

CEBU HOLDINGS, INC.

20th Floor, Ayala Center Cebu Tower
Bohol Street, Cebu Business Park, Cebu City

Real Estate Developer

(SEC FORM 17-Q)

**QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

1. For the quarterly period ended September 30, 2018
2. SEC Identification No. 157912 3. BIR Tax Identification No. 000-551-890-000
4. Exact name of registrant as specified in its charter:
Cebu Holdings, Incorporated
5. Cebu City, Philippines
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____
7. 20th Floor, Ayala Center Cebu Tower, Bohol Street, Cebu Business Park, Cebu City
Address of principal office
Postal Code : 6000
8. Telephone No. : (032) 888-3700 Fax No.: (032) 2315-300
9. Unit # 701, 7/F Cebu Holdings, Center, Cardinal Rosales Ave., Cebu Business Park, Cebu City
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of RSA

Number of Shares of Common Stock
Outstanding

1,920,073,623 shares ₱ 1,920,073,623

11. Are any all of these securities listed on the Philippine Stock Exchange?
Yes (X) No ()

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) thereunder and Section 25 and 141 of the Corporation Code of The Philippines during the preceding 12 months for such shorter period that the registrant was required to file such report;

Yes (X) No ()

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

Yes (X) No ()

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Cebu Holdings, Inc. & Subsidiaries
Statement of Income and Retained Earnings (consolidated)

FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017					
2 0 1 8					
(In Thousand Pesos)		Jan. - Sept.	July - Sept.	2 0 1 7	
				Jan. - Sept.	July - Sept.
Income					
Rental income	P	1,607,262	P 593,199	P 1,554,682	P 516,323
Real estate		519,234	121,984	175,533	77,290
Theater income		90,543	32,384	97,449	27,857
Interest and other income		278,428	100,884	195,970	70,902
Equity in net earnings of an affiliate		56,167	10,727	32,978	40,176
		<u>2,551,634</u>	<u>859,178</u>	<u>2,056,612</u>	<u>732,548</u>
Cost and expenses					
Real estate, rental & theater expenses		1,291,412	423,055	998,376	362,673
Interest and others		335,984	124,849	271,371	74,093
General and administrative expense		118,122	50,582	123,069	38,726
Provision for Income Tax		159,047	27,025	140,909	43,786
		<u>1,904,565</u>	<u>625,511</u>	<u>1,533,725</u>	<u>519,278</u>
Income before Minority Interest		647,069	233,668	522,887	213,270
Minority Interest		77,770	26,144	41,014	15,300
NET INCOME after Minority Interest		569,298	207,523	481,873	197,970
Retained earnings at beginning of period		4,250,293	4,612,068	3,784,856	4,068,759
Retained earnings at end of period	P	4,819,591	P 4,819,591	P 4,266,729	P 4,266,729
EARNINGS PER SHARE		0.30		0.25	

*Net Income	569,298,400.00	=	0.30
Share Issued and Outstanding	1,920,073,622.50		

There were no diluted earnings per share for the periods covered in this report.

CEBU HOLDINGS, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Unaudited)
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

<i>(In Thousand Pesos)</i>	2018 September	2017 Dec.(Audited)
ASSETS		
Current Assets		
Cash and Cash Equivalents	212,968	176,788
Financial Assests at Fair Value through Profit or Loss	10,298	10,129
Short-term Cash Investments	-	2,543
Receivables	2,895,690	2,002,141
Subdivision Land for Sale and Development	911,233	554,627
Condominium Units for Sale	159,822	196,457
Other Current Assets	355,859	430,736
Total Current Assets	4,545,869	3,373,421
Land and Improvements	3,013,092	2,636,277
Investments in Associates and a Joint Venture	3,074,747	2,567,710
Investment Properties	10,548,557	10,881,060
Available-for-sale Financial Assets	303,771	304,333
Property and Equipment	286,093	289,795
Noncurrent Portion of Receivables	467,772	475,973
Other Noncurrent Assets	48,236	55,034
Deferred Tax Assets - net	62,726	4,557
Total Assets	22,350,863	20,588,160
LIABILITIES & STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts and Other Payables	2,186,979	2,298,682
Due to Affiliates	2,941,220	2,406,878
Deposits and Other Current Liabilities	853,413	820,956
Income Tax Payable	52,261	50,381
Current Portion of Long-term Debt	59,952	59,942
Total Current Liabilities	6,093,825	5,636,839
Deposits and Other Noncurrent Liabilities	1,033,538	316,479
Deferred Tax Liabilities - net	243,417	261,306
Pension Liabilities	31,133	32,269
Long-term Debt-net of current portion	6,354,250	6,393,634
Total Liabilities	13,756,163	12,640,527
Stockholders' Equity		
Capital Stock	1,920,074	1,920,074
Additional Paid In Capital	856,685	856,685
Remeasurement loss on defined benefit plan	(28,444)	(28,444)
Equity Reserves	(9,474)	(9,474)
Retained Earnings, End	4,819,591	4,250,293
Total Stockholders' Equity	7,558,431	6,989,133
Non-controlling Interests	1,036,270	958,500
Total Liabilities & Stockholders' Equity	22,350,863	20,588,160

CEBU HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, except Par Value and Cash Dividends Per Share Figures)

	September 2018	September 2017	December 2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF CEBU HOLDINGS, INC.			
Capital Stock - ₱1 par value (Note 28)			
Balance at beginning and end of year	₱1,920,074	₱1,920,074	₱1,920,074
Additional Paid-in Capital			
Balance at beginning and end of year	856,685	856,685	856,685
Total Paid-in Capital	₱2,776,759	2,776,759	2,776,759
Remeasurement loss on defined benefit plan			
Balance at beginning of year	(28,444)	(24,249)	(24,249)
Remeasurement loss	-	-	(4,195)
Balance at end of year	(28,444)	(24,249)	(28,444)
Remeasurement gain on retirement plan of associate			
Balance at beginning of year	-	-	-
Balance at end of year	-	-	-
Equity reserves			
Balance at beginning and end of year	(9,474)	(9,474)	(9,474)
Retained Earnings (Note 28)			
Appropriated for future expansion	1,300,000	1,300,000	1,300,000
Unappropriated:			
At beginning of year	2,950,293	2,484,856	2,484,856
Net income	569,298	481,873	753,447
Cash dividends - ₱0.15 per share in 2017	-	-	(288,010)
At end of year	3,519,591	2,966,729	2,950,293
	4,819,591	4,266,729	4,250,293
NON-CONTROLLING INTERESTS			
Balance at beginning of year	958,500	898,943	898,943
Net income	77,770	41,014	59,557
Dividends paid to non-controlling interests	-	-	-
Balance at end of year	1,036,270	939,957	958,500
	₱8,594,702	₱7,949,721	₱7,947,633

See accompanying Notes to Consolidated Financial Statements.

CEBU HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

<i>(In Thousand Pesos)</i>	2 0 1 8		2 0 1 7	
	Jan. - Sept.	July - Sept.	Jan. - Sept.	July - Sept.
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	806,116	260,693	663,796	257,056
Adjustments for:				
Depreciation and amortization	410,876	142,184	350,730	127,288
Interest Income	(28,333)	(15,106)	(15,536)	(6,426)
Equity in net earnings of associates	(56,167)	(10,727)	(32,978)	(40,176)
Interest expense	315,303	101,636	273,903	74,779
Pension expense (contribution)-net	(1,136)	(1,136)	(7,504)	(3,651)
Loss (gain) on disposal of property and equipment	-	5	(5)	-
Unrealized gain (loss) on financial assets at fair value through profit o	110	108	(8)	(8)
Unrealized foreign exchange losses (gains)	(916)	(898)	(19)	-
Operating income before working capital changes	1,445,853	476,759	1,232,379	408,862
Decrease (increase) in:				
Receivables	(872,593)	104,665	69,700	356,301
Financial assets at fair value through profit or loss	(277)	(8,680)	14,255	(73)
Inventories (Subdivision land for sale & dev't, Condominium units for :	(319,970)	138,547	(70,899)	167,199
Other current assets	74,878	35,376	52,199	35,549
Increase (decrease) in:				
Accounts and other payables	881,748	321,307	(299,603)	(290,087)
Deposits and Other liabilities	749,517	699,245	70,092	(257,310)
Net cash generated from (used in) operations	1,959,156	1,767,219	1,068,123	420,441
Interest received	15,465	16,587	5,749	783
Interest paid	(416,446)	(274,297)	(99,258)	52,696
Income taxes paid	(233,223)	(98,595)	(212,093)	(163,216)
Net cash provided by (used in) operating activities	1,324,952	1,410,914	762,521	310,704
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment properties	(53,259)	(696,620)	(350,035)	(105,380)
Land and improvements	(376,815)	(375,876)	(55,893)	(55,534)
Property & equipment	(21,412)	(4,082)	(11,373)	(5,949)
Short-term investment	2,656	(2,956)	-	-
Associates and a joint venture	(450,870)	(317,610)	(594,001)	(74,001)
Decrease (increase) in:				
Other noncurrent assets	6,798	(3,165)	75	80
Proceeds from AFS investments	562	562	-	-
Proceeds from sale of property and equipment	-	(140)	141	(109)
Net cash used in investing activities	(892,340)	(1,399,887)	(1,011,086)	(240,893)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	(45,750)	(30,500)	(102,832)	(48,332)
Purchased Land	(351,569)	(351,569)	-	-
Dividends Paid	(20)	(20)	-	-
Increase (decrease) in:				
Availment of Long-term debt	-	-	417,900	-
Net cash provided by financing activities	(397,339)	(382,089)	315,068	(48,332)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
	907	891	19	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	36,180	(370,171)	66,522	21,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	176,788	583,140	94,908	139,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	212,968	212,968	161,430	161,430

CEBU HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Group Information

Cebu Holdings, Inc. (the Parent Company) is domiciled and was incorporated on December 9, 1988 in the Republic of the Philippines. The Parent Company is a 75.07%-owned subsidiary of Ayala Land, Inc. (ALI), a publicly listed company. ALI is a subsidiary of Ayala Corporation (AC), a publicly listed company which is 48.96%-owned by Mermac, Inc., 10.17%-owned by Mitsubishi Corporation and the rest by public.

The Parent Company registered office address is at 20th Floor, Ayala Center Cebu Tower, Bohol Street, Cebu Business Park, Cebu City. The Parent Company is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

Details on the Parent Company's subsidiaries are as follows:

- Cebu Leisure Company, Inc. (CLCI), a wholly owned subsidiary, is engaged in subleasing of commercial spaces, food courts and entertainment facilities. The registered office address of CLCI is at Admin Office, Level 4, Ayala Center Cebu, Cebu Business Park, Cebu City.
- CBP Theatre Management Company, Inc. (CBP Theatre), a wholly owned subsidiary, is engaged in all aspects of the theatrical and cinematographic entertainment business, including theatre management and other related undertakings. CBP Theatre has not yet started its operations as of December 31, 2017.
- Cebu Property Ventures and Development Corporation (CPVDC), a partially-owned subsidiary, is engaged in real estate development and sale of subdivision land and residential units. The shares of stocks of CPVDC are also publicly traded in the PSE. The registered office address of CPVDC is at 20th Floor, Ayala Center Cebu Tower, Bohol Street, Cebu Business Park, Cebu City.
- Asian I-Office Properties, Inc. (AiO), wholly owned by CPVDC, is engaged in all aspects of real estate development and in leasing of corporate spaces. The registered office address of AiO is at 20th Floor, Ayala Center Cebu Tower, Bohol Street, Cebu Business Park, Cebu City.
- Taft Punta Engaño Property Inc. (TPEPI), a partially-owned subsidiary, is engaged in real estate development of mixed-use commercial and residential district within a 12-hectare property in Lapu-Lapu City. The registered office address of TPEPI is at Vicsal Bldg., cor. C.D. Seno & W.O. Seno Sts., San Miguel Extension, Barangay Guizo, North Reclamation Area, Mandaue City.

The consolidated financial statements of Cebu Holdings Inc. and its subsidiaries (the Group) as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were endorsed for approval by the Audit and Risk Committee on February 13, 2018 and were approved and authorized for issue by the Board of Directors (BOD) on February 26, 2018.

2. Basis of Preparation, Statement of Compliance and 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) and available-for-sale financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the functional currency of the Parent Company. All values are rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and partially-owned subsidiaries, and the corresponding percentage of ownership of the Parent Company as of December 31:

	Percentage of ownership		
	September 30	December 31	
	2018	2017	2016
CLCI	100	100	100
CBP Theatre	100	100	100
CPVDC	76	76	76
AiO*	76	76	76
TPEPI	55	55	55

* wholly owned by CPVDC

The Parent Company and all its subsidiaries are incorporated and are operating in the Philippines.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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 in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances and transactions, including income, expenses and dividends relating to transactions between members of the Group, are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the equity attributable to the Parent Company.

Total comprehensive income within a subsidiary is attributed to the NCI even if that results in a deficit balance.

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, Clarification of the Scope of the Standard (Part of *Annual Improvements to PFRSs 2014–2016 Cycle*)
- Amendments to Philippine Accounting Standard (PAS) 7, *Statement of Cash Flows*, Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 32 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, Recognition of Deferred Tax Assets for Unrealized Losses

Standards and interpretation issued but not yet effective

The Group will adopt the following new and amended standards and Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) enumerated below when these become effective. Except as otherwise indicated, the Group does not expect that the future adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2018

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2018 consolidated financial statements since the Group does not have share-based payment transactions.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the mandatory effective date and is currently assessing the potential impact of adopting PFRS 9 in 2018.

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

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 connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is 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. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date and is currently assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its

investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have any impact in the Group's consolidated financial statements.

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

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

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

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any impact in the Group's consolidated financial statements.

- 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.

Early application is permitted, but not before an entity applies PFRS 15. 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 PFRS 16.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any impact in the Group's consolidated financial statements.

- 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; and,
- 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.

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

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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 Group presents assets and liabilities in the consolidated 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 the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Group measures financial instruments such as financial assets at FVPL at fair value and discloses the fair value of its other financial instruments as well as investment properties at each reporting date.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for recurring fair value measurement of financial assets at FVPL and investment properties.

External valuers are involved for the valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers, also compares each of the changes in the fair value of each asset and liability 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 and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Assets and Financial Liabilities

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

Financial assets and financial liabilities are initially recognized at fair value. The initial measurement of all financial assets includes transaction costs except for financial instruments measured at FVPL.

The Group classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity financial assets, or available-for-sale (AFS) financial assets. Financial liabilities are classified into financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or financial liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of September 30, 2018 and December 31, 2017, the Group's financial assets are of the nature of loans and receivables, financial assets at FVPL and AFS financial assets.

"Day 1" difference

Where the transaction price in a non-active market is different to 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 income" and "Other charges" accounts unless it qualifies for recognition as some other type of asset. In cases where variables used are made of 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 September 30, 2018 and December 31, 2017, the Group holds an investment in Unit Investment Trust Fund (UITF) held for trading and classified these as financial assets at FVPL.

Available-for-sale financial assets

AFS financial assets pertain to equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to unrealized gain (loss) on AFS financial assets account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from unrealized gain (loss) on AFS financial assets account to the consolidated statement of comprehensive income. Dividend earned whilst holding AFS financial assets is reported as dividend income.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments 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.

After initial measurement, the 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 an integral part of the effective interest rate (EIR). The amortization is included in "Interest income" account in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized under "General and administrative expenses" account in the consolidated statement of income.

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

As of December 31, 2017 and 2016, the Group's loans and receivables include cash and cash equivalents, short-term investments and receivables (except advances to contractors).

Other financial liabilities

Other financial liabilities are financial liabilities not designated as at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares. The components of issued financial instrument that contain both liability and equity element 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 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 an integral part of the EIR. The amortization is included in the "Other charges" account in the consolidated statement of income.

As of December 31, 2017 and 2016, the Group's other financial liabilities include accounts and other payables, long-term debt, deposits and other liabilities, and excluding statutory liabilities and other obligations that meet the above definition (other than liabilities covered by other accounting standards such as income tax payable).

Deposits and Other Liabilities

Deposits and other liabilities which include tenants' deposits are measured initially at fair value. The difference between the cash received and the fair value of tenants' deposits is recognized in "Tenants deposits" under "Deposits and other liabilities" in the consolidated statement of financial position and amortized using the straight-line method under the "Real estate revenue" account in the consolidated statement of income. After initial recognition, tenants' deposits are subsequently measured at amortized cost using effective interest method. Accretion of discount is recognized under "Other financing charges" in the consolidated statement of income.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

- a. the right to receive cash flows from the assets has 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: (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

Financial liability

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

Impairment of Financial Assets

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

AFS financial assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value 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 12 months for unquoted securities. In addition, the Group evaluates other factors, including normal volatility in secondary price for unquoted equities.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under the "Costs and expenses" account. Interest income continues to be recognized based on the EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. 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 as customer type, credit history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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.

The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group.

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 carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell.

Cost includes:

- Land cost;
- Land improvement cost;

- Amount paid to contractors for construction and development of the properties (i.e. planning and design costs, cost of site preparation, professional fees, property transfer taxes, construction overheads and other related costs); and,
- Borrowing costs on loans directly attributable to the projects which were capitalized during construction.

The cost of inventory recognized in the consolidated statement of income as disposal is determined with reference to the specific costs incurred on the property sold and is allocated to saleable area based on relative size.

Other Assets

Other assets include input value-added tax (VAT), creditable withholding tax (CWT) and prepaid expenses.

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit against future income tax liability of the Group upon approval of the BIR. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability.

CWT represents the amount withheld by the payee. These are recognized upon collection of the related sales and are utilized as tax credits against income tax due.

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotion, taxes and licenses, rentals and insurance.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment 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.

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

Depreciation and amortization commences once the property and equipment are available for their intended use and are computed on a straight-line basis over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	40
Furniture, fixtures and equipment	3–10
Transportation equipment	3–5

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

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

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

Intangible Assets

The Group's development rights included under "Other noncurrent assets" pertain to the development rights purchased by the Group which represents the gross floor area of a structure in a particular lot which is allowed to be developed in the future.

These are measured on initial recognition at cost. After initial recognition, the intangible assets - development rights are carried at cost less any accumulated impairment losses. The development rights are capitalized as additional cost of the structure once the development commences.

Investments in Associates and a Joint Venture

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and a joint venture is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in associates and a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Equity in net earnings of associates and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment Properties

Investment properties consist of completed properties and properties under construction or re-development that are held to earn rentals and for capital appreciation or both and 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 value. Land is carried at cost less any impairment in value. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Land and improvements	Up to 25
Buildings and improvements	Up to 40

Expenditure 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 is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are available for their intended use.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

Land and Improvements

Land and improvements are carried at cost less any impairment in value. Land and improvement deal with land assets that were acquired and will be used as site for future developments. These are assets neither classified as inventories or investment properties since these are undeveloped land and has no definite use as of reporting date and to whether these are held to earn rentals or for capital appreciation to be classified as investment properties or are held for sale in the ordinary course of business. Its use is yet to be determined by management as approved by the BOD.

All capitalizable expenses related to the land acquisition are recorded to "Land and improvements" once a Contract to Sell/Purchase Agreement has been executed between the parties.

Transfers are made to inventories or investment properties when, and only when, there is a definite use as evidenced by commencement of development with a view to sale or commencement of an operating lease to another party, respectively.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. 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.

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

Such reversal is recognized in 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 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.

For investments in associates and a joint venture, 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 venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investee companies and the carrying value, and recognizes the amount in the consolidated statement of income.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. 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.

Retained earnings

Retained earnings represent net accumulated earnings (losses) of the Group less dividends declared and any adjustments arising from the application of new accounting standards or policies applied retrospectively. The individual accumulated earnings of the subsidiaries are available for dividends only after declared by their respective BOD.

Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Dividend distributions

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Group. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

Equity reserves

Equity reserves pertain to the difference between the consideration transferred and the equity acquired in a common control business combination.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. In arrangements where the Group is acting as a principal to its customers, revenue is recognized on a gross basis.

The following specific recognition criteria must also be met before revenue is recognized:

Rental income

Rental income from noncancellable and cancellable leases 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 for under the terms of the lease contract.

Contingent rents are recognized as revenue in the period in which they are earned.

Real estate sales

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability 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. Collectability 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 No. 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 estimated completion of a physical proportion of the contract work.

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. 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 Group's in-house technical staff.

Theater income

Theater income is recognized when earned.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Other income

Recoveries are recognized as they accrue.

Net gain or loss from the sale of development rights is recognized when risk and reward are transferred to the buyer.

Others are recognized when earned.

Cost and Expense Recognition

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

Cost and 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 consolidated statement of financial position as an asset.

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 "Investment properties" account 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.

The borrowing costs capitalized as part of "Investment properties" are depreciated using straight-line method over the estimated useful life of the assets.

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, even if that right is not explicitly specified in an arrangement. 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 lessor

Leases where the Group retains 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.

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.

Pension Cost

The Group maintains a defined contribution (DC) plan that covers all regular full-time employees. Under its DC plan, the Group pays fixed contributions based on the employees' monthly salaries. The Group, however, is covered under Republic Act (RA) No. 7641, *The Philippine Retirement Law*, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

In accordance with PIC Q&A No. 2013-03, the obligation for post-employment benefits of an entity that provides a DC plan as its only post-employment benefit plan, is not limited to the amount it agrees to contribute to the fund, if any. In this case, therefore, the Group's retirement plan shall be accounted for as a defined benefit plan. Accordingly, the Group accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

The DC liability is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method.

Pension costs comprise:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Remeasurements of net defined benefit liability or asset.

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the consolidated statement of income.

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

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and its 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 with certain exceptions, and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) 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 MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in associates and a joint venture.

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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each

reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of 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 relating to items recognized outside profit or loss is recognized in OCI. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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 taxes relate to the same taxable entity and the same taxation authority.

Foreign-Currency-Denominated Transactions

The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. 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 reporting dates. 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 stockholders 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 stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

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 29 of the consolidated financial statements.

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 some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

Post year-end events up to the date of the consolidated financial statements were authorized for issue 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 notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

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

Management believes the following represent a summary of these significant judgments, estimates and assumptions:

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:

Distinction between investment properties and inventories

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

- Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential or industrial property that the Group develops and intends to sell before or on completion of construction.

In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Inventories) or whether it will be retained as part of the Group's leasing activities or for future development or sale which are yet to be finalized by the Group (Investment properties).

Evaluating impairment of nonfinancial assets

The Group reviews its investment properties and investments in associates and a joint venture for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results of the investees and significant negative industry or economic trends.

As of September 30, 2018 and December 31, 2017, the Group assessed that there are no indicators of impairment, thus, the Group did not recognize any impairment loss on its nonfinancial assets (see Notes 13 and 14).

Assessment of control of an investment and the type of investment

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; thus, the principle of control sets out the following three elements of control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and,
- the ability to use power over the investee to affect the amount of the investor's returns.

In 2016, management assessed that the Group does not have control over Central Block Developers, Inc. (CBDI) even with 57% effective ownership interest because the Group has no control over CBDI's relevant activities and it does not have the majority representation in its BOD. In 2017, the Group's effective ownership in CBDI was down to 48%.

Assessment of joint control of an arrangement and the type of arrangement

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management assessed that the Group has joint control over Cebu District Property Enterprise, Inc. (CDPEI) by virtue of a contractual agreement with other shareholders.

The Group applies judgment when assessing whether a joint arrangement is a joint operation or a joint venture.

In making this judgment, the Group determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The Group assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. Management assessed that CDPEI is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Collectability of the sales price

Revenue and cost recognition on real estate sales and selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and,
- Stage of completion of the project.

The Group has set a certain percentage (%) of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group.

Provisions and contingencies

The Group is involved in a legal proceeding and contingently liable for various claims. The estimate of the probable costs for the resolution of these legal proceeding and claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position (see Note 33).

Estimates and Assumptions

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

Revenue and cost recognition

The Group's revenue recognition 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 is recognized based on the percentage-of-completion measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 23 for the related balances.

Estimating the NRV of inventories

Inventories are valued at the lower of cost or NRV. To determine the NRV, the Group is required to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale. 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 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. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory obsolescence was recognized in 2017 and 2016. The Group's inventories carried at cost are disclosed in Note 9.

Fair value of financial instruments

PFRS requires certain financial assets and liabilities to be carried at fair value or have the fair values disclosed in the notes, which requires the use of extensive accounting estimates and judgments.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statement of income and consolidated statement of changes in equity.

Certain financial assets and liabilities of the Group were initially recorded at its fair value by using the discounted cash flow methodology. See Note 27 for the related balances.

4. Non-controlling Interests

The Group has two subsidiaries with material NCI. Additional information regarding the subsidiaries is as follows:

	NCI %	Accumulated balances		Share of NCI in net income	
		Sept. 2018	Dec. 2017	Dec. 2017	Dec. 2016
		(In Thousands)		(In Thousands)	
CPVDC	24%	P555,278	P507,797	P58,632	P50,707
TPEPI	45%	480,992	450,703	925	1,401
		P1,036,270	P958,500	P59,557	P52,108

The summarized financial information of CPVDC and TPEPI is provided below. This information is based on amounts before intercompany eliminations.

	September 2018		December 2017	
	CPVDC	TPEPI	CPVDC	TPEPI
	(In Thousands)		(In Thousands)	
<i>Statements of financial position</i>				
Current assets	P1,136,931	P1,158,546	P931,899	P149,438
Noncurrent assets	4,912,766	719,031	4,823,022	860,309
Current liabilities	2,003,136	137,447	1,854,893	16,677
Noncurrent liabilities	1,703,558	679,752	1,757,032	-
<i>Statements of comprehensive income</i>				
Revenue	P618,872	P116,273	P802,938	P3,962
Net income/Total comprehensive income attributable to:				
Equity of holders of the parent company	152,525	67,308	188,343	1,131
Non-controlling interests	47,482	37,019	58,632	925

Statement of cash flows

Cash provided by (used in):				
Operating activities	P290,878	P48,207	P107,410	P74,277
Investing activities	(262,092)	(46,195)	(390,506)	(83,839)
Financing activities	(46,565)	-	299,766	-
Net increase (decrease) in cash and cash equivalents	P(17,779)	(P2,012)	P16,670	(P9,562)

5. Cash and Cash Equivalents

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Cash on hand and in banks	P135,085	P144,471
Cash equivalents	77,883	32,317
	P212,968	P176,788

Cash in banks earn interest at the prevailing 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.

Total interest income earned from cash and cash equivalents amounted to P2.1 million, P1.0 million and P0.8 million in September 30, 2018 and December 31, 2017 and 2016 respectively (see Note 22).

6. Short-term Investments

Short-term investments consist of money market placements with maturity date of more than 90 days and up to one (1) year and earn at the respective short-term investment rates.

In 2017 and 2016, the Group entered into a short-term investment with BPI to be used for short-term cash requirements. These investment earns an annual interest of 1.25% and 1.13% in 2017 and 2016, respectively.

As of September 30, 2018 and December 31, 2017, the Group's short term investments amounted to nil and P2.5 million and nil, respectively.

Interest income earned from short-term investments amounted to P0.1 million, P0.2 million and P0.3 million in September 30, 2018 and December 31, 2017 and 2016, respectively (see Note 22).

7. Financial Assets at Fair Value through Profit or Loss

This account pertains to investments in BPI Short Term Fund (the Fund), a money market unit investment trust fund (UITF) which the Group holds for trading and is a portfolio of funds invested and managed by professional managers. The Fund aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. This is measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statements of income under "Other income". Realized and unrealized gains recognized from changes in fair value through profit or loss amounted to P0.1 million, P0.2 million and P0.3 million in September 2018 and December 2017 and 2016, respectively (see Note 22).

8. Receivables

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Receivables from related parties (Note 20)	₱1,957,674	₱1,487,762
Trade:		
Residential development (Note 27)	176,796	201,354
Commercial development (Notes 16 and 22)	505,345	136,819
Shopping centers (Note 27)	186,093	113,348
Corporate business (Note 27)	106,170	69,088
Accrued receivable	300,124	309,297
Advances to contractors (Note 20)	117,463	101,016
Receivables from employees	12,997	16,741
Others	17,483	59,372
	3,380,145	2,494,797
Less allowance for impairment losses	16,683	16,683
	3,363,462	2,478,114
Less noncurrent portion	467,772	475,973
	₱2,895,690	₱2,002,141

The nature of trade receivables of the Group are as follows:

- Residential development pertains to receivables arising from the sale of residential lots and condominium units.
- Commercial development pertains to receivables arising from the sale of commercial lots and development rights.
- Shopping centers pertain to receivables arising from the lease of retail space and land therein, movie theaters, food courts, entertainment facilities and carparks.
- Corporate business pertains to receivables arising from the lease of office buildings and accrued rent receivable.
- Other receivables pertain to receivable related to interests.

Terms and conditions of receivables are as follows:

- Sales contract receivables, included under residential development, are noninterest-bearing and are collectible in monthly installments over a period of one (1) to two (2) years. Titles to real estate properties are transferred to the buyers once full payment has been made.
- Leases of retail space and land therein, included under shopping centers, are noninterest-bearing and are collectible monthly based on the terms of the lease contracts. These are unpaid billed receivables as of reporting date.
- Leases of office spaces, included under corporate business, are noninterest-bearing and are collectible monthly based on the terms of the lease contracts. These are unpaid billed receivables as of reporting date.
- Receivables from the sale of commercial lots and development rights, included under commercial development are noninterest-bearing and are collectible in monthly or quarterly installments over a period ranging from two (2) to four (4) years. Titles to real estate properties and development rights are not transferred to buyers until full payment has been made.
- Advances to contractors are recouped every progress billing payment depending on the percentage of accomplishment.
- Receivables from related parties are both interest and noninterest-bearing, and are due for collection within one year.

- Receivables from employees are composed of both interest and noninterest-bearing advances and are collectible over a period of one year through salary deduction.
- Accrued receivable consist of receivables from rental income arising from operating lease on investment properties which is accounted for on a straight-line basis over the lease term and accrual of interest income.
- Other receivables are due and demandable.

As of September 30, 2018 and December 31, 2017, “sales contract receivables” under residential development trade receivables with a nominal amount of ₱176.8 million and ₱201.4 million, respectively. “Receivables from the sale of development rights” under commercial development trade receivables were initially recorded at fair value as of December 31, 2017. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

As of September 30, 2018 and December 31, 2017, the aggregate unamortized discount on “sales contract receivables” under residential development trade receivables amounted to ₱34.5 million and ₱47.5 million, respectively, and on “receivables from the sale of development rights” under commercial development trade receivables amounted to ₱7.4 million.

Movements in the unamortized discount on trade receivables in September 2018 and December 2017 are as follows:

	September 30, 2018		
	Residential development	Commercial development	Total
	(In Thousands)		
At January 1	₱47,498	₱7,420	₱54,918
Additions	-	-	-
Accretion (Note 22)	(12,973)	-	(12,973)
At September 30	₱34,525	₱7,420	₱41,765

	December 31, 2017		
	Residential development	Commercial development	Total
	(In Thousands)		
At January 1	₱50,524	₱-	₱50,524
Additions	22,597	7,420	30,017
Accretion (Note 22)	(25,623)	-	(25,623)
At December 31	₱47,498	₱7,420	₱54,918

Allowance for impairment losses pertains to trade receivables that are individually and collectively identified as impaired. No provision for impairment losses was recognized in September 2018, December 2017 and 2016. As of September 30, 2018 and December 31, 2017, allowance for impairment losses amounted to ₱16.7 million.

9. Inventories

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Subdivision lot for sale and development	₱911,233	₱554,627
Condominium units for sale	159,822	196,457
	₱1,071,055	₱751,084

The subdivision lot and condominium units are carried at cost.

A summary of the movements in inventories is set out below:

	September 30, 2018		Total
	Subdivision lot for sale and development	Condominium units under development	
		(In Thousands)	
At January 1	P554,627	P196,457	P751,084
Transfers from investment properties (Note 14)	294,101	-	294,101
Disposals (recognized as cost of real estate sales) (Note 23)	(123,056)	(36,635)	(159,691)
Construction/development costs incurred	185,560	-	185,560
Other adjustments	-	-	-
At September 30	P911,233	P159,822	P1,071,055

	December 31, 2017		Total
	Subdivision lot for sale and development	Condominium units under development	
		(In Thousands)	
At January 1	P441,764	P282,087	P723,851
Transfers to investment properties (Note 14)	72,963	-	72,963
Disposals (recognized as cost of real estate sales) (Note 23)	(119,797)	(85,630)	(205,427)
Construction/development costs incurred	159,995	-	159,995
Other adjustments	(298)	-	(298)
At December 31	P554,627	P196,457	P751,084

The amount of inventories recognized as cost of real estate sales in the consolidated statements of income amounted to P159.7 million and P205.4 million in September 30, 2018 and December 31, 2017, respectively (see Note 23)

There are no inventories as of September 30, 2018 and December 31, 2017 that are pledged as securities to liabilities.

10. Other Current Assets

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
		(In Thousands)
Input VAT	P269,858	P344,938
Prepaid expenses	29,035	51,740
CWT	29,025	28,335
Others	27,941	5,723
	P355,859	P430,736

Input VAT is applied against output VAT. The remaining balance is recoverable in future periods. This also includes input VAT deferred pertaining to unpaid services which are incurred and billings which had been received as of date.

Prepaid expenses consist of advance payments for project management fees, business taxes, office supplies, rentals, advertising and promotions, commissions, energy supply paid to a local utility provider and other expenses.

CWTs are applied against income tax payable and are recoverable in future periods.

11. Available-for-sale financial assets

AFS financial assets consist of investments in unquoted club shares of City Sports Club Cebu (CSCC) amounting to ₱303.8 million and ₱304.3 million as of September 30, 2018 and December 31, 2017, respectively. There is no change in the fair value of the investments in club shares in 2017 and 2016.

12. Property and Equipment

The rollforward analysis of this account follows:

	September 30, 2018			Total
	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
(In Thousands)				
Cost				
At January 1	₱349,851	₱145,141	₱32,631	₱527,623
Transfers from investment properties (Note 14)	–	–	–	–
Additions	18,515	2,551	375	21,441
Retirement	–	(215)	–	(215)
At September 30	368,366	147,477	33,006	548,849
Accumulated Depreciation				
At January 1	100,852	114,357	22,619	237,828
Depreciation and amortization (Note 23)	9,222	12,695	3,196	25,113
Retirement	–	(215)	–	(215)
Adjustments	–	30	–	30
At September 30	110,074	126,867	25,815	262,756
Net Book Value	₱258,292	₱20,610	₱7,191	₱286,093

	December 31, 2017			Total
	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
(In Thousands)				
Cost				
At January 1	₱121,785	₱138,147	₱30,863	₱290,795
Transfers from investment properties (Note 14)	222,691	–	–	222,691
Additions	5,375	8,330	2,324	16,029
Retirement	–	(1,336)	(556)	(1,892)
At December 31	349,851	145,141	32,631	527,623
Accumulated Depreciation				
At January 1	91,556	100,943	18,736	211,235
Depreciation and amortization (Note 23)	9,296	14,735	4,189	28,220
Retirement	–	(1,042)	(306)	(1,348)
Adjustments	–	(279)	–	(279)
At December 31	100,852	114,357	22,619	237,828
Net Book Value	₱248,999	₱30,784	₱10,012	₱289,795

The Group transferred ₱222.7 million from investment properties to property and equipment in 2017 which pertains to portion of building being used as office space of the Parent Company (see Note 14).

Depreciation and amortization charged to general and administrative expenses amounted to ₱25.1 million, ₱28.2 million and ₱19.9 million in September 30, 2018 and December 31, 2017 and 2016, respectively (see Note 23).

Fully depreciated assets that are still in use amounted to ₱142.7 million and ₱245.3 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, there are no property and equipment items that are pledged as security to liabilities.

13. Investments in Associates and a Joint Venture

The movements in investments in associates and a joint venture accounted for under equity method follow:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Cost		
At January 1	₱2,194,729	₱1,496,426
Additional capital infusion	450,870	698,303
At Sept 30/December 31	2,645,599	2,194,729
Accumulated equity in net income		
At January 1	374,059	359,346
Equity in net income for the year	56,167	14,713
At Sept 30/December 31	430,226	374,059
Accumulated equity in other comprehensive loss		
At January 1 and December 31	(1,078)	(1,078)
	₱3,074,747	₱2,567,710

The details of the Group's investment in associates and a joint venture and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	Sept. 30 2018	Dec. 31 2017	Sept. 30 2018	Dec. 31 2017
	(In Thousands)			
Associates:				
Solinea, Inc. (Solinea)	35%	35%	₱442,354	₱388,918
Cebu Insular Hotels Company, Inc. (CIHCI)	37	37	258,772	313,453
Central Block Developers, Inc. (CBDI)*	48	57	1,639,861	1,189,738
Amaia Southern Properties, Inc. (ASPI)	35	35	129,443	129,102
Southportal Properties, Inc. (SPI)	35	35	165,017	103,678
Joint Venture:				
CDPEI	14	14	439,300	442,821
			₱3,074,747	₱2,567,710

*Direct ownership and indirect ownership of the Parent Company is 25% and 47.9%, and 30% and 56.6% as of December 31, 2017 and 2016, respectively.

The significant transactions affecting the Group's investments in associates and a joint venture are as follows:

2017

In 2017, CHI and CPVDC made additional capital infusion to CBDI amounting to ₱314.0 million and ₱384.3 million, respectively, in relation to the latter's additional equity call to fund its ongoing project.

However, the Group waived its pre-emptive rights to the additional equity call in favor of ALI, the intermediate parent company, which resulted in a 5% reduction for both the Parent Company and CPVDC's ownership interest in CBDI as of December 31, 2017.

2016

In 2016, CHI and CPVDC made additional capital infusion to CBDI amounting to ₱150.0 million and ₱175.0 million, respectively, in relation to the latter's increase in authorized capital stock.

As of September 30, 2018 and December 31, 2017, the statements of financial position of these investments in associates and a joint venture are as follows:

	September 30, 2018			
	CBDI	CIHCI	Solinea	CDPEI
	(In Thousands)			
Current assets	₱833,137	₱107,162	₱2,724,689	₱453,460
Noncurrent assets	4,402,231	738,136	847,510	3,958,287
Total assets	₱5,235,368	₱845,298	₱3,572,199	₱4,411,747
Current liabilities	₱2,247,958	₱147,349	₱2,318,941	₱263,643
Noncurrent liabilities	6,376	–	324,148	1,219,437
Equity	2,981,034	697,949	929,110	2,928,667
Total liabilities and equity	₱5,235,368	₱845,298	₱3,572,199	₱4,411,747

	December 31, 2017			
	CBDI	CIHCI	Solinea	CDPEI
	(In Thousands)			
Current assets	₱831,347	₱285,161	₱2,568,093	₱254,760
Noncurrent assets	2,919,402	549,043	1,503,223	3,840,363
Total assets	₱3,750,749	₱834,204	₱4,071,316	₱4,095,123
Current liabilities	₱1,681,796	₱97,766	₱3,020,162	₱451,035
Noncurrent liabilities	6,338	16,104	205,248	691,983
Equity	2,062,615	720,334	845,906	2,952,105
Total liabilities and equity	₱3,750,749	₱834,204	₱4,071,316	₱4,095,123

The statements of comprehensive income of these investments for the years ended December 31, 2017, 2016 and 2015 are as follows:

	CBDI	CIHCI	Solinea	CDPEI
		(In Thousands)		
	For the year ended September 30, 2018			
Revenue	₱5,393	₱12,633	₱970,747	₱1,922
Costs and expenses	(6,761)	(15,759)	(891,246)	(25,360)
Net income (loss)	(1,368)	(3,125)	79,501	(23,438)
Other comprehensive loss	–	–	–	–
Total comprehensive income (loss)	₱(1,368)	₱(3,125)	(₱79,501)	(₱23,438)

	For the year ended December 31, 2017			
	Revenue	₱4,983	₱568,924	₱2,270,614
Costs and expenses	1,287	515,430	2,289,407	26,992
Net income (loss)	3,696	53,494	(18,793)	(22,454)
Other comprehensive loss	–	–	–	–
Total comprehensive income (loss)	₱3,696	₱53,494	(₱18,793)	(₱22,454)

	For the year ended December 31, 2016			
Revenue	P3,744	P513,662	P2,150,599	P690
Costs and expenses	702	500,613	1,816,469	7,155
Net income (loss)	3,042	13,049	334,130	(6,465)
Other comprehensive loss	-	-	-	-
Total comprehensive income (loss)	P3,042	P13,049	P334,130	(P6,465)

The Group's total equity in net earnings of associates and a joint venture amounted to P56.2 million, P14.7 million and P161.3 million in September 30, 2018 and December 31 2017 and 2016, respectively.

The aggregate financial information on associates on which the Group has immaterial interests in ASPI and SPI as of and for the years ended December 31 follows:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
		(In Thousands)	
Carrying amount	P294,460	P232,780	P250,753
Share in net income/total comprehensive income	40,905	2,802	38,521

14. Investment Properties

The rollforward analysis of this account follows:

	September 30, 2018				
	Land	Land Improvements	Buildings and Improvements	Construction-in-Progress	Total
	(In Thousands)				
Cost					
At January 1	P2,373,028	P14,385	P10,821,310	P753,574	P13,962,297
Additions	107,678	16	55,713	183,956	347,361
Transfers to:			632,165	(632,165)	-
Property and equipment (Note 12)	-	-	-	-	-
Inventories (Note 9)	(294,101)	-	-	-	(294,101)
At September 30	2,186,605	14,401	11,509,188	305,363	14,015,557
Accumulated Depreciation					
At January 1	-	5,155	3,076,082	-	3,081,237
Depreciation and amortization (Note 23)	-	2,187	383,576	-	385,763
Adjustments	-	-	-	-	-
At September 30	-	7,342	3,459,658	-	3,467,000
Net Book Value	P2,186,605	P 7,059	P8,049,530	P305,363	P10,548,557

December 31, 2017					
	Land	Land Improvements	Buildings and Improvements	Construction-in-Progress	Total
(In Thousands)					
Cost					
At January 1	P2,348,305	P14,059	P9,506,002	P1,756,645	P13,625,011
Additions	97,686	326	1,315,308	(780,380)	632,940
Transfers to:					
Property and equipment (Note 12)	-	-	-	(222,691)	(222,691)
Inventories (Note 9)	(72,963)	-	-	-	(72,963)
At December 31	2,373,028	14,385	10,821,310	753,574	13,962,297
Accumulated Depreciation					
At January 1	-	2,343	2,611,562	-	2,613,905
Depreciation and amortization (Note 23)	-	2,812	464,578	-	467,390
Adjustments	-	-	(58)	-	(58)
At December 31	-	5,155	3,076,082	-	3,081,237
Net Book Value	P2,373,028	P9,230	P7,745,228	P753,574	P10,881,060

The Group's investment properties consist of land and building held for commercial leasing to earn rentals.

In 2017, the Group transferred P222.7 million from investment properties to property and equipment in 2017 (see Note 12).

In 2016, the Group also transferred P231.7 million worth of subdivision lot from inventories to investment properties which was leased out by CPVDC to various tenants for its Garden Bloc project (see Note 9).

Depreciation charged to operations amounted to P385.8 million, P467.4 million and P382.2 million in September 30, 2018 and December 31, 2017 and 2016, respectively (see Note 23).

Total rental income from investment properties amounted to P1,607.3 million, P2,144.4 million in September 30, 2018 and December 31, 2017 and 2016, respectively (see Note 21). Total direct operating expenses related to investment properties that generated rental income amounted to P905.7 million, P906.2 million and P915.5 million in September 30, 2018 and December 31, 2017 and 2016, respectively.

Borrowing costs capitalized to construction-in-progress amounted to P55.1 million in 2016 (see Note 18). Capitalization rate used for general borrowings is 4.75% in 2016. The Group no longer have qualifying asset in 2017.

As of December 31, 2017 and 2016, there are no investment properties that are pledged as security to liabilities.

The aggregate fair value of the Group's investment properties amounted to P38,121.7 million and P25,672.7 million as of December 31, 2017 and 2016, respectively, which is based on the latest appraisal report. The fair values were classified under Level 3 of the fair value hierarchy (see Note 27).

The fair values of the investment properties were determined by independent professionally qualified appraisers. The fair values of the land and buildings were arrived at using the Sales Comparison Approach and Cost Approach, respectively.

Sales comparison approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

Cost Approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction/replacement cost (new) of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Description of valuation techniques used and key inputs to valuation on land and buildings included under investment properties as of December 31, 2017 and 2016 follows:

Property	Valuation technique	Significant unobservable inputs	Range	
			2017	2016
Land	Sales comparison approach	Price per square meter	₱13,000–₱250,000	₱7,000–₱96,000
Buildings	Cost approach	Reproduction cost	Current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item	
		Replacement cost	Cost of replacing an asset with an equally satisfactorily substitute asset. Normally derived from the current acquisition cost of a similar asset, new or used, or of an equivalent productive capacity or service potential.	

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

15. Land and Improvements

On February 9, 2016, the Group purchased two (2) parcels of land located in Lahug, Cebu City for a total consideration of ₱257.0 million and incurred additional related costs amounting to ₱6.8 million.

On August 7, 2015, the Group, together with Ayala Land, Inc. (Ayala Group), in consortium with SM Group, purchased the South Road Property Lot 8-B-1 from the City Government of Cebu for ₱2.3 billion payable in equal annual installments until August 7, 2018. In 2017 and 2016, the Group incurred additional land development costs amounting to ₱55.7 million and ₱59.2 million, respectively.

As of September 30, 2018 and December 31, 2017, the Group's land and improvements amounted to ₱3.0 billion and ₱2.6 billion. Outstanding liability for land acquisition amounted to ₱398.0 million and ₱351.6 million as of September 30, 2018 and December 31, 2017. (see Notes 17 and 19).

16. Other Noncurrent Assets

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Development rights (Note 14)	₱29,909	₱29,395
Deferred input VAT	13,762	23,927
Deposits	4,565	1,199
Others		513
	₱48,236	₱55,034

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.

Deferred input VAT arises from the purchase of capital goods and is recoverable in future periods. This is amortized over five (5) years or the assets' useful life, whichever is lower, and is applied against output VAT.

Deposits include advance payments made by the Group for future land and building developments.

17. Accounts and Other Payables

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Payable to related parties (Note 20)	₱2,941,220	₱2,406,878
Accrued project costs (Note 20)	536,930	722,952
Accrued Expenses	750,292	695,441
Liability for purchased land (Notes 15 and 19)	397,981	351,569
Taxes Payable	159,315	212,768
Retention Payable	224,581	211,949
Interest payable	103,134	4,386
Dividends payable	1,731	1,751
Others (Note 20)	13,015	97,866
	5,128,199	4,705,560
Noncurrent portion of liability purchased (Notes 15 and 19)	-	-
	₱5,128,199	₱4,705,560

Accrued expenses consist mainly of utilities, marketing and management fees, professional fees and repairs and maintenance. These are noninterest-bearing and are normally settled within a year.

Accrued project costs arise from progress billings or unbilled completed work on the development of residential and commercial projects.

Retentions payable pertains to the portion of the progress billings of constructions retained by the Group which will be released after the completion of the contractor's projects. The retention serves as a security from the contractor in case of defects in the project.

Taxes payable includes amusement taxes, expanded withholding taxes and deferred output VAT on uncollected receivables. These are settled on a monthly basis.

Interest payable pertains to unpaid interest expense on long-term debt as of reporting date.

Dividends payable pertains to dividends declared by CPVDC payable to non-controlling interests (see Note 28).

Noncurrent portion of liability for land purchased is presented as part of "Deposits and other noncurrent liabilities" in the consolidated statements of financial position.

Other payables are noninterest-bearing and are normally settled within one year. This also includes the Parent Company's payable to a related party for the purchase of commercial units (see Note 20).

18. Long-term Debt

This account consists of long-term bonds and bank loans of the Group as follows:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Bonds:		
Due 2021 (Note 18a)	P5,000,000	P5,000,000
Bank Loans:		
BSP overnight reverse repurchase agreement rate plus 0.25% per annum, inclusive of gross receipts tax (Note 18b)	388,500	404,250
Fixed rate corporate notes with interest rate of 4.75% per annum (Note 18c)	362,250	378,000
BSP Overnight Reverse repurchase Repurchase Agreement Rate plus 0.25% per annum, inclusive of gross receipts tax (Note 18d)	349,625	363,875
At 0.70% per annum spread over the 90-day PDST-R2 (Note 18e)	340,000	340,000
	6,440,375	6,486,125
Less unamortized debt issue cost	26,173	32,549
	6,414,202	6,453,576
Less current portion	59,952	59,942
	P6,354,250	P6,393,634

The Group's long-term debt are all unsecured. Debt issue costs are deferred and amortized using effective interest method over the term of the loans.

The rollforward analysis of the unamortized debt issue cost follow:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
At January 1	P32,549	P36,814
Additions	-	3,800
Amortization (Note 23)	(6,376)	(8,065)
At September 30/December 31	P26,968	P32,549

- a. On June 6, 2014, the Parent Company issued P5.0 billion fixed rate bonds. These bonds have a term of 7 years, payable in 2021, with a fixed rate of 5.32% per annum. The proceeds was used to fund the Group's projects in the pipeline, including on-going projects within the Cebu Business Park and Cebu I.T. Park and land banking initiatives.
- b. In March 2017, the Group availed the second drawdown from the P800.0 million credit facility amounting to P420.0 million which will mature in 2023.

The loan bears a floating interest rate based on the average yield for the 91-day treasury bills on PDST-R2 plus a spread of 70 basis points per annum or 95% of the BSP Overnight Reverse Repurchase Agreement rate, inclusive of gross receipts tax, whichever is higher. The related outstanding balance amounted to P404.3 million as of December 31, 2017.

- c. In December 2013, the Group obtained a loan with a principal amount of P420.0 million which are due in 2021. The loan is subject to a fixed interest rate of 4.75% per annum. This loan was used to finance the construction of eBloc 3 and eBloc 4 commercial buildings included under "Investment properties" (see Note 14). The interest is payable every quarter. Twenty five percent

(25%) of principal is payable in twenty (20) installments starting on the first quarter of 2016 and the remaining seventy five percent (75%) is payable on maturity date.

The related outstanding balance amounted to ₱378.0 million and ₱399.0 million as of December 31, 2017 and 2016, respectively. Total payments related to this loan amounted to ₱21.0 million in 2017 and 2016.

- d. In March 2016, the Group obtained a credit facility amounting to ₱800.0 million. In 2016, the Group made the first drawdown amounting to ₱380.0 million which will mature in 2023 and was used to finance the construction of eBloc 3. The loan bears a floating interest rate based on the average yield for the 91-day treasury bills on PDST-R2 plus a spread of 70 basis points per annum or 95% of the BSP Overnight Reverse Repurchase Agreement rate, inclusive of gross receipts tax, whichever is higher. The related outstanding balance amounted to ₱363.9 million and ₱378.1 million as of December 31, 2017 and 2016, respectively.
- e. In September 2017, the Group obtained a credit facility amounting to ₱375.0 million. In October 2017, the Group made the first drawdown amounting to ₱340.0 million which is due in installments until 2027. Proceeds were used to refinance existing loans and for general corporate purposes. The loan is subject to floating interest rate of 90-day PDST-R2 plus 0.70% per annum spread, or a floor rate of equivalent to the average of the BSP Overnight Deposit Facility Rate and Term Deposit Facility Rate of the tenor nearest to the interest period. The related outstanding balance amounted to ₱340.0 million as of December 31, 2017.
- f. In October 2010, the Group obtained various loans with a total principal amount of ₱680.0 million which are due in 2017. In respect with the fixed rate portion of these loans, fixed interest is the weighted average yield of the 7-year treasury bonds based on PDST-R2 plus a spread of 50 basis points per annum. Outstanding balance amounted to nil and ₱3.0 million as of December 31, 2017 and 2016, respectively.

In respect of the floating interest portion, floating interest rate is based on the weighted average yield for the 91-day treasury bills based on PDST-R2 plus a spread of 65 basis points per annum. Outstanding balance amounted to nil and ₱405.0 million as of December 31, 2017 and 2016, respectively. The interest is payable every quarter. Fifty percent (50%) of principal is payable in equal quarterly installments and the remaining balance is payable on maturity date.

On October 6, 2017, the Group's loans with floating interest and fixed rate portion matured and fully paid the said loans amounting to ₱408.0 million.

Interest on long-term debt recognized in the consolidated statements of income amounted to ₱315.3 million, ₱345.2 million, and ₱247.7 million in September 30, 2018 and December 31 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, the Group has capitalized interest from borrowed funds as part of the "Investment properties" account amounting to nil and ₱115.9 million, respectively (see Note 14).

Debt covenant

The loan agreements provide for certain restrictions and requirements with respect to, among others, major disposal of property, pledge of assets, liquidation, merger or consolidation and maintenance of ratio between debt and the tangible net worth not to exceed 3:1. These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

19. Deposits and Other Liabilities

This account consists of the following:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Tenants' deposits	₱795,311	₱793,870
Customers' deposits	299,580	258,204
Construction bond	76,808	85,361
Liability for purchased land (Notes 15 and 17)	-	-
	1,171,699	1,137,435
Less noncurrent portion	318,285	316,479
	₱853,413	₱820,956

The rollforward analysis of deferred credits under tenants' deposits follows:

	Sept. 30, 2018	Dec. 31, 2017
At January 1	₱19,628	₱15,750
Additions	-	7,629
Amortization (Note 23)	-	(3,751)
At September 30/ December 31	₱19,628	₱19,628

Tenants' deposits consist of rental security deposits to be refunded by the Group at the end of the lease contracts. These are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates for similar types of instruments.

Customers' deposits include customers' down payments related to real estate sales and excess of collections over the recognized receivables based on percentage-of-completion. The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage.

When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments are considered as payments to the total contract price.

Construction bond pertains to deposits made by tenants as security for the construction and design of the leased premises, to be refunded upon completion, which usually takes less than a year.

20. Related Party Transactions

Parties are considered to be related if, among others, 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 the party is an associate or a joint venture.

Terms and Conditions of Transactions with Related Parties

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

There have been no guarantees provided or received for any related party receivables or payables and are generally unsecured. Furthermore, these accounts are noninterest-bearing except for intercompany loans.

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:

	Amounts owed by related parties		Amounts owed to related parties	
	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)			
Subsidiaries of ALI	₱1,300,814	₱884,719	₱2,213,428	₱1,383,870
Associates:				
SPI	260,574	267,082	-	-
Solinea	251,367	251,367	-	-
CBDI	59,509	52,044	-	-
CIHC	-	-	5	-
Parent Company - ALI	83,580	30,946	727,787	1,023,008
Joint venture - CDPEI	1,830	1,604	-	-
Others	-	-	-	-
	₱1,957,674	₱1,487,762	₱2,941,220	₱2,406,878

	Revenue			Costs/Expenses		
	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
	(In Thousands)			(In Thousands)		
Associates - SPI	₱-	₱-	₱-	₱-	₱-	₱-
Joint venture - CDPEI	-	-	-	-	-	-
Parent Company - ALI	14,697	14,945	5,635	120,265	69,989	168,636
Subsidiaries of ALI	25,302	26,570	8,876	295,051	184,665	30,755
	₱39,999	₱41,515	₱14,511	₱415,316	₱254,654	₱199,391

Receivables from/payables to Solinea, Avida and Alveo pertain mostly to advances for and reimbursements of operating expenses, development costs and land acquisitions. Other related party receivables and payables pertain to advances and reimbursements arising from the Group's ordinary course of business.

These are generally trade-related, unsecured with no impairment, noninterest-bearing and payable within one year. The loans from DPSI, MDC and Serendra, Inc. bear interest ranging from 2.3% to 2.5% and are due and demandable as of December 31, 2017 and 2016.

The nature and amounts of material transactions with related parties as of December 31, 2017 and 2016 are as follows:

- In December 2015, the Group sold land to ALC amounting to ₱633.6 million which is payable in installment basis for twenty (20) years starting 2015. The related receivable is interest-bearing and was recognized at present value.
- Included under the accrued project costs in "Accounts and other payables" are construction costs payable to MDC amounting to ₱228.3 million and ₱342.9 million as of September 30, 2018 and December 31, 2017, respectively. Advances to MDC, which are included under advances to contractors in "Accounts receivable" (see Note 8) amounted to ₱121 million, ₱47.0 million as of September 30, 2018 and December 31, 2017, respectively.
- Expenses to ALI pertain to management fees, professional fees and systems costs.
 - Management and service fees charged by ALI amounted to ₱162.3 million, ₱125.0 million and ₱133.1 million in 2017, 2016 and 2015, respectively.
 - Professional fees charged by ALI amounted to ₱20.7 million in 2016.
 - Systems costs which were included in the Group's manpower costs amounted to ₱15.9 million, ₱27.6 million and ₱25.1 million in 2017, 2016 and 2015, respectively.

- As of December 31, 2017 and 2016, the Group has entered into transactions with BPI, an affiliate, consisting of cash and cash equivalents, financial assets at FVPL, fair value of plan assets and long-term debt with carrying amounts as follows:

	2017	2016
	(In Thousands)	
Cash and cash equivalents (Note 5)	₱145,908	₱82,315
Financial assets at FVPL (Note 7)	10,129	21,908
Long-term debt (Note 18)	1,480,215	1,181,781
Fair value of plan assets (Note 24)	37,104	46,499

- In December 2017, the Parent Company purchased commercial units with a floor area of 11,478.52 sq. m. from SPI's The Alcoves project amounting to ₱125.9 million, which is noninterest-bearing and payable in installment until May 2018.

Compensation of key management personnel by benefit type follows:

	2017	2016	2015
	(In Thousands)		
Short-term employee benefits	₱18,740	₱24,073	₱21,336
Post-employment pension and other benefits	817	924	1,025
	₱19,557	₱24,997	₱22,361

21. Real Estate Revenue

This account consists of:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
	(In Thousands)		
Rental income (Notes 14 and 30)	₱1,607,262	₱2,144,414	₱1,848,997
Real estate sales (Note 20)	519,234	347,712	297,610
Theater income	90,543	129,607	132,082
	₱2,217,039	₱2,621,733	₱2,278,689

22. Interest and Other Income

Interest income consists of:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
	(In Thousands)		
Interest income derived from:			
Cash and cash equivalents (Note 5)	₱2,080	₱1,047	₱841
Short-term investments (Note 6)	113	200	472
Intercompany loans	12,445	10,734	10,482
Accretion of receivables (Note 8)	12,973	25,623	22,903
Others	723	3,929	1,217
	₱28,333	₱41,533	₱35,915

Accretion of receivables includes interest accretion from the sale of land and condominium units.

Others includes interest earned from intercompany and employee loans and interest and penalty charges on real estate sales.

Other income consists of:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
		(In Thousands)	
Recoveries - net	₱183,655	₱206,193	₱175,379
Gain on sale of development rights (Notes 8 and 16)	-	168,195	-
Service income	885	18,847	5,082
Beverage	3,348	5,825	4,112
Realized and unrealized gain on financial assets at FVPL (Note 7)	100	244	316
Others	62,107	14,951	53,670
	₱250,095	₱414,255	₱238,559

Recoveries pertain to the excess collection from sewer, light and power and water charges from its rental operations. These are recognized when earned.

Gain on sale of development rights pertains to the net gain earned by the Parent Company from selling the development rights, which represents a portion of the gross floor area of a structure in a particular lot that is allowed to be developed by the buyers in the future (see Notes 8 and 16).

Service income pertains to the various management fees charged by the Group to various parties.

Others include annexation and service fees wherein, on July 31, 2015, a third party owning a land adjacent to Cebu IT Park, paid for annexation fee amounting to ₱29.5 million to gain an access on roads and IT Park Association membership. The land was subsequently sold to another third party on August 26, 2016 which requires service fee to the Group amounting to ₱27.1 million for processing of titles as well as application with Philippine Economic Zone Authority (PEZA) and Housing and Land Use Regulatory Board.

23. Costs and Expenses

Real estate, rental and theater expenses consist of:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
		(In Thousands)	
Cost of real estate sales (Note 9)	₱303,435	₱205,427	₱179,335
Depreciation and amortization (Note 14)	385,763	467,390	382,172
Marketing and management fees (Note 20)	183,444	230,838	199,567
Producers' film share	50,984	72,830	74,051
Manpower cost (Note 20)	33,235	23,020	22,838
Rental	1,345	1,956	2,540
Direct operating expenses:			
Security and janitorial	92,197	137,063	101,935
Repairs and maintenance	87,983	109,037	100,160
Taxes and licenses	62,799	81,510	79,208
Commission	24,386	54,445	17,579
Light and water	17,229	14,649	86,454
Dues and fees	8,653	12,172	11,320
Insurance	5,043	8,321	6,188
Professional fees	4,443	6,487	6,689
Transportation and travel	254	647	588
Representation	127	177	399
Others	30,092	11,611	24,824
	₱1,291,412	₱1,437,580	₱1,295,847

General and administrative expenses consist of:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
		(In Thousands)	
Manpower cost (Notes 20 and 24)	₱61,498	₱105,576	₱120,623
Depreciation and amortization (Note 12)	25,113	28,220	19,898
Stockholders' meeting	7,511	13,399	11,171
Professional fees	2,947	10,330	7,956
Repairs and maintenance	2,716	9,850	6,542
Transportation and travel	2,258	5,363	5,072
Trainings	617	4,336	3,336
Postal and communication	1,999	4,190	3,625
Dues and fees	531	4,121	1,082
Utilities	2,041	4,028	3,568
Security and janitorial	1,233	3,101	2,899
Representation	379	3,165	1,561
Supplies	1,233	2,805	2,844
Advertising	519	2,615	2,601
Taxes and licenses	439	746	892
Insurance	412	726	510
Rental	11	436	2,487
Provision for impairment loss (Note 8)	-	-	-
Others	6,665	9,076	2,354
	₱118,122	₱212,083	₱199,021

Other charges consist of:

	SEPT. 30, 2018	DEC. 31, 2017	DEC. 31, 2016
		(In Thousands)	
Provisions and other expenses	₱14,305	₱11,100	₱50,746
Amortization of discount on long-term debt (Note 18)	6,376	8,065	8,546
Amortization of deferred credits (Note 19)	-	3,751	5,594
	₱20,681	₱22,916	₱64,886

24. Pension Plan

As discussed in Note 2, the Group maintains a DC plan which is accounted for as a defined benefit (DB) plan with minimum guarantee due to the requirements of RA No. 7641, *The Retirement Pay Law*, covering all regular and permanent employees. The retirement plan is intended to provide for benefit payments to employees equivalent to the higher of the retirement fund credit or 150% of plan salary for every year of credited services. Benefits are paid in lump sum payable immediately.

The plan assets are being managed by BPI. The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the Plan and the risk appetite of the Plan sponsor.

The Group contributes to the fund based on the provision of the DC Plan. The Group updates the actuarial valuation every year by hiring the services of a third party professional qualified actuary. The latest actuarial valuation report was as of reporting date.

Changes in net defined liability in 2017 and 2016 are as follows:

2017													
Net benefit cost in consolidated statements of comprehensive income						Remeasurement in other comprehensive income							
	January 1, 2017	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid directly by the Group	Curtailment and Settlement	Return on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	December 31, 2017
Present value of defined benefit obligation	₱78,698	₱5,176	₱-	₱3,627	₱8,803	(₱6,263)	(₱93)	(₱15,915)	₱-	₱1,632	₱2,511	₱4,143	₱69,373
Fair value of plan assets	(46,499)	-	-	(2,507)	(2,507)	6,263	(4,000)	7,789	1,850	-	-	1,850	(37,104)
Net defined benefit liability (asset)	₱32,199	₱5,176	₱-	₱1,120	₱6,296	₱-	(₱4,093)	(₱8,126)	₱1,850	₱1,632	₱2,511	₱5,993	₱32,269

2016													
Net benefit cost in consolidated statements of comprehensive income						Remeasurement in other comprehensive income							
	January 1, 2016	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid directly by the Group	Curtailment and Settlement	Return on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	December 31, 2016
Present value of defined benefit obligation	₱89,242	₱7,596	₱-	₱4,420	₱12,016	(₱1,989)	₱-	₱-	₱-	(₱21,646)	₱1,075	(₱20,571)	₱78,698
Fair value of plan assets	(33,210)	-	-	(1,749)	(1,749)	1,989	(15,005)	-	1,476	-	-	1,476	(46,499)
Net defined benefit liability (asset)	₱56,032	₱7,596	₱-	₱2,671	₱10,267	₱-	(₱15,005)	₱-	₱1,476	(₱21,646)	₱1,075	(₱19,095)	₱32,199

The Group's fund is in the form of a trust fund being maintained by BPI Asset Management. 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 Group expects to contribute ₱6.0 million to its retirement fund in 2018.

The major categories of the Group's plan asset follows:

	2017	2016
Government Securities	93.95%	38.16%
Unit Investments Trust Fund	5.20	5.15
Cash and Cash equivalents	0.85	0.16
Mutual Fund	0.00	56.53
	100.00%	100.00%

All debt instrument held have quoted prices in an active market.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation 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:

	2017	2016	2015
Discount rate	5.00%	5.25%	5.00%
Salary increase rate	5.00	5.00	7.00

The sensitivity analysis below has been determined based on reasonable 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, as of December 31:

		Effect on DBO	
		2017	2016
Discount rate	1.0% increase	(8.92%)	(9.45%)
Discount rate	1.0% decrease	10.23%	11.19%
Rate of salary increase	1.0% increase	10.23%	11.11%
Rate of salary increase	1.0% decrease	(9.00%)	(9.55%)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11 years and 12 years as of December 31, 2017 and 2016, respectively.

The following table shows the maturity profile of the Group's defined benefit obligation based on undiscounted benefit payments:

	2017	2016
	(In Thousands)	
Within 1 year	₱1,844	₱4,727
More than 1 year to 5 years	23,032	16,231
More than 5 years to 10 years	25,933	2,362
More than 10 years	-	38,920
	₱50,809	₱62,240

25. Income Taxes

The provision for current income tax represents 30% RCIT, 2% MCIT and 5% rate on gross income tax (GIT) amounting to P235.1 million, P251.1 million and P132.1 million in September 30, 2018 and December 31 2017 and 2016, respectively.

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Income subjected to lower income tax rates	(5.28)	(6.22)	(13.27)
Equity in net earnings of associates and a joint venture	(7.28)	(0.41)	(7.28)
Interest income and capital gains taxed at lower rates	(0.10)	(0.02)	(0.03)
Expired NOLCO and MCIT	0.00	0.97	3.54
Others	(4.16)	0.01	6.36
Effective income tax rate	13.18%	24.33%	19.32%

The components of net deferred tax assets as of September 30, 2018 and December 31, 2017 are as follows:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Deferred tax assets on:		
Unapplied NOLCO	P20,785	P21,668
Advance rent	13,530	13,530
Unamortized discount on intercompany payable	5,873	5,873
MCIT	5,429	3,543
Unamortized discount on customers' deposits	1,314	1,763
Allowance for impairment losses	642	642
Others	53,110	3,065
	100,683	50,084
Deferred tax liabilities on:		
Accrued rental income	17,062	20,685
Capitalized interest	14,762	17,079
Difference between tax and book basis of accounting for real estate transactions	2,322	2,322
Others	3,811	5,441
	37,957	45,527
	P62,726	P4,557

The components of net deferred tax liabilities as of September 30, 2018 and December 31, 2017 are as follows:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Deferred tax assets on:		
Allowance for impairment losses	P28,635	P28,635
Accrued expenses	19,725	21,215
Unamortized discount on sale of land	6,638	6,599
Retirement benefits	4,937	3,737
Unrealized foreign exchange loss	717	717
Advance rent	817	667
Interest accretion on rental deposits	10	32

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Others	1,947	786
	63,426	62,388
Deferred tax liabilities on:		
Unrealized gross profit on lot sale	P103,549	P114,907
Unamortized capitalized interest	87,855	90,024
Difference between tax and book basis of accounting for real estate transactions	44,393	58,665
Others	71,046	60,098
	306,843	323,694
	P243,417	P261,306

As of December 31, 2017 and 2016, deferred tax assets arising from NOLCO and MCIT amounting to P1.9 million and P4.8 million, respectively, and P0.17 million and P0.09 million, respectively, have not been recognized by TPEPI since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized.

The Group has deductible temporary differences, NOLCO and MCIT, that are available for offset against future income tax liabilities for which deferred tax assets have not been recognized. These deductible temporary differences, NOLCO and MCIT, as of December 31, 2017 and 2016 follow:

NOLCO

Year Incurred	Amount	Expired	Balance	Expiry Date
2017	P25,599,407	P-	P25,599,407	2020
2015	48,495,209	-	48,495,209	2018
2014	37,354,687	(37,354,687)	-	2017
2013	32,131,800	(32,131,800)	-	2016
	P143,581,103	(P69,486,487)	P74,094,616	

MCIT

Year Incurred	Amount	Expired	Balance	Expiry Date
2017	P1,324,094	P-	P1,324,094	2020
2016	2,192,808	-	2,192,808	2019
2015	194,886	-	194,886	2018
2014	76,948	(76,948)	-	2017
	P3,788,736	(P76,948)	P3,711,788	

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. The TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis. 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 did not have any significant impact on the consolidated financial statement balances as of the reporting date.

The Group's management is currently assessing the impact of the TRAIN Law on its 2018 consolidated financial statement balances.

26. Basic/Diluted Earnings Per Share

The following table presents information necessary to compute EPS:

	Sept. 30, 2018	Dec. 31, 2017	Dec. 31, 2016
	(In Thousands, except EPS)		
a. Net income attributable to the equity holders of the Parent Company	₱569,298	₱753,447	₱679,663
b. Weighted average number of outstanding shares	1,920,074	1,920,074	1,920,074
c. Basic/Diluted Earnings per share (a/b)	₱0.30	₱0.39	₱0.35

There were no potential dilutive shares in 2017, 2016 and 2015.

27. Financial Information and Financial Instruments

Fair Value Information

The carrying amount of cash and cash equivalents, short-term investments, financial assets at FVPL, receivables (except trade residential development and certain receivables from related parties), accounts and other payables (excluding statutory liabilities) and deposits and other liabilities (except tenants' deposits) are approximately equal to their fair value due to the short-term nature of the transaction.

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

- *Cash and cash equivalents and short-term investments:* The fair value of cash and cash equivalents and short-term investment approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.
- *Financial assets at FVPL:* The fair value estimates are based on net assets value of the reporting date.
- *Receivables:* The fair value of receivables due within one year approximates its carrying amounts. Noncurrent portion of receivables are discounted using the applicable discount rates for similar types of instruments. The discount rates used ranged from 3.7% to 5.0% as of December 31, 2017 and 2016.
- *AFS financial assets:* The fair value of AFS financial assets is determined based on the available selling price in the market.
- *Accounts and other payables:* The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.
- *Long-term debt and deposits and other liabilities:* Current portion of long-term debt and deposits and other liabilities approximates its fair value due to its short-term maturity. The fair value of fixed rate instruments 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 value. The discount rates used ranged from 1.8% to 5.3% as of December 31, 2017 and 2016.

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities carried at fair values and those which fair value are disclosed:

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In Thousands)				
Loans and Receivables				
Trade residential development	₱176,796	₱289,793	₱201,354	₱289,793
Receivable from related parties	1,957,674	590,904	1,487,762	590,904
Other Financial Liabilities				
Long-term debt	₱6,354,250	₱6,435,260	₱6,486,125	₱6,453,576
Tenants' deposits under deposits and other liabilities	795,311	775,683	820,956	790,726

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 prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data

The quantitative disclosure on fair value measurement hierarchy for financial instruments as of September 30 follow:

	Date of valuation	September 30, 2018				
		Carrying Values	Total	Fair value measurements using		
				Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value						
AFS	September 30, 2018	₱303,771	₱303,771	₱-	₱-	₱303,771
FVPL	September 30, 2018	10,296	10,296	-	10,296	-
Assets for which fair values are disclosed						
Trade residential development	September 30, 2018	176,796	289,793	-	-	289,793
Receivable from related parties	September 30, 2018	1,957,674	590,904	-	-	590,904
Investment properties	September 30, 2018	10,548,557	38,121,748	-	-	38,121,748
Liabilities for which fair values are disclosed						
Long-term debt	September 30, 2018	6,354,250	6,435,260	-	-	6,435,260
Tenants' deposits under deposits and other liabilities	September 30, 2018	795,311	775,683	-	-	775,683

		Dec. 31, 2017				
		Fair value measurements using				
	Date of valuation	Carrying Values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value						
AFS	December 31, 2017	P304,333	P304,333	P-	P-	P304,333
FVPL	December 31, 2017	10,129	10,129	-	10,129	-
Assets for which fair values are disclosed						
Trade residential development	December 31, 2017	201,354	289,793	-	-	289,793
Receivable from related parties	December 31, 2017	1,487,762	590,904	-	-	590,904
Investment properties	December 31, 2017	10,881,060	38,121,748	-	-	38,121,748
Liabilities for which fair values are disclosed						
Long-term debt	December 31, 2017	6,486,125	6,453,576	-	-	6,453,576
Tenants' deposits under deposits and other liabilities	December 31, 2017	820,956	790,726	-	-	790,726

The Group categorized the fair value of long-term debt and deposits and other noncurrent liabilities under Level 3 as of December 31, 2017 and 2016. The fair value of these financial instruments was 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.

For land, significant increases (decreases) in the price per square meter, in isolation, would result in a significantly higher (lower) fair value of the properties.

For buildings, significant increases (decreases) in the replacement and reproduction costs, in isolation, would result in a significantly higher (lower) fair value of the properties.

There have been no reclassifications between Level 1, 2 and 3 categories in 2017 and 2016.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets and long-term debt.

The main purpose of the Group's financial instruments is to fund its operations, capital expenditures and finance the projects. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Exposure to credit risk, liquidity risk and market risk (i.e., foreign currency risk and interest rate risk) arises in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risks are primarily attributable to financial assets such as cash and cash equivalents, financial assets and FVPL and receivables.

To manage credit risk, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of 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 AFS financial assets. 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.

As for the receivables from related parties, receivable from employees and other receivables, the maximum exposure to credit risk from these financial assets arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

An analysis of the maximum exposure to credit risk from the Group's trade receivables and the fair values of the related collaterals are shown below:

	September 30, 2018			
	Maximum exposure to credit risk	Fair value of collaterals	Net Exposure	Financial effect of collateral or credit enhancement
	(In Thousands)			
Trade receivables:				
Residential development	₱176,796	₱60,860	₱115,936	₱6,860
Commercial development	505,345	20,068	485,277	20,068
Shopping centers	186,093	736,125	–	186,093
Corporate business	106,170	237,310	–	106,170
	₱974,404	₱1,054,363	₱601,213	₱373,191

December 31, 2017

	Maximum exposure to credit risk	Fair value of collaterals	Net Exposure	Financial effect of collateral or credit enhancement
(In Thousands)				
Trade receivables:				
Residential development	₱201,354	₱289,793	₱-	₱289,793
Shopping centers	136,819	-	136,819	-
Corporate business	113,348	774,242	-	113,348
Commercial development	69,088	179,583	-	69,088
	₱520,609	₱1,243,618	₱136,819	₱472,229

The table below shows the credit quality by class of the Group's financial assets (gross of allowance for impairment losses):

September 30, 2018

	Neither Past Due nor Impaired			Past Due or Impaired	Total
	High Grade	Medium Grade	Low Grade		
(In Thousands)					
Cash and cash equivalents (excluding cash on hand)	₱212,549	₱-	₱-	₱-	₱212,549
Financial assets at FVPL	10,296	-	-	-	10,296
Trade receivables:					
Residential development	176,796	-	-	-	176,796
Commercial development	505,345	-	-	-	505,345
Shopping centers	125,416	9,508	13,768	37,401	186,093
Corporate business	69,353	-	-	36,817	106,170
Receivable from related parties	1,957,674	-	-	-	1,957,674
Receivables from employees	12,997	-	-	-	12,997
Accrued receivable	300,124	-	-	-	300,124
Others	17,483	-	-	-	17,483
AFS financial assets	-	-	303,771	-	303,771
	₱3,388,033	₱9,508	₱317,539	₱74,218	₱3,789,298

December 31, 2017

	Neither Past Due nor Impaired			Past Due or Impaired	Total
	High Grade	Medium Grade	Low Grade		
(In Thousands)					
Cash and cash equivalents (excluding cash on hand)	₱144,176	₱-	₱-	₱-	₱144,176
Financial assets at FVPL	10,129	-	-	-	10,129
Trade receivables:					
Residential development	201,354	-	-	-	201,354
Commercial development	136,819	-	-	-	136,819
Shopping centers	64,729	2,243	-	46,376	113,348
Corporate business	27,859	-	-	41,229	69,088
Receivable from related parties	1,469,300	-	-	18,462	1,487,762
Receivables from employees	16,741	-	-	-	16,741
Accrued receivable	309,297	-	-	-	309,297
Others	59,372	-	-	-	59,372
AFS financial assets	-	-	304,333	-	304,333
	₱2,439,776	₱2,243	₱304,333	₱106,067	₱2,852,419

Others includes non-trade receivables from sewer and management fees, receivable from SSS and accrued interest receivable from money market placements.

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

- *Cash and cash equivalents and financial assets at FVPL* - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.
- *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.

As of September 30, 2018 and December 31, 2017, the Group does not have restructured financial assets. The Group has no significant credit risk concentrations on its receivables. Policies are in place to ensure that lease contracts and contracts to sell are made with customers with good credit history.

Given the Group's diverse base of counterparties, it is not exposed to large concentration of credit risk. As of September 30, 2018 and December 31, 2017, the aging analysis of receivables presented per class, is as follow:

September 30, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired					Individually Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
(In Thousands)								
Trade receivables:								
Residential development	P158,299	P-	P463	P-	P830	P17,204	P-	P176,796
Shopping centers	147,220	-	7,966	1,541	5,981	6,702	16,683	186,093
Commercial development	358,648	-	1,385	8	1,604	143,700	-	505,345
Corporate business	22,999	-	19,594	13,799	26,759	23,019	-	106,170
Receivable from related parties	1,885,592	-	-	-	17,007	55,075	-	1,957,674
Receivable from employees	12,997	-	-	-	-	-	-	12,997
Accrued receivable	300,124	-	-	-	-	-	-	300,124
Others	17,483	-	-	-	-	-	-	17,483
	P2,901,438	P-	P29,408	P15,348	P52,181	P247,624	P16,683	P3,262,682

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired					Individually Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
(In Thousands)								
Trade receivables:								
Residential development	P201,354	P-	P-	P-	P-	P-	P-	P201,354
Shopping centers	136,819	-	-	-	-	-	-	136,819
Corporate business	66,972	5,969	4,744	5,226	7,009	6,745	16,683	113,348
Commercial development	27,859	-	6,516	14,560	8,221	11,932	-	69,088
Receivable from related parties	1,469,300	-	365	14,269	2,463	1,365	-	1,487,762
Receivable from employees	16,741	-	-	-	-	-	-	16,741
Accrued receivable	309,297	-	-	-	-	-	-	309,297
Others	59,372	-	-	-	-	-	-	59,372
	P2,287,714	P5,969	P11,625	P34,055	P17,693	P20,042	P16,683	P2,393,781

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

As of September 30, 2018 and December 31, 2017, current ratio is 0.75:1 and 0.60:1, respectively, with cash and cash equivalents, short-term investments and financial assets at FVPL of P223.3 million and P189.5 million, respectively, accounting for 4.9% and 6.5% of the total current assets, respectively, and resulting in a negative net working capital of P1,548.0 million and P2,263.4 million, respectively.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities as of September 30 based on the contractual undiscounted payments.

September 30, 2018

	< 1 year	1 to < 2 years	2 to < 3 years	> 3 years	Total
	(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	P212,549	P-	P-	P-	P 212,549
Short-term investments	-	-	-	-	-
Financial assets at fair value through profit or loss	10,296	-	-	-	10,296
Receivable	2,761,436	270,542	202,434	28,270	3,262,682
Total financial assets	P2,984,281	P270,542	P202,434	P28,270	P3,485,527
Accounts and other payables	P4,467,769	P-	P-	P-	P4,467,769
Long-term debt	59,952	72,716	432,680	5,848,854	6,414,202
Interest payable - long-term debt	103,134	758,061	73,585	66,178	1,000,958
Deposits and other liabilities	1,568,667	223,454	387	94,444	1,886,952
Total other financial liabilities	P6,199,522	P,054,231	P506,652	P6,009,476	P13,769,881

Cash and cash equivalents, financial assets at FVPL and accounts receivable are used for the Group's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed under interest rate risk section.

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.

Majority of the Group's transactions are denominated in Philippine Peso. There are only minimal placements in foreign currencies and the Group does not have any foreign-currency-denominated debt. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign-currency-denominated monetary assets and their Peso equivalents as of September 30, 2018 and December 31, 2017:

	Sept. 30, 2018		Dec. 31, 2017	
	US Dollar	Php Equivalent	US Dollar	Php Equivalent
(In Thousands)				
Cash and cash equivalents	\$1,438	₱77,700	\$520	₱26,265

In translating the foreign-currency-denominated monetary assets into Peso amounts, the exchange rates used were ₱54.02 to US\$1.00 and ₱49.72 to US\$1.00, the Philippine Peso-US Dollar exchange rates as of September 30, 2018 and December 31, 2017, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar rate, with all variables held constant, of the Group's profit before tax (due to changes in the Peso equivalent of the dollar-denominated cash and cash equivalents and short-term investments). There is no other impact on the Group's equity other than those already affecting the profit or loss.

	Increase (Decrease) in exchange rate	Effect on Profit Before Tax
	(In Thousands)	
September 30, 2018	₱1.00	₱1,438
	(1.00)	(1,438)
December 31, 2017	1.00	520
	(1.00)	(520)

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

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

The following tables demonstrate the sensitivity of the Group's income before income tax and equity to a reasonable possible change in interest rates, with all variables held constant, (through the impact on floating rate borrowings) as of December 31:

	Change in basis points	2017	2016
		(In Thousands)	
Increase (decrease):			
Effect on income before income tax	+ 100 basis points	(₱10,933)	(₱11,031)
	- 100 basis points	10,933	11,031

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with its corresponding nominal amounts and carrying values (in thousands) are shown in the following table:

September 30, 2018

Group	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	Carrying Value
Cash and cash equivalents	Fixed at the date of investment	Various	P212,549	P212,549	P-	P212,549
Accounts receivable	Fixed at the date of sale	Date of Sale	3,262,682	2,786,709	475,973	3,262,682
			P3,475,231	P2,999,258	P475,973	P3,475,231
Parent Company						
Long-term debt						
<i>Fixed</i>						
Peso	Fixed rate of average 5-year treasury bond + 0.60% spread	Maturity date	P5,000,000	P-	P4,978,942	P4,978,942
Peso	Fixed rate corporate notes with interest of 4.75% per annum	Maturity date	362,250	20,711	340,827	361,538
<i>Floating</i>						
Peso	Floating rate of average 91-day treasury bill rate + 0.70% spread	Maturity date	388,500	20,678	366,231	386,909
Peso	Floating rate of average 91-day treasury bill rate + 0.70% spread	Maturity date	349,625	18,747	329,628	348,375
Peso	Floating rate of average 91-day treasury bill rate + 0.70% spread	Maturity date	340,000	0	340,000	340,000
			P6,440,375	P60,136	P6,355,628	P 6,415,764

December 31, 2017

Group	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	Carrying Value
Cash and cash equivalents	Fixed at the date of investment	Various	P144,176	P144,176	P-	P144,176
Accounts receivable	Fixed at the date of sale	Date of sale	2,393,781	1,901,125	492,656	2,393,781
			P2,537,957	P2,045,301	P492,656	P2,537,957
Parent Company						
Long-term debt						
<i>Fixed</i>						
Peso	Fixed rate of average 5-year treasury bond + 0.60% spread	Maturity date	P5,000,000	P-	P 4,973,361	P4,973,361
Peso	Fixed rate corporate notes	Maturity date	378,000	20,708	356,362	377,070
Peso	Fixed rate 7-year treasury bond + 0.50 spread	Maturity date	404,250	20,672	381,741	402,413
<i>Floating</i>						
Peso	Floating rate of average 91-day treasury bill rate + 0.65% spread	Maturity date	363,875	18,742	343,689	362,431
Peso	Floating rate of average 91-day treasury bill rate + 0.70% spread	Maturity date	340,000	(180)	338,481	338,301
			P6,486,125	P59,942	P6,393,634	P6,453,576

The maturities of long-term debt at nominal values are as follow:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Due in:		
2017	₱-	₱-
2018	61,000	61,000
2019	69,500	61,000
2020	377,250	78,000
2021	5,057,000	5,372,000
2022	595,125	57,000
2023	17,000	585,125
2024	17,000	17,000
2025	17,000	17,000
2026	17,000	17,000
2027	212,500	221,000
	₱6,440,375	₱6,486,125

In September 2017, the Group obtained a credit facility amounting to ₱375.0 million. In October 2017, the Group made the first drawdown amounting to ₱340.0 million which is due in installment until 2027. Proceeds were used to refinance existing loans and for general corporate purposes. The loan is subject to floating interest rate of 90-day PDST-R2 plus 0.70% per annum spread, or a floor rate of equivalent to the average of the BSP Overnight Deposit Facility Rate and Term Deposit Facility Rate of the tenor nearest to the interest period (see Note 18).

In March 2017, the Group availed the second drawdown from the ₱800.0 million credit facility amounting to ₱420.00 million which will mature in 2023. The related outstanding balance amounted to ₱404.3 million as of December 31, 2017 (see Note 18).

In March 2016, the Group obtained a credit facility amounting to ₱800.0 million. As of December 31, 2017 and 2016, the undrawn amount amounted to ₱380.0 million and ₱420.0 million, respectively (see Note 18).

In June 2014, the Group acquired a ₱5.0 billion bonds to partially finance its capital expenditure requirements. As of December 31, 2017 and 2016, the Group's outstanding liability is ₱5.0 billion, which is due for payment in 2021 (see Note 18).

Equity price risk

Financial assets at FVPL 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 measures the sensitivity of its investment securities based on the average historical fluctuation of the investment securities' net asset value per unit (NAVPU). All other variables held constant, with a duration of 0.12 year and 0.09 year for 2017 and 2016, respectively, a 1.0% change in NAVPU will increase/decrease net income and equity by ₱0.01 million and ₱0.02 million for the years ended December 31, 2017 and 2016, respectively.

28. Equity

Capital Stock

The details of the Parent Company's common shares as of September 30, 2018 and December 31, 2017 follow:

Authorized shares	3,000,000,000
Par value per share	₱1.0
Shares issued and outstanding	1,920,073,623

In accordance with Securities Regulation Code Rule 68, As Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as of December 31:

				Sept. 2018	Dec. 2017
	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities	Number of holders of securities
Common shares	3,000,000,000	₱1.00 par value ₱4.00 issue price	February 14, 1994	3,988	4,029

Additional paid-in capital (APIC)

The excess of subscription received over the par value were charged to APIC amounted to ₱856.7 million as of September 30, 2018 and December 31, 2017.

Unappropriated retained earnings

The retained earnings available for dividend distribution of the Parent Company amounted to ₱2000.4 million and ₱1,868.6 million as of September 30, 2018 and December 31, 2017, respectively.

Retained earnings include undistributed net earnings of subsidiaries and associates amounting ₱1,852.3million as of September 30, 2018 and December 31, 2017, respectively. These amounts are not available for dividend declaration until declared by the subsidiaries and affiliates.

In December 2017, the Parent Company's BOD declared ₱0.15 per share cash dividends totaling ₱288.0 million from unappropriated retained earnings to all its issued and outstanding shares as of record date December 20, 2017, and paid on December 27, 2017.

On November 17, 2016, the Parent Company's BOD declared ₱0.12 per share cash dividends totaling ₱230.4 million from unappropriated retained earnings to all its issued and outstanding shares as of record date December 2, 2016, and paid on December 12, 2016.

On December 1, 2015, the Parent Company's BOD declared ₱0.12 per share cash dividends totaling ₱230.4 million from unappropriated retained earnings to all its issued and outstanding shares as of record date December 16, 2015, and paid on December 23, 2015.

On December 11, 2015, CPVDC's BOD declared ₱0.12 per share cash dividends from unappropriated retained earnings to all its issued and outstanding shares as of record date December 16, 2015, and paid on December 23, 2015.

Appropriated retained earnings

On November 22, 2012, the Parent Company's BOD approved and authorized the appropriation of retained earnings amounting to ₱1.3 billion which shall be used for land acquisition and future development projects.

In 2015, the Parent Company bought a land amounting to ₱2.3 billion with remaining unpaid balance of ₱351.6 million and ₱703.1 million as of December 31, 2017 and 2016, respectively (see Note 15). However, the appropriation was not yet released since the development has not started as of December 31, 2017.

Capital Management

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 Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The Group monitors its capital structure using leverage ratios on both a gross and net basis, and makes adjustments to it in light of economic conditions. Debt consists of long-term debt. Net debt includes long-term debt less cash and cash equivalents and financial assets at FVPL. The Group considers as capital the equity attributable to equity holders of the Parent Company.

As of September 30 and December 31, the Group had the following ratios:

	Sept. 30, 2018	Dec. 31, 2017
	(In Thousands)	
Long-term debt	₱6,414,202	₱6,453,576
Less:		
Cash and cash equivalents	212,970	176,788
Short-term investments	-	2,543
Financial assets at fair value through profit or loss	10,296	10,129
Net debt	₱6,190,936	₱6,264,116
Equity attributable to equity holders of Cebu Holdings, Inc.	₱7,558,428	₱6,989,133
Debt to equity	84.86%	92.34%
Net debt to equity	81.91%	89.63%

29. Segment Information

The business segments where the Group operates are as follows:

Core business:

- Commercial development - sale of commercial lots, club shares and development rights
- Residential development - sale of residential lots and condominium units
- 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
- Corporate business - development and lease of office buildings
- Others - other investing activities such as investment in joint ventures and sale of non-core assets

No business segments have been aggregated to form the reportable business segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The accounting and measurement policies used are consistent with the policies used in preparing general-purpose financial statements.

Sales, costs and expenses include amounts that are directly attributable to each segment. Items that are not directly identified are allocated based on the segment's proportionate share on the total revenue.

Business Segments

The following tables regarding business segments present assets and liabilities as of September 30, 2018, December 31, 2017 and 2016 revenue and expense information for the three-year year ended September 30, 2018, December 31, 2017 and December 31, 2016.

Sept. 30, 2018

	Commercial Development	Residential Development	Shopping Centers	Corporate Business	Others	Eliminations and Adjustments	Total
	(In Thousands)						
Revenue							
Sales to external customers	₱253,802	₱265,432	₱1,157,382	₱540,783	₱ 22,854	(₱23,215)	₱ 2,217,038
Equity in net earnings of associates and a joint venture	-	-	-	-	292,812	(236,645)	56,167
Total revenue	253,802	265,432	1,157,382	540,783	315,666	(259,860)	2,273,205
Operating expenses	(170,355)	(215,418)	(595,901)	(443,870)	(7,209)	23,216	(1,409,537)
Operating profit (loss)	83,447	50,014	561,481	96,913	308,457	(236,644)	863,668
Interest income	6,944	11,124	3,320	133	9,344	(2,532)	28,333
Other income	313	-	93,611	125,841	30,330	-	250,095
Interest and other financing charges	-	-	(4,989)	(36,988)	(296,539)	2,532	(335,984)
Provision for (benefit from) income tax	(28,041)	(18,342)	(11,295)	6,220	(107,589)	-	(159,047)
Net income (loss)	₱62,663	₱42,796	₱642,128	₱192,119	(₱55,997)	(₱236,644)	₱647,065
Net income (loss) attributable to:							
Equity holders of Cebu Holdings, Inc.	₱53,852	₱33,581	₱602,614	₱172,684	(₱56,792)	(₱236,644)	₱569,295
Non-controlling interests	8,811	9,215	39,514	19,436	794	-	77,770
	₱62,663	₱42,796	₱642,128	₱192,120	(₱55,998)	(₱236,644)	₱647,065
Other Information							
Segment assets	₱909,623	₱1,214,092	₱5,374,264	₱8,112,900	₱3,557,547	₱44,963	₱19,213,389
Investments in associates and a joint venture	-	-	-	-	5,827,592	(2,752,845)	3,074,747
Deferred tax assets	-	-	-	-	62,726	-	62,726
Total assets	₱909,623	₱1,214,092	₱5,374,264	₱8,112,900	₱9,447,865	(₱2,707,882)	₱22,350,862
Segment liabilities	₱710,443	₱225,531	₱2,820,069	₱3,077,540	₱6,866,743	(₱187,579)	₱13,512,747
Deferred tax liabilities	-	-	-	-	228,049	15,368	243,417
Total liabilities	₱710,443	₱225,531	₱2,820,069	₱3,077,540	₱7,094,792	(₱172,211)	₱13,756,164
Segment additions to property and equipment and investment properties	₱-	₱-	₱235,747	₱125,083	₱7,971	₱-	₱368,801
Depreciation and amortization	₱-	₱-	₱232,378	₱155,967	₱22,531	₱-	₱410,876

Dec. 31, 2017

	Commercial Development	Residential Development	Shopping Centers	Corporate Business	Others	Eliminations and Adjustments	Total
	(In Thousands)						
Revenue							
Sales to external customers							
Equity in net earnings of associates and a joint venture	P-	P347,712	P1,351,061	P644,398	P30,219	P248,343	P2,621,733
Total revenue	-	-	-	-	278,938	(264,225)	14,713
Operating expenses	-	347,712	1,351,061	644,398	309,157	(15,882)	2,636,446
Operating profit (loss)	(20,335)	(292,072)	(675,914)	(499,274)	(180,826)	18,758	(1,649,663)
Interest income	(20,335)	55,640	675,147	145,124	128,331	2,876	986,783
Other income	1,945	12,134	5,693	4,105	20,271	(2,615)	41,533
Interest expense	160,679	-	67,200	155,036	41,165	(9,825)	414,255
Other charges	-	-	-	-	(368,130)	-	(368,130)
Provision for (benefit from) income tax	(43,166)	(20,510)	(207,446)	1,712	7,973	-	(261,437)
Net income (loss)	P99,123	P47,264	P540,594	P305,977	(P170,390)	(P9,564)	P813,004
Net income (loss) attributable to:							
Equity holders of Cebu Holdings, Inc.	P99,123	P 38,488	P506,725	P289,823	(P171,148)	(P9,564)	P753,447
Non-controlling interests	-	8,776	33,869	16,154	758	-	59,557
	P99,123	P47,264	P540,594	P305,977	(P170,390)	(P9,564)	P813,004
Other Information							
Segment assets	P1,057,939	P1,097,367	P9,694,284	P6,803,056	P3,327,539	(P3,932,837)	P18,047,348
Investments in associates and a joint venture	-	-	-	-	2,567,710	-	2,567,710
Deferred tax assets	-	-	-	-	4,557	-	4,557
Total assets	P1,057,939	P1,097,367	P9,694,284	P6,803,056	P5,899,806	(P3,932,837)	P20,619,615
Segment liabilities	P842,816	P181,572	P2,461,979	P2,103,550	P7,265,317	(P444,558)	P12,410,676
Deferred tax liabilities	-	-	-	-	245,938	15,368	261,306
Total liabilities	P842,816	P181,572	P2,461,979	P2,103,550	P7,511,255	(P429,190)	P12,671,982
Segment additions to property and equipment and investment properties	P411,575	P-	P10,125	P290,086	P14,173	P-	P725,959
Depreciation and amortization	P-	P-	P226,653	P247,068	P21,889	P-	P495,610

Dec. 31, 2016

	Commercial Development	Residential Development	Shopping Centers	Corporate Business	Others	Eliminations and Adjustments	Total
(In Thousands)							
Revenue							
Sales to external customers	₱578	₱296,437	₱1,560,935	₱431,229	₱17,520	(₱28,010)	₱2,278,689
Equity in net earnings of associates and a joint venture	-	-	-	-	388,741	(227,431)	161,310
Total revenue	578	296,437	1,560,935	431,229	406,261	(255,441)	2,439,999
Operating expenses	(10,640)	(260,910)	(737,742)	(491,934)	(37,369)	43,727	(1,494,868)
Operating profit (loss)	(10,062)	35,527	823,193	(60,705)	368,892	(211,714)	945,131
Interest income	2,418	2,051	4,181	37,727	407	(10,869)	35,915
Other income	-	732	54,964	180,201	18,379	(15,717)	238,559
Interest expense	-	-	-	(31,895)	(226,690)	10,869	(247,716)
Other charges	-	-	-	-	(64,886)	-	(64,886)
Provision for (benefit from) income tax	1,060	(6,609)	(144,658)	14,433	(39,458)	-	(175,232)
Net income (loss)	(₱6,584)	₱31,701	₱737,680	₱139,761	₱56,644	(₱227,431)	₱731,771
Net income (loss) attributable to:							
Equity holders of Cebu Holdings, Inc.	(₱6,597)	₱25,004	₱702,419	₱130,020	₱56,248	(₱227,431)	₱679,663
Non-controlling interests	13	6,697	35,261	9,741	396	-	52,108
	(₱6,584)	₱31,701	₱737,680	₱139,761	₱56,644	(₱227,431)	₱731,771
Other Information							
Segment assets	₱1,449,883	₱1,690,695	₱7,091,013	₱4,869,829	₱2,550,362	₱90,311	₱17,742,093
Investments in associates and a joint venture	-	-	-	-	4,291,683	(2,436,989)	1,854,694
Deferred tax assets	-	-	-	-	18,836	-	18,836
Total assets	₱1,449,883	₱1,690,695	₱7,091,013	₱4,869,829	₱6,860,881	(₱2,346,678)	₱19,615,623
Segment liabilities	₱285,906	₱73,172	₱2,486,215	₱7,996,516	₱1,223,904	(₱113,089)	₱11,952,624
Deferred tax liabilities	-	-	-	-	249,946	(13,781)	236,165
Total liabilities	₱285,906	₱73,172	₱2,486,215	₱7,996,516	₱1,473,850	(₱126,870)	₱12,188,789
Segment additions to property and equipment and investment properties	₱652,572	₱19,474	₱51,089	₱157,138	₱214	₱-	₱880,487
Depreciation and amortization	₱1,713	₱17	₱212,897	₱178,939	₱8,504	₱-	₱402,070

30. Leases

Operating Leases - Group as Lessor

The Group enters into lease agreements with third parties covering rentals of commercial and office spaces and land therein. (a) fixed monthly rent, or (b) minimum rent payment or fixed rent plus percentage of gross sales, whichever is higher. All leases include a clause to enable upward revision on its rental charge on annual basis based on prevailing market conditions.

Future minimum rentals receivable under noncancellable operating leases of the Group are as follows:

	December 31	
	2017	2016
	(In Thousands)	
Within one year	₱599,699	₱397,758
After one year but not more than five years	1,746,529	879,110
More than five years	997,482	1,003,876
	₱3,343,710	₱2,280,744

The total rent income amounted to ₱2,144.4 million, ₱1,849.0 million and ₱1,653.6 million in 2017, 2016 and 2015, respectively (see Note 21). Contingent rent recognized in December 31, 2017, 2016 and 2015 amounted to ₱111.2 million, ₱102.9 million and ₱107.1 million, respectively.

Operating Leases - Group as Lessee

The Group entered into short-term operating lease of parking space for a period of one (1) year starting January 1, 2017 to December 31, 2017, renewable every year thereafter under new terms and conditions. The total rent expense amounted to ₱2.4 million, ₱2.5 million and ₱2.7 million in 2017, 2016 and 2015, respectively.

31. Philippine Economic Zone Authority (PEZA) Registration

CPVDC 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.

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.

32. Supplemental Cash Flow Information

Changes in liabilities arising from financing activities follow:

	January 1, 2017	Cash Flows	Non-cash changes Amortization of DIC (In Thousands)	Other	December 31, 2017
Current portion of long-term debt (Note 18)	₱442,279	(₱459,000)	₱412	₱76,251	₱59,942
Long-term debt - net of current portion	5,706,032	756,200	7,653	(76,251)	6,393,634
Interest payable	48,315	(181,373)	–	137,344	4,286
Dividends payable	1,751	(288,010)	–	288,010	1,751
Total liabilities from financing activities	₱6,198,377	(172,183)	₱8,065	₱425,354	₱6,459,613

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities

The noncash investing and financing activities of the Group pertain to:

- Transfers from property and equipment to investment properties with a net book value amounting to ₱0.02 million in 2016;
- Transfers from inventories to investment properties amounting to ₱231.7 million in 2016;
- Transfers from investment properties to property and equipment and inventories amounting to ₱222.7 million and ₱73.0 million, respectively, in 2017; and
- Assignment of club shares, classified as "Available-for-sale financial assets", to the condominium corporation which formed part of the cost of the Group's residential projects amounted to P14.2 million.

33. Provisions and Contingencies

The Group is currently involved in a legal proceeding and the outcome of this legal proceeding is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under this legal proceeding, if any, will not have a material effect on the Group's financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the legal proceeding.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Results of Operations for the Nine Months Ended September 30, 2018.

Review of 3Q 2018 operations vs 3Q 2017

Cebu Holdings, Inc. (CHI or "the Company") delivered consistent earnings with growth of 18% in the past nine months of 2018, posting a net income of P569.3 million. It sustained a healthy topline with P2.5 billion in consolidated revenues, 24% higher than the previous year. The bulk of the increase in revenues was primarily contributed by sale of commercial lots at Seagrove Estate, higher leasing income from office buildings, higher interest & other income and equity in net earnings from affiliates. The company's other revenue contributors include leasing income from the mall, sale of residential lots at Amara, and sale of condominium units & club shares.

Business Segments

Rental Income

AYALA CENTER CEBU (ACC) as the ultimate lifestyle icon in Cebu.

Ayala Center Cebu ended the quarter with an occupancy of 95% and a lease out rate of 98%.

As of September 30, 2018, total revenue of P981.6 million was 2% lower than the previous year while net operating income reached P431.0 million. On the other hand, overall gross sales performance of P5.2 billion for the period was 33% lower than same period of last year. The decrease was mainly attributed to the twelve days closure of the mall due to Metro Gaisano fire incident last January 05, 2018.

Ayala Center Cebu saw the third quarter with unique and massive shopping and dining promos such as Food Tripping, BPI Travel Bazaar, International Travel Festival, Bon Appetrip and the Midnight Madness Sale. Families were also treated with fun activities from the Kiddo Club – Unicorn Haven and Super Kiddos, as well as Ayala Malls' PJ Masks Shows. In these months, art and literature expos were also held in partnership with several community organizations; Cebu Litfest and Tubo Art Fair. Ayala Center Cebu also hosted music performances by rising OPM band Agsunta, and international RnB singer Keith Martin.

Cebu Leisure Company, Inc.

For the period ended 30 September 2018, sales/sqm of Active Zone is 9% higher compared with last year while Food Choices is also higher by 4%. Ayala Cinemas occupancy rate performance of 16.1% is lower by 1%pt. compared with same period of last year.

Total revenue of ₱ 118.4 million and net operating income of ₱ 46.0 million were both 21% lower than same period of last year. The decrease is attributable to the twelve days closure of the mall due to the fire incident at Metro last 05 January 2018.

Sporting activities – Cebu Marathon and Pink October Run registration were held at the Active Zone. While Ayala Cinemas became host for foreign films at the Eiga Sai Japanese Film Festival and Cine-Europa.

Revenues at **The Walk** stood at ₱ 19.5 million, 2% lower than the previous year's level of ₱ 19.9 million. Lease occupancy was at 93.0 percent as of third quarter of 2018.

Ayala Center Cebu Tower generated a total rental revenue of ₱ 124.8 million, showing a significant increase of 143% versus last year's level of ₱ 51.4 million due to higher occupancy. As of September 2018 lease occupancy was at 97 percent.

eBloc Towers reported total rental revenue of ₱ 430.6 million, 6% higher than the previous year's level of ₱ 406.3 million. As of third quarter of 2018 all towers were already fully leased out.

Garden Bloc (Land Lease) posted ₱ 22.8 million in revenues, showing a growth of 12% vis-à-vis the ₱ 20.5 million of the prior year mainly due to higher lease occupancy during the period.

Real Estate Income

Revenue from **commercial lots** amounted to ₱253.1 million derived from the sale of commercial lots at Seagrove Estate, a 14-hectare leisure development in Punta Engaño, Lapu-Lapu City. The project is in partnership with Taft Properties, Inc. and was launched in November 10, 2017.

Amara registered total revenue of ₱ 203.9 million, a significant growth versus last year's level of ₱ 65.3 million. Revenue was derived from sale of residential lots from Phase 3B, a new phase in Amara and the remaining lots from the previous phase (Amara The Parks). Construction of The Parks is fully completed and turnover to buyers is ongoing while percentage of completion for the new phase (Amara Phase 3B) as of end of September 2018 was at 98.01 percent.

1016 Residences generated total revenues of ₱ 36.1 million from the sale of one (1) condo unit.

Sedona Parc posted ₱ 25.4 million in revenues for the period. Revenue was derived from the sale of three (3) of the remaining condo units.

City Sports Club Shares posted ₱ 0.7 million in revenues.

The company also generated **interest and other income** mainly from well-placed short-term investments, and other income from claims, fees & recovery charges reaching ₱ 278.4 million. It is 42% improvement versus preceding year's figure of ₱ 196.0 million due to higher recoveries and fees.

Equity in net earnings of affiliates grossed ₱ 56.2 million, exceeding by 70% compared to the previous year's ₱ 33.0 million mainly due to favorable performance of affiliates, Solinea, Inc. and Southportal Properties, Inc.

Net Income stood at ₱ 569.3 million, indicating an increase of 18% versus the ₱ 481.9 million of the previous year primarily due to higher revenues.

2. Financial Condition

As of September 30, 2018 vs. December 31, 2017

CHI's Balance Sheet remains strong with total assets amounting to ₱ 22.3 billion as of September 30, 2018, ₱ 223.3 million of which is cash. It has a current ratio of 0.75: 1 compared to 0.60: 1 in

December 2017. Total liabilities as of the period stood at ₱ 13.8 billion, ₱ 6.1 billion of which is current. Debt-to-equity ratio stood at 1.82: 1 compared to the December 2017 level of 1.81: 1. Bank Debt to equity ratio registered at 0.85: 1 compared to 0.92: 1 in December 2017.

Part II Item 3: Causes for Material Changes (5% or more) from Period to Period of the Financial Statements

Cash and Cash Equivalents stood at ₱ 213.0 million, improving by 20% vis-à-vis the ₱ 176.8 million as of December 2017 mainly due to sale of commercial lots at Seagrove Estate and collection of receivables and sales and rental income for the period.

Short-term Cash Investments posted a ₱ 2.5 million decline.

Receivables showed a 45% (₱ 893.5m) increase relative to the ₱ 2.0 billion as of December 2017. The increase was largely due to collectibles from commercial lot buyers at Seagrove Estate and BPO/Office locators, due from affiliates, advances to contractors and receivable from insurance company.

Subdivided Land for Sale and Development registered at ₱ 911.2 million, increasing by 64% against the ₱ 554.6 million in December 2017 primarily due to the ongoing development at Seagrove Estate.

Condominium Units for Sale stood at ₱ 159.8 million, 19% lower than the December 2017's level of ₱ 196.5 million particularly due to sale during the period of remaining condominium units.

Other Current Assets showed a 17% (₱ 74.9m) drop due to settlement of VAT Input over output, prepaid expenses and others.

Land and Improvements was 14% higher versus the December 2017 of ₱2.6 billion. The improvement was due to the full payment of South Road Property (SRP).

Investments in Associates and a Joint Venture increased by 20% versus 2017's level of ₱ 2.6 billion. The improvement was due to additional equity infusion to Central Block Developers, Inc. and higher income from affiliates particularly Southportal Properties, Inc. and Solinea Inc. during the period.

Other Noncurrent Assets posted a 12% reduction vis-à-vis the December 2017's level of ₱55.0 million basically due to settlement of suspense accounts.

Deferred Tax Assets-net indicated an increase of ₱58.2 million versus the December 2017 level of ₱4.6 million specifically due to tax impact and unrealized gain on the sale of commercial lots at Seagrove Estate.

Accounts & Other Payables amounted to ₱ 2.2 billion, marking a 5% decline compared to the ₱ 2.3 billion recorded in December 2017. The decrease was particularly due to settlement of payables to contractors & suppliers, accrued operating expenses, taxes payable and financial liability.

Due to Affiliates registered a 22% improvement against the December 2017's level of ₱ 2.4 billion resulting from the booking of intercompany loan & advances and management fees & systems cost for the period.

Deposits and Other Noncurrent Liabilities was higher by 227% (₱717.1m) with respect to the ₱316.5 million as of end of 2017 basically ensuing from to booking of accrued management fee & commission from an affiliate company (Taft Punta Engano Property, Inc.), advance rental & security

deposits of newly renewed contracts from BPO/Office locators and additional deposits from residential lot buyers at Amara Ph3b.

Deferred Tax Liabilities posted a decline of P17.9 million versus the December 2017's level of P 261.3 million. The decrease was primarily brought about by collection from Avida Land Corporation for the lot sale on installment basis.

Enterprise-Wide Risk Management (ERM)

Risk Management

At CHI, effective risk management is integral to our business' sustainability and the preparedness and resiliency of our operations, facilities and project sites. We take strategic approaches in managing current and perceived risks to an acceptable level—both holistically and individually—at all levels of the company.

EMBEDDED IN OUR CORPORATE CULTURE

Our Enterprise-wide Risk Management (ERM) program adopts a top-driven, bottom-focused approach. Risk awareness is embedded in our corporate culture with management taking on an active role in managing risks. The identification, management and monitoring of key risks are done on all levels of the company and are part of daily operations.

GUIDED BY A FRAMEWORK

Our ERM framework details the process of identifying risks for the company and its subsidiaries. This is supported by comprehensive risk identification, review, monitoring and reporting process at all levels in the company. Our framework focuses on four main categories: strategic, operational, financial and environmental risks.

KEY CHARACTERISTICS OF THE COMPANY'S RISK MANAGEMENT PROCESSES

- Board-level understanding and commitment to Risk Management as an integral aspect in decision making and driving value
- Transparency of risk communication
- A risk culture that encourages accountability at all levels
- A Chief Risk Officer and team who drives key management processes
- Identification of existing and emerging risks
- Use of both operational and financial risk information in decision making processes
- Formal collection and incorporation of operational and financial risk information into decision making and governance processes
- Moving beyond risk avoidance and mitigation to finding value-creating opportunities in risk management

CHIEF RISK OFFICER (CRO)

The Chief Risk Officer and his team are responsible for creating a culture that actively recognizes and addresses risks to our operations. Together with management, the company takes charge of building its capacity to formulate strategies and execute decisions that will make our business sustainable and relevant. Specifically, the CRO has the following tasks:

- Establish the risk culture in the company and create the vision and purpose of the risk function
- Oversee risk-identification and mitigation activities
- Implement continuous improvement of risk management policies and processes
- Set acceptable levels of risk appetite
- Set an effective control environment

The CRO reports on a quarterly basis to the Risk Oversight Committee on the status of key risks, performance indicators, and mitigation plans to manage those risks. This report presents insights on:

- Established risk management policies
- Set risk management activities that monitor the company's key risks

PROTECTED BY LINES OF DEFENSE

We have identified the company's three main risks: Competitor Risk, Project Execution and Delivery Risk, and Changing Market Risk.

To manage these risks, we apply three lines of defense in ERM and internal controls:

RISK MANAGEMENT AND ACCOUNTABILITY AT SOURCE

Risk Owners/Business Group Level

- Risk management embedded within critical processes
- Risk owners take active role in identifying, assessing, and treating risks in daily operations
- Processes, procedures, control instituted at business group level

RISK GOVERNANCE

ERM Team

- Chief Risk Officer leads the ERM Team to ensure risks are effectively managed and relevant risks are addressed
- Periodic review and monitoring of key risks and indicators
- Periodic reporting of key risks and mitigation plans to Risk Oversight Committee

RISK OVERSIGHT

Board Committees/Audit (Internal and External)

- Risk Oversight Committee provides oversight on risk management activities, approves ERM policy, reviews status of top corporate risks and effectiveness of the ERM process
- Audit Committee provides oversight functions on financial reporting, internal control, internal audit, external audit, and compliance
- Internal audit periodically reviews processes and controls and recommends areas for improvement through its assurance and consulting activities
- External audit conducts periodic independent assessment of financial controls and processes in conjunction with the preparation of the financial statements

KEY RISKS

COMPETITOR RISKS

Actions of competitors or new entrants to the market may affect the company's competitive advantage and may pose difficulties in achieving our business objective. We manage these risks by regularly monitoring market indicators and use this as basis for informed decisions and possible opportunities. We also analyze current and future situations and develop plans and programs accordingly.

PROJECT EXECUTION AND DELIVERY RISK

Market-driven factors (e.g. costs and availability of labor), fortuitous events (e.g. earthquakes, typhoons) or natural environment conditions (e.g. soil type) may affect the company's ability to deliver projects within agreed timelines, customer expectations and agreed costs. We regularly monitor the status of our projects to ensure that we meet our customer's needs and achieve our sales targets.

CHANGING MARKET RISK

Changes in the market brought about by macro-economic, social, political and consumer conditions (e.g. lifestyle demands) may affect the company's ability to respond to opportunities in the marketplace, anticipate and respond to the demands of our consumers, and maintain or increase our revenue and profitability in the specific business environment where we operate. We respond by pursuing various opportunities to partner with strong local developers and diversify our product lines.

A DRIVER OF KEY STRATEGIC ACTIONS

Through our ERM program, CHI directed the following key strategic actions for 2018:

PROTECTING THE BALANCE SHEET THROUGH FINANCIAL RISK MANAGEMENT

We continue to take advantage of the current low but slowly increasing interest rates by maximizing its leverage and converting our short-term to long-term debt at favorable rates to fund the construction of our leasing projects. This allows us to better balance our debt capacity and maturity with a steady recurring income.

MONITORING OF MAJOR MARKET INDICATORS

We rely on close monitoring of major market indicators for guidance in project investments. Forecasts, industry, and sales reports are regularly monitored and reported to the project teams and senior management to provide them a clearer perspective of prevailing market conditions and issues on the ground for a more informed decision-making process.

CLOSE MONITORING OF ONGOING PROJECTS

The early identification and management of delivery risk allows us to move our projects on the right track, meet our customers' requirements, and achieve our sales and turnover targets.

EXPANDED PARTNERSHIPS BEYOND PARENT COMPANY

Strong synergies diversify risk and create the opportunity for us to increase our reach and depth in the Cebu market.

Since 2017, our continued partnership with strong local developers, Taft Punta Engaño Property, Inc. with Gaisano Group in Mactan, and Cebu District Property Enterprise with Ayala Land and Aboitizland in Mandaue, allowed us to maintain a strong market presence and expand our portfolio through solid synergies, advanced master-planning, stronger combined branding, and deeper market knowledge. These partnerships benefit from the combined financial strength, technical expertise, and real estate experience of the companies.

DIVERSIFICATION OF PRODUCT LINES

Since 2013, we have been diversifying our portfolio with the introduction of the Amaia brand for affordable housing, and office condominiums for sale, thus extending our market reach.

ACTIVE MANAGEMENT OF ENVIRONMENTAL RISKS

Our operations have a major impact on the environment and social conditions in the areas where we operate. Together with parent company Ayala Land, we outlined our sustainability focus areas where we can affect positive change through our developments. These include: (1) site resilience, (2) eco-efficiency, (3) pedestrian-transit connectivity and (4) local economic development.

Programs have been continually implemented for these focus areas. We also continue to adapt measures to reinforce our Business Continuity Plan. Our Crisis Management Team ensures continuous operations, or at least minimal disruption, during calamities and unforeseen events. Improvements on our services and facilities have also been implemented to ensure the safety of our stakeholders and enhance our readiness in times of emergencies and calamities. These allow us to protect our assets, especially our employees, customers, and locators in our facilities.

ASSESSING OUR RISK MATURITY

Aon PLC, the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services, designed the Aon Risk Maturity Index—an innovative tool to assess an organization's risk management practices through a Risk Maturity Rating.

This assessment tool focuses on the 10 characteristics of risk maturity, as follows:

- Board Understanding and Commitment to Risk Management
- Risk Management Stewardship
- Risk Communication
- Risk Culture Engagement & Accountability
- Risk Identification
- Risk Management Strategy Development
- Risk information & Decision Making Processes
- Risk Information & Human Capital Processes
- Risk Analysis & Quantification
- Risk Management Focus & Strategy

Using this tool to self-assess our existing risk management approach, findings showed that the company is at an Operational Level of Risk Maturity. There is a clear understanding of the organization's key risks and also a consistent execution of activities to address these risks. Some functional areas employ more sophisticated techniques whenever necessary.

- Predetermined or developing set of loss and tolerance guidelines
- Explicit consideration of risk and risk management information in key decisions
- Consistent application of analysis with incorporation of both qualitative and quantitative techniques

Aon's recommendations to further develop risk management capabilities were as follows:

- Incorporate risk management responsibilities into job descriptions and performance evaluations;
- Formalize risk tolerances, including metrics and reporting requirements;
- Identify opportunities for efficiency, consistency and collaboration among risk-based functions and processes;
- Incorporate risk correlation within existing risk quantification approaches;
- Conduct a robust assessment of emerging risks with key stakeholders (internal and external);
- Confirm and enhance risk reporting frameworks at management, executive and Board levels;
- Implement a risk management technology solution;
- Expand understanding of the impact of employee life cycle and employee engagement; and
- Confirm that risk management practices add value and support in identification of opportunities as well as risk avoidance and mitigation.

Part II Item 4: Other Items to 3Q 2018 Operations and Financials

The attached Financial Statements is presented fairly and have been prepared in conformity with accounting principles generally accepted in the Philippines (same as the most recent audited annual report). There is no material changes/adjustments made in the balance sheet. There were no changes in accounting principles and practices, no significant estimates nor contingencies made in preparing the financial statements, no material contracts were entered into during the period covered in this report.

- There were no unusual items that affect assets, liabilities, equity, net income, or cashflows.
- There were no changes in estimates of amounts reported in prior financial years.
- There were no issuances, repurchase, and repayments of debt and equity securities.
- There were no dividends paid for the period ended September 2018.

- There were no material events subsequent to the end of the interim period that have not been reflected in the financial statement for the period.
- There were no changes of the composition of the issuer during the interim period. There were no business combinations, restructurings, and long-term investments and discontinuing operations.
- There were no known trends, events or uncertainties that had or that are reasonably expected to have impact on sales/revenues/income from continuing operations: The Company will continue to hinge on the over-all economic performance of the country. Concerns about job security and possible rise in interest rates are factors which may affect the performance of the real estate industry, including the Company.
- There were no significant elements of income or loss that did not arise from continuing operations.
- There were no seasonal aspects that had material effect on the financial condition or results of operations. CHI's rental portfolio generates a fairly stable stream of revenues throughout the year, higher sales experienced in the third quarter from retail rentals. On the other hand, The Company's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the company with unconsolidated entities or other persons created during the reporting period.
- Material commitments for capital expenditures: For 2018 the company (parent) is budgeting a total capital expenditures of **P1.202 billion** for projects, land acquisition and other capital expenditures. This will be financed through internally generated funds and bank loans. A total of **P700.8 million** was already spent as of September 30, 2018. These capital expenditures are mainly for the development of the various projects in Cebu Business Park, Cebu IT Park, equity infusion to affiliates and land acquisition.

Mergers, Consolidations, Acquisitions and Similar Matters

The Board of Directors of the Company and of CPVDC, at their respective meetings held on February 26, 2018, approved the Merger of CPVDC with and into the Company. The Company is the surviving entity. The Merger was likewise approved by the stockholders of both CHI and CPVDC during its Annual Stockholders Meetings held last April 10, 2018. SEC approved & issued the certificate of filing of the Articles and Plan of Merger last November 6, 2018.

a. Nature of Business of the Absorbed Entity

CPVDC is 76% owned by the Company. It was registered with the Securities and Exchange Commission (SEC) on August 2, 1990. It started commercial operation on September 1, 1996 as a joint venture corporation between the Province of Cebu and Ayala Land, Inc. It is currently engaged in real property ownership, marketing, management and development. Its operations consist of three (3) types of activities:

- Strategic land management (acquisition and estate development)
- Real estate business (commercial land sales and residential condominium sales)
- Commercial business operations and management (retail space lease and office space lease)

A total 940,350,000 common shares of CPVDC, divided into 564,210,000 Class A shares (CPV) and 376,140,000 Class B shares (CPVB) are listed with the Philippine Stock Exchange.

The principal office address and contact number of CPVDC are as follows:

20th Floor, Ayala Center Cebu Tower, Bohol Street, Cebu Business Park, Cebu City
(032) 888-3700

b. Summary of the material features of the Merger

With the Merger, the Company's portfolio will be consolidated under one listed entity, creating a unified platform for the Company's investments and is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies.

Once approved by the SEC and other regulatory bodies, CHI will issue 1.06 common shares to each stockholder of CPVDC holding one (1) share of CPV or CPVB as of the record date of the Merger. These new common shares that the Company will issue due to the Merger will have the rights and features similar to the existing CHI shares.

c. Dividends in arrears or defaults in principal or interest in respect of any security

There are no dividends in arrears or defaults in principal or interest in respect of any security of the Company or of CPVDC.

d. Comparative Financial Information

The following table shows the comparative financial information of the Company and of CPVDC for the last two (2) fiscal years:

	CHI		CPVDC	
	2017 (in PhP)	2016 (in PhP)	2017 (in PhP)	2016 (in PhP)
Net Sales or Operating Revenues (in '000)	3,092,234	2,714,473	802,938	694,984
Income (loss) From Continuing Operations (in '000)	813,004	731,771	246,975	213,593
Long-term Obligations (in '000)	6,453,576	6,148,311	1,480,215	1,181,781
Redeemable Preferred Stock	-	-	-	-
Book Value Per Share	4.14	3.40	2.28	2.02
Cash Dividends Declared per share	0.15	0.12	-	-
Income (loss) Per Share from Continuing operations	0.39	0.35	-	-

e. Approval of regulatory agencies

After obtaining SEC's approval of the Merger, the Company and CPVDC will also comply with the merger-related requirements of the PSE, the Philippine Economic Zone Authority and the Bureau of Internal Revenue.

f. Valuation

The Company engaged Isla Lipana & Co. for the issuance of independent fairness opinion and valuation reports on the Merger. Isla Lipana & Co. has provided professional services in the Philippines for ninety-five (95) years and is acknowledged to stick to the highest quality standards in delivering audit and assurance, tax and advisory services within and outside the Philippines.

The Company, its subsidiaries and affiliates have no material relationship with Isla Lipana & Co. within the past two years other than the current engagement on the Merger.

g. Material Contracts

There was no past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past two (2) fiscal years between CPVDC or its affiliates, and CHI or its affiliates.

h. Market Prices of the Shares of Company and the Absorbed Entity

The following are the stock market prices of CHI, CPV and CPVB shares as of February 23, 2018:

Share type	High	Low	Close
CHI	6.14	5.95	6.10
CPV	6.03	6.00	6.00
CPVB (as of 1/25/2018)	5.86	5.84	5.86

The Plan of Merger¹, which sets out the terms and conditions of the proposed Merger, is attached hereof as Annex “D”. All other relevant information on the absorbed entity, CPVDC, is set forth in the attached Annex “E”.

¹ The Annexes in the Plan of Merger showing the lists of stockholders before and after the proposed merger have been omitted for purposes of complying with Republic Act No. 10173 or the Data Privacy Act. Stockholders may contact the Office of the Corporate Secretary for any questions.

Part II Item 5: Key Performance Indicators

The table below sets forth the comparative key performance indicators of the Company and its majority owned subsidiaries:

Indicators	3Q 2018	3Q 2017
Current Ratio <i>1</i>	0.75 : 1	0.62 : 1
Bank Debt to Equity Ratio <i>2</i>	0.85 : 1	0.92 : 1
Net Debt /(Cash) to Equity Ratio <i>3</i>	0.82 : 1	0.90 : 1
Return on Assets (ROA) <i>4</i>	2.65%	2.41%
Return on Equity (ROE) <i>5</i>	7.83%	7.12%

1. *Current Assets / Current Liabilities*
2. *Total Bank Debt / Stockholders' Equity*
3. *Total Bank Debt less Cash & Cash Equivalents / Stockholders' Equity*
4. *Net Income / Average Total Assets (Assets beginning of the year plus Assets end of the year divide by two)*
5. *Net Income / Average Stockholders' Equity (Stockholders' Equity beginning of the year plus Stockholders' Equity end of the year divide by two)*

Part II Item 6: Financial Ratios (SRC Rule 68, Amended)

Cebu Holdings Inc. and Subsidiaries		
Financial Soundness Indicator		
	Q3 2018	Q3 2017
a. Current/ liquidity ratios		
Current ratios	74.60%	61.86%
Quick ratios	57.02%	47.25%
b. Solvency/ Debt-to-Equity Ratios		
Debt-to equity ratios	84.86%	92.28%
Net debt-to equity ratios	81.91%	89.68%
c. Asset -to equity ratios	295.71%	289.98%
d. Interest rate coverage ratios	3.72	4.04
e. Profitability ratios		
Net Income Margin	22.31%	23.43%
Return on total assets	2.65%	2.41%
Return on equity	7.83%	7.12%
f. Other relevant ratios	None	None

Cebu Holdings Inc. and Subsidiaries		
a. Current/ liquidity ratios	Q3 2018	Q3 2017
Current asset	4,545,869	3,366,889
Current Liabilities	6,093,825	5,443,189
Current ratios	74.60%	61.86%
Current Asset	4,545,869	3,366,889
Inventory	1,071,054	794,750
Quick Assets	3,474,815	2,572,139
Current Liabilities	6,093,825	5,443,189
Quick Ratios	57.02%	47.25%
b. Solvency/Debt-to-Equity Ratios		
Short term Debt	-	-
Current Portion of Long Term Debt	59,952	400,024
Long-term Debt - net of current portion	6,354,250	6,068,454
Bank Debt/Bonds P5b in June 2014	6,414,202	6,468,478
Equity	8,594,701	7,949,717
Less: Noncontrolling interest	1,036,270	939,953
Equity attributable to parent	7,558,431	7,009,764
Less: Unrealized gain- AFS	-	-
Equity, net of unrealized gain	7,558,431	7,009,764
Debt to-equity ratios	84.86%	92.28%
Bank Debt/Bonds P5b in June 2014	6,414,202	6,468,478
Cash and cash equivalent	212,968	161,430
Short term investments	-	13,135
Financial Assets at FV through P&L	10,298	7,616
Net Debt	6,190,936	6,286,297
Equity	7,558,431	7,009,764
Net Debt ot equity ratios	81.91%	89.68%
c. Asset -to equity ratios		
Total Asset	22,350,863	20,326,868
Total Equity	7,558,431	7,009,764
Asset to Equity Ratio	295.71%	289.98%
d. Interest rate coverage ratios	3.72	4.04
e. Profitability ratios		
Net Income after tax	569,298	481,873
Revenue	2,551,634	2,056,612
Net Income Margin	22.31%	23.43%
Net Income after tax	569,298	481,873
Total Assets CY	22,350,863	20,326,868
Total Assets PY	20,588,160	19,615,623
Average Total Assets	21,469,512	19,971,246
Return on total assets	2.65%	2.41%
Net Income after tax	569,298	481,873
Total Equity- CY	7,558,431	7,009,764
Total Equity- PY	6,989,133	6,527,891
Average total equity	7,273,782	6,768,828
Return on Equity	7.83%	7.12%

Cebu Holdings Inc. and Subsidiaries		
	Q3 2018	Q3 2017
Interest Rate Coverage Ratios =EBITDA/Interest Expense		
Net Income after tax	569,298,000.00	481,873,000.00
Add:		
Provision for income tax	159,047,000.00	140,909,000.00
Interest expense and other financing charges	335,984,000.00	271,371,000.00
	495,031,000.00	412,280,000.00
Less:		
Interest and investment income	278,428,000.00	195,970,000.00
Other income	-	-
	278,428,000.00	195,970,000.00
EBIT	785,901,000.00	698,183,000.00
Add:		
Depreciation & Amortization	385,763,233.55	338,771,563.59
EBITDA	1,171,664,233.55	1,036,954,563.59
Interest Expense - Loan	315,302,488.60	256,448,203.26
Interest Rate Coverage Ratio	3.72	4.04

Compliance with leading practice on Corporate Governance

The Company's corporate governance structure ensures that management enhances the value of the corporation as it competes in an increasingly global market place. It has strengthened the foundation for CHI's remarkable growth and its efforts in helping catalyze the development in Cebu. It has served to provide accountability and control systems vis-à-vis corporate risks involved. Good corporate governance is critical to our ability to realize our strategic goal of creating sustainable long-term value for all our stakeholders.

The Company has adopted a Manual of Corporate Governance, the leading practices and principles on good and transparent governance, and full compliance with the same has been made since its adoption.

- a. 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 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 of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Company's Corporate Governance Manual to the Securities and Exchange Commission.
- b. 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.
- c. There was no deviation committed by any of the Company's directors and officers on the Manual of Corporate Governance during the period covered in this report. The Company adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual.
- d. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. Below are some of the initiatives being undertaken by the Company to ensure adherence to corporate governance.
 - Adoption of Risks Management System
 - Adherence to Organizational and Procedural Controls
 - Independent Audit Mechanism
 - Regular Reporting to Audit Committee
 - Creation of Board Committees
 - Financial and Operational Reporting
 - Compliance to government regulatory and reportorial requirements
 - Disclosure and Transparency to the Public

SIGNATURES

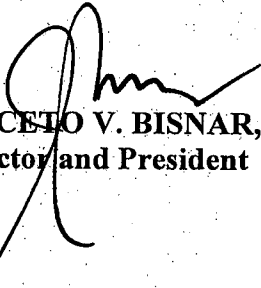
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: Cebu Holdings, Inc.

By:



MA. LUISA D. CHIONG
Chief Finance Officer/Compliance Officer



ANICETO V. BISNAR, JR.
Director and President

CEBU HOLDINGS, INC. & SUBSIDIARIES
AGING OF RECEIVABLES
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

Accounts Receivable - Trade	Total	Current	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
Cebu Business Park - (Development Rights)	142,618,774	-	-	-	-	-	142,618,774
Sale of Commercial Lot - (Seagrove)	248,672,042	248,672,042	-	-	-	-	-
Sale of Residential Lot - (Amara)	147,357,945	132,113,361	-	105,511	71,265	372,592	14,695,215
Sale of Condominium Units	35,131,547	31,736,794	-	357,150	2,500	526,620	2,508,483
Rental - Ayala Center Cebu Tower	50,232,388	17,527,284	-	10,417,637	3,126,527	9,587,697	9,573,244
Rental - Tech Tower	14,200,930	6,643,838	-	1,941,372	1,719,442	3,604,375	291,902
Rental - eBloc Towers	49,506,784	4,207,857	-	7,522,663	9,016,978	13,788,468	14,970,818
Rental - The Walk	4,512,443	1,668,291	-	71,839	37,693	58,934	2,675,687
Receivable from Ayala Center Cebu - Tenants	244,117,410	215,246,911	8,403,603	2,329,537	6,373,516	5,838,523	5,925,320
Rental-CLCI	17,842,674	12,164,721	-	-	-	-	5,677,953
Others	6,351,410	6,351,410	-	-	-	-	-
Total	960,544,346	676,332,509	8,403,603	22,745,709	20,347,921	33,777,209	198,937,396
LESS: ALLOWANCE FOR DOUBTFUL ACCTS	16,682,671						
ACCOUNTS RECEIVABLE-NET	943,861,676						