1,537,831	–	1,537,831
Motor vehicle registration fees	–	769,145	769,145
Professional tax	5,000	84,216	89,216
Community tax	–	11,985	11,985
Transfer Tax		14,943,701	14,943,701
Others	1,962,225	64,066	2,026,291
	668,975,057	44,337,733	713,312,790
National			
Fringe benefits tax	₱–	₱17,715,249	₱17,715,249
Annual registration	–	500	500
	–	17,715,749	17,715,749
	₱668,975,057	₱62,053,482	₱731,028,539

Withholding Taxes
Details of withholding taxes for the year are as follows:

Final withholding taxes	₱1,464,543,151
Expanded withholding taxes	1,380,500,598
Withholding taxes on compensation and benefits	475,210,254
Balance at December 31	₱3,320,254,003

Tax Assessments and Cases
The Parent Company has no deficiency tax assessments whether protested or not. The Parent Company has not been involved in any tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the BIR.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal controls as management determines are 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 consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to a 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.

SyCip Gorres Velayo & 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.

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

BERNARD VINCENT O. DY
President & Chief Executive Officer

AUGUSTO D. BENGZON
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 27 2019 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala		
Bernard Vincent O. Dy		
Augusto D. Bengzon		

Doc. No. 229 ;
Page No. 47 ;
Book No. X ;
Series of 2019.

MARIA PAULA G. ROMERO-BAUTISTA NOTARY PUBLIC ROLL NO. 58335

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 059414 – 01/09/19 – Makati City
PTR No. 7341730ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009490 – 06/20/2018

Notarial DST pursuant to ~~Sec. 188 of the Tax Code~~ affixed on Notary Public's copy.

31st Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines