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

SEC Registration Number

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C O M P A N Y   N A M E

PRIMEX CORPORATION AND SUBSIDIARIES

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

GROUND FLOOR, RICHBELT TERRACES, 19 ANNAPOLIS STREET, GREENHILLS, SAN JUAN, METRO MANILA

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
primexgroup_pc@yahoo.com	8722-5417 / 722-8078	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16	06/22	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ernesto O. Ang	primexgroup_pc@yahoo.com	8722-5400	–

CONTACT PERSON's ADDRESS

G/F Richbelt Terraces, 19 Annapolis St., Greenhills, San Juan

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

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

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the input method as the measure of progress in determining real estate revenue; and (3) determination of the actual costs incurred as cost of sales.

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

In measuring the progress of its performance obligation over time, the Group uses the input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

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

The disclosures related to real estate revenue are included in Notes 2 and 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

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

For the application of the input method in determining real estate revenue and for determining the cost of sales, we obtained an understanding of the Group's processes for determining the percentage of completion (POC), including the cost accumulation process, and for determining and updating of total estimated costs. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For the selected project, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as accomplishment reports. We visited the project site and made relevant inquiries with the project engineer. We performed test computation of the POC calculation of management. For the selected project, we obtained the approved total estimated costs and any revisions thereto and the supporting documents such as invoices.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit since it involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets and lease liabilities amounting to ₱16.84 million and ₱16.09 million, respectively, as of January 1, 2019, and the recognition of depreciation expense and interest expense of ₱4.20 million and ₱1.12 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2 and 21 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low-value assets exemption, the selection of the transition approach and any election of available practical expedients.

On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
July 2, 2019, valid until July 1, 2022
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125310, January 7, 2020, Makati City

June 26, 2020

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018 (As restated - see Note 2)
ASSETS		
Current Assets		
Cash (Notes 4 and 23)	**₱69,792,597**	₱42,093,963
Receivables (Notes 5 and 23)	**74,314,292**	217,447,187
Real estate held for sale and development - at cost (Note 7)	**2,046,549,317**	1,469,026,913
Other current assets (Note 10)	**286,218,911**	224,036,801
Total Current Assets	**2,476,875,117**	1,952,604,864
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 23)	**23,388,507**	63,594,475
Investment properties (Note 8)	**83,463,177**	83,843,530
Investment in an associate (Note 9)	**75,000,000**	–
Property and equipment (Notes 2 and 11)	**21,965,235**	9,614,821
Deferred tax assets - net (Note 19)	**30,088,329**	29,200,432
Other noncurrent assets (Note 10)	**5,496,687**	4,514,916
Total Noncurrent Assets	**239,401,935**	190,768,174
	₱2,716,277,052	₱2,143,373,038
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 13 and 23)	**₱–**	₱200,000,000
Accounts and other payables (Notes 12, 14 and 23)	**884,913,168**	814,472,075
Contract liabilities (Note 6)	**151,744,585**	122,645,777
Lease liabilities - current portion (Note 21)	**3,922,053**	–
Subscription payable (Note 14)	**56,250,000**	–
Income tax payable (Note 19)	–	8,915,851
Total Current Liabilities	**1,096,829,806**	1,146,033,703
Noncurrent Liabilities		
Long-term loans (Notes 13 and 23)	**623,981,423**	2,000,000
Lease liabilities - net of current portion (Note 21)	**10,468,936**	–
Pension liability (Note 16)	**8,083,943**	5,629,811
Refundable deposits (Notes 12, 23 and 25)	**24,811,436**	12,984,274
Total Noncurrent Liabilities	**667,345,738**	20,614,085
Total Liabilities	**1,764,175,544**	1,166,647,788
Equity (Note 15)		
Equity attributable to equity holders of the Parent Company		
Capital stock	**332,333,333**	332,333,333
Additional paid-in capital	**223,000,000**	223,000,000
Retained earnings	**358,433,347**	381,732,411
Other equity reserve	**39,821,375**	39,821,375
Remeasurement loss on defined benefit plan (Note 16)	**(1,486,547)**	(161,869)
Total Equity	**952,101,508**	976,725,250
	₱2,716,277,052	₱2,143,373,038

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE AND OTHER INCOME			
Sales and services (Note 18)	**₱25,029,574**	₱233,508,332	₱233,829,727
Interest income from real estate sales (Note 5)	**42,988,138**	19,639,338	9,391,481
Rent income (Notes 8 and 21)	**17,507,152**	11,083,935	1,049,141
Miscellaneous income - net (Note 17)	**29,915,075**	25,903,899	24,129,497
	115,439,939	290,135,504	268,399,846
COST AND EXPENSES			
Cost of real estate sales and services (Notes 7 and 18)	**14,650,008**	130,491,914	99,054,042
General and administrative expenses (Note 18)	**49,388,887**	38,604,287	38,971,454
Interest expense (Notes 12, 13 and 21)	**21,803,896**	3,128,028	719,025
	85,842,791	172,224,229	138,744,521
INCOME BEFORE INCOME TAX	**29,597,148**	117,911,275	129,655,325
PROVISION FOR INCOME TAX (Note 19)	**9,692,879**	35,523,420	40,577,677
NET INCOME	**19,904,269**	82,387,855	89,077,648
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on defined benefit obligation (Note 16)	**(1,892,397)**	(399,924)	164,087
Income tax effect (Note 19)	**567,719**	119,977	(49,226)
	(1,324,678)	(279,947)	114,861
TOTAL COMPREHENSIVE INCOME	**₱18,579,591**	₱82,107,908	₱89,192,509
Net income attributable to:			
Equity holders of the Parent Company	**₱19,904,269**	₱82,387,855	₱88,628,405
Non-controlling interests (Note 22)	–	–	449,243
	₱19,904,269	₱82,387,855	₱89,077,648
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱18,579,591**	₱82,107,908	₱88,741,913
Non-controlling interests (Note 22)	–	–	450,596
	₱18,579,591	₱82,107,908	₱89,192,509
Basic/Diluted Earnings Per Share (Note 20)	**₱0.0120**	₱0.0496	₱0.0533

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 15)	**Additional Paid-in Capital**	**Retained Earnings** (Note 15)	**Other Equity Reserve** (Note 15)	**Remeasurement Gain (loss) on Defined Benefit Plan** (Note 16)	**Total**	**Non-Controlling Interests** (Note 22)	**Total**
	For the year ended December 31, 2019							
As of January 1, 2019	**₱332,333,333**	**₱223,000,000**	**₱381,732,411**	**₱39,821,375**	**(₱161,869)**	**₱976,725,250**	**₱–**	**₱976,725,250**
Net income	–	–	**19,904,269**	–	–	**19,904,269**	–	**19,904,269**
Other comprehensive loss	–	–	–	–	**(1,324,678)**	**(1,324,678)**	–	**(1,324,678)**
Total comprehensive income (loss)	–	–	**19,904,269**	–	**(1,324,678)**	**18,579,591**	–	**18,579,591**
Cash dividends declared (Notes 15 and 25)	–	–	**(43,203,333)**	–	–	**(43,203,333)**	–	**(43,203,333)**
As of December 31, 2019	**₱332,333,333**	**₱223,000,000**	**₱358,433,347**	**₱39,821,375**	**(₱1,486,547)**	**₱952,101,508**	**₱–**	**₱952,101,508**
	For the year ended December 31, 2018							
As of January 1, 2018, as previously Reported	₱332,333,333	₱223,000,000	₱415,291,406	(₱10,661,455)	₱118,078	₱960,081,362	₱65,332,830	₱1,025,414,192
Effect of adoption of PFRS 9	–	–	(24,555,183)	–	–	(24,555,183)	–	(24,555,183)
As of January 1, 2018, as restated	332,333,333	223,000,000	390,736,223	(10,661,455)	118,078	935,526,179	65,332,830	1,000,859,009
Net income	–	–	82,387,855	–	–	82,387,855	–	82,387,855
Other comprehensive loss	–	–	–	–	(279,947)	(279,947)	–	(279,947)
Total comprehensive income (loss)	–	–	82,387,855	–	(279,947)	82,107,908	–	82,107,908
Effect of acquisition of non-controlling interests (Note 1)	–	–	–	50,482,830	–	50,482,830	(65,332,830)	(14,850,000)
Cash dividends declared (Notes 15 and 25)	–	–	(91,391,667)	–	–	(91,391,667)	–	(91,391,667)
As of December 31, 2018	₱332,333,333	₱223,000,000	₱381,732,411	₱39,821,375	(₱161,869)	₱976,725,250	₱–	₱976,725,250

(Forward)

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Note 15)	Other Equity Reserve (Note 15)	Remeasurement Gain on Defined Benefit Plan (Note 16)	Total	Non-Controlling Interests (Note 22)	Total
	Equity Attributable to Equity Holders of the Parent Company							
	For the year ended December 31, 2017							
As of January 1, 2017	₱323,333,333	₱52,000,000	₱326,708,001	₱10,396,093	₱4,570	₱712,441,997	₱127,974,686	₱840,416,683
Net income	–	–	88,628,405	–	–	88,628,405	449,243	89,077,648
Other comprehensive income	–	–	–	–	113,508	113,508	1,353	114,861
Total comprehensive income	–	–	88,628,405	–	113,508	88,741,913	450,596	89,192,509
Effect of acquisition of non-controlling interests	–	–	–	(21,057,548)	–	(21,057,548)	(63,092,452)	(84,150,000)
Stock issuance	9,000,000	171,000,000	–	–	–	180,000,000	–	180,000,000
Stock issuance cost			(45,000)			(45,000)	–	(45,000)
As of December 31, 2017	₱332,333,333	₱223,000,000	₱415,291,406	(₱10,661,455)	₱118,078	₱960,081,362	₱65,332,830	₱1,025,414,192

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱29,597,148**	₱117,911,275	₱129,655,325
Adjustments for:			
Depreciation and amortization (Notes 8, 11, 18 and 21)	**9,214,364**	4,928,671	5,604,328
Interest expense (Notes 12 and 13)	**21,803,896**	3,128,028	719,025
Retirement expense (Notes 16 and18)	**561,735**	390,905	364,238
Interest income (Notes 4, 5 and 17)	**(43,190,749)**	(19,681,660)	(9,402,767)
Operating income before changes in working capital	**17,986,394**	106,677,219	126,940,149
Decrease (increase) in:			
Receivables	**175,068,946**	9,785,386	(67,881,043)
Real estate held for sale and development	**(577,522,404)**	44,222,679	(214,160,805)
Other current assets	**(62,929,787)**	37,015,852	(213,019,616)
Costs and estimated earnings in excess of billings on uncompleted contract	–	–	128,000,000
Increase (decrease) in accounts and other payables and contract liabilities	**98,781,665**	(246,611,191)	191,412,097
Cash used for operations	**(348,615,186)**	(48,910,055)	(48,709,218)
Interest received	**51,460,666**	14,596,495	4,105,889
Income taxes paid, including final and creditable withholding taxes	**(18,928,908)**	(44,569,700)	(75,655,750)
Net cash used in operating activities	**(316,083,428)**	(78,883,260)	(120,259,079)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment in an associate	**(18,750,000)**	–	–
Property and equipment (Note 11)	**(2,756,891)**	(716,889)	(4,450,522)
Investment properties (Note 8)	–	(2,254,060)	(2,157,092)
Increase in other noncurrent assets	**(981,771)**	–	(7,245,049)
Net cash used in investing activities	**(22,488,662)**	(2,970,949)	(13,852,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loans (Notes 13 and 25)	**622,297,500**	202,000,000	–
Refundable deposits (Note 25)	**11,144,187**	–	–
Issuance of stocks (Note 15)	**–**	–	180,000,000
Payments of:			
Loans (Notes 13 and 25)	**(202,000,000)**	–	(75,952,201)
Cash dividends (Notes 15 and 25)	**(43,203,333)**	(91,391,667)	–
Interest expense (Notes 13 and 25)	**(17,559,107)**	(2,668,243)	–
Lease liabilities (Notes 21 and 25)	**(4,408,523)**	–	–
Stock issuance cost (Note 15)	–	–	(45,000)
Net cash provided by financing activities (Note 25)	**366,270,724**	107,940,090	104,002,799
NET INCREASE (DECREASE) IN CASH	**27,698,634**	107,940,090	(30,108,943)
CASH AT BEGINNING OF YEAR	**42,093,963**	16,008,082	46,117,025
CASH AT END OF YEAR (Note 4)	**₱69,792,597**	₱42,093,963	₱16,008,082

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Primex Corporation (PC or the Parent Company) is domiciled and was incorporated in the Republic of the Philippines on July 17, 1986. The Parent Company is engaged in the real estate business to purchase, lease, or in any manner dispose of or deal with land and other real property and any interest therein. The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange.

On September 7, 2017, the Parent Company entered into a subscription agreement with Primex Housing Dev't Corp. (PHDC) to purchase 41,958,000 shares at par value of ₱1.00 per share, acquiring 100% ownership in PHDC. The subsidiary was incorporated in the Republic of the Philippines on August 18, 2017.

On November 21, 2017, the Parent Company's BOD approved the purchase of a 12% stake equivalent to 300,000,000 shares in Primex Realty Corporation (PRC) at a par value of ₱0.20 per share. On November 24, 2017, the Parent Company entered into a subscription agreement to purchase 10.2% stake in PRC. Subsequently, on January 17, 2018, the Parent Company acquired the remaining 1.8% stake in PRC, thereby taking 100% control of PRC.

The effect of the increase in the additional 10.2% equity interest in 2017 is considered as a change in the Parent Company's ownership which resulted to a decrease in the equity attributable to non-controlling interests and other equity reserve amounting to ₱63.10 million and ₱21.06 million, respectively. Subsequently, the acquisition of the remaining non-controlling interest of 1.8% in 2018 increased the other equity reserve of ₱50.48 million (see Note 14).

On February 1, 2019, the BOD of the Parent Company approved the initial subscription for 75,000 shares of Primex Development Corporation (PDC) equivalent to 43.43% ownership.

On May 29, 2019, the BOD approved the subscription to additional 300,000 common shares of PDC to increase its ownership to 80%. However, the subsequent additional subscription did not push through as of year-end, thereby retaining its ownership of 43.43% as of December 31, 2019.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and its subsidiaries as follow:

	Nature of	December 31	
	Business	**2019**	2018
Primex Realty Corporation (PRC)	Real Estate	**100%**	100%
Primex Housing Dev't Corp. (PHDC)	Real Estate	**100%**	100%

PRC and PHDC are both domiciled and was incorporated in the Republic of the Philippines on October 1, 1979 and August 18, 2017, respectively.

The registered office address of Primex Corporation and its subsidiaries (the Group) is at Ground Floor, Richbelt Terraces, 19 Annapolis Street, Greenhills, San Juan, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue by the BOD on June 26, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest Philippine Peso unit unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as of 2018 for the following implementation issues of PFRS 15 affecting the real estate industry:

a. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
b. Adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries over which the Parent Company has control. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Specifically, the Parent Company controls an investee if and only if the Parent Company has all the following:

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

The Parent Company reassesses 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.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control or until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

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

Non-controlling Interests
Non-controlling interests (NCI) represent the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Combinations of Entities Under Common Control
Business combinations of entities under common control are accounted for using the pooling-of-interests method. The pooling-of-interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Reclassification
In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (i.e., measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to recognize the difference between the consideration received from the customer and the transferred goods to the customer as installment contracts receivable.

This resulted to the reclassification of contract asset to receivables as of December 31, 2018 as presented below:

	December 31, 2018 As previously reported	Reclassification	December 31, 2018 As adjusted
Current Assets			
Current portion of receivables	₱194,688,031	₱22,759,156	₱217,447,187
Current portion of contract assets	22,759,156	(22,759,156)	–
Noncurrent Assets			
Receivables - net of current portion	–	63,594,475	63,594,475
Contract assets - net of current portion	63,594,475	(63,594,475)	–
	₱218,041,662	₱–	₱281,041,662

Management believes that the presentation of the consolidated statement of financial position as at the beginning of the earliest period presented is not necessary as the reclassifications have no significant impact on the Group's total assets and total equity as of January 1, 2018.

The reclassifications did not impact the consolidated statement of cash flows for the year ended December 31, 2018.

Adoption of New and Amended Accounting Standards and Interpretation

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2019. Unless otherwise indicated, the Group does not expect that the adoption of the said pronouncements will have a significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

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

The Group has a lease contract for showrooms. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The recognition of right-of-use asset and lease liability resulted to recognition of deferred tax liability and deferred tax asset, respectively, upon adoption. This were presented on a net basis. Also, the Group recognized deferred tax asset based on the difference between actual lease payments and the profit or loss impact recorded in the statement of comprehensive income which includes amortization and interest expense in accordance with PFRS 16. Deferred tax asset is recorded on the net amount, on a per entity basis.

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

	Increase (Decrease)
Assets	
Prepaid rent	(₱747,677)
Right-of-use assets (Note 11)	16,837,654
Total	₱16,089,977
Liabilities	
Lease liabilities (Note 21)	₱16,089,977

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

The Group also applied the available practical expedients wherein it**:**
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

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

Operating lease commitments as at December 31, 2018 (Note 21)	₱19,015,092
Weighted average incremental borrowing rate at January 1, 2019	7.13%
Lease liabilities recognized at January 1, 2019	₱16,089,977

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  The Group determined, based on its assessment, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

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

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry*

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year consolidated financial statements. A restatement would have impacted interest and other financing charges, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liabilities and opening balance of retained earnings.

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected 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

All other liabilities are classified as non-current.

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

Cash
Cash includes cash on hand and in banks. Cash in banks are stated at nominal amount and earn interest at prevailing bank deposit rates.

Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on *Revenue from contracts with customers.*

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash and receivables.

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

The Group does not have financial assets at fair value through profit or loss.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

<u>Impairment of Financial Assets</u>
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For other financial assets such interest receivable, advances to homeowner's association and accrued rent receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

The Group's financial liabilities include accounts and other payables, loans payable, advances to affiliates and refundable deposits.

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

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

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

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

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

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

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

This category generally applies to loans payable.

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

c. *Offsetting Financial Instruments*
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018
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. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the settlement date accounting.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity financial assets, or available-for-sale (AFS) financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or 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.

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

As of December 31, 2017, the Group's financial instruments are of the nature of loans and receivables and other financial liabilities.

Day 1 profit
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss under "Interest income" unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate 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. The amortization is included in the "Interest income" account in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

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, the Group's loans and receivables include "Cash" and "Receivables".

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. The Group has no AFS financial assets.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when liabilities are derecognized.

This accounting policy applies primarily to "Accounts and other payables" account (excluding customers' deposits, advance rent and statutory liabilities), "Refundable deposits", "Short-term and long-term loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
A financial asset (or, where applicable, a part of a financial asset) is derecognized when:

(a) the right to receive cash flows from the assets has expired;
(b) the Group has transferred its right to receive cash flows from the asset and has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement 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.

Where 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a Group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. 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.

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

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 of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value
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.

Fair value hierarchy
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 each reporting date, the Group analyses 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 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.

<u>Real Estate Held for Sale and Development</u>
Real estate held for sale and development consists of property constructed for sale, subdivision land for sale and development and land and improvements. Land and improvements classified under "Real Estate Held for Sale and Development" are properties under development and are expected to be completed within one year.

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 real estate held for sale and development and is valued 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 the purchase price of land and costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Amounts paid to contractors and suppliers in advance are not part of real estate held for sale and development but presented as "Advances to contractors and suppliers" under "Other current assets" in the consolidated statement of financial position.

The cost of inventory recognized in profit or loss as disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific cost based on the relative size of the property sold.

The Group currently recognizes land held for lease as a portion of real estate held for sale and development and is intended for sale. In cases when sale is made during the lease period, the Group shall assume all obligations and will indemnify the lessee for damages suffered.

Construction Materials, Parts and Supplies
Inventories are valued at the lower of cost or NRV.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the Group's consolidated statement of financial position.

Investment Properties
Investment properties comprise land and improvements and commercial spaces that are held to earn rentals and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

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

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of investment properties which is comprised of building is 30 years.

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Investment in an Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee, but is not control over those policies.

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

Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in the net asset of the associate. The consolidated statements of income reflect the share in the result of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of income. Profit and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. 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 associate. An investment in associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profits or losses.
- Any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Group's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PFRS 9, from that date, provided the associate does not become a subsidiary. Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income. When the Group's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates are prepared for the same reporting period as the Group. The accounting policies of the associates and joint ventures conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation commences once the assets are available for use and is computed on a straight-line basis over the following estimated useful lives of the assets:

	Years
Transportation equipment	5
Office furniture, fixtures and equipment	10
Leasehold improvements	5 or term of the lease, whichever is shorter

The asset's residual values, useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment loss are removed from the accounts, and any resulting gain or loss is credited to 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.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that any item of investment in associates, property and equipment, investment properties and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes a formal 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, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. 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 (or cash-generating unit). Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Equity
Capital stock and additional paid-in capital
The Group records capital stock at par value and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred which are directly attributable to the issuance of new shares are deducted from additional paid-in capital.

Retained earnings
Retained earnings represent accumulated earnings of the Group less dividends declared, and any adjustments arising from application of new accounting standards, policies on corrections of errors applied retrospectively.

Other equity reserve
Other equity reserve pertains to the additional ownership acquired from the Group's non-controlling interests.

Other Comprehensive Income (OCI)
OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Group's OCI pertains to remeasurement losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

Revenue Recognition effective January 1, 2018

Revenue from Contracts with Customers

The Group primarily derives its real estate revenue from the sale of lots and condominium units. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its retail spaces, wherein it is acting as agent.

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

Real estate sales

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

In measuring the progress of its performance obligation over time, the Group uses the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the costs accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition

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

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

Contract Balances

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

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

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

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

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

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

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

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract
The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

<u>Revenue and Cost Recognition prior to January 1, 2018</u>
Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The following specific recognition criteria must also be met before revenue is recognized:

Real estate revenue
Revenue from sales of completed real estate projects ("subdivision land held for sale and development" and "land and improvements" under real estate held for sale and development) is accounted for using the full accrual method. Under this method, the revenue is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectability of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; and, (b) the downpayment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Revenue from sales of uncompleted real estate project ("condominium units" under real estate held for sale and development) is accounted for using percentage-of-completion (POC) method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the POC 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, 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 actual costs incurred to date over the estimated total costs of the project. Any excess of collections over the recognized receivables are included in the "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

If the above criteria are 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 in "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

Revenue from construction contracts and construction costs
Revenue from construction contracts is recognized using the POC method of accounting and is measured principally on the basis of the estimated proportion of costs incurred to date over the total budget for the construction (Cost-to-cost method). Contract revenue is comprised of amount of revenue agreed in the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed.

Rental income
Rental income from noncancellable operating leases is recognized on a straight-line basis over the lease term. Rental income from cancellable operating leases is recognized based on terms of the lease contract.

Interest income
Interest is recognized as it accrues using the effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Miscellaneous income
Miscellaneous income includes rental income and income from penalties earned from late payments of buyers. Forfeiture of collections and penalties for late payments are recognized based on the contractual terms of the agreement.

Cost of Real Estate Sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property allocated to saleable area based on relative size and takes into account the POC for revenue recognition purposes.

Operating Expenses
Operating expenses include general and administrative expenses. General and administrative expenses constitute costs of administering the business. These expenses are recognized as incurred and measured based on the amounts paid or payable.

Commission Expense
Commissions paid to sales or marketing agents on the sale of completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included under "Cost of real estate sales" in profit or loss.

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. In determining significant risks and benefits of ownership, the Group considers, among others, the significance of the lease term as compared with the EUL of the related asset. Rental income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived.

Leases prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in the 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 a lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as income on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in "Real estate held for sale and development" account in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Pension Expense
The pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Taxes

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits or unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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 profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income 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 income taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Segment Reporting
The Group's business is organized and managed according to nature of the products and services provided comprising of construction and real estate operations. Financial information on business segment is presented in Note 24.

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best 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 Period
Post year-end events up to the date 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 and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs 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.

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:

Revenue recognition upon adoption of PFRS 15
Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. In cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, official receipts and buyer's computation sheets would contain all the criteria to qualify as contract with customers under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group

will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history of the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Revenue recognition prior to adoption of PFRS 15
Revenue and cost recognition and collectability of the sales price
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale - the Group considers that initial and continuing investments by the buyer of at least 25% would demonstrate the buyer's commitment to pay; and,
- Stage of completion of the project.

Impairment testing of financial assets and contract assets upon adoption of PFRS 9
Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. the customer is experiencing financial difficulty or is insolvent
b. the customer is in breach of financial covenant(s)
c. an active market for that financial assets has disappeared because of financial difficulties
d. concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. it is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

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

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Distinction between real estate held for sale and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate held for sale and development). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (i.e., property and equipment, investment properties and other current assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and,
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect the carrying amount of the assets.

As of December 31, 2019 and 2018, carrying values follow:

	2019	2018
Property and equipment (Note 11)	**₱21,965,235**	₱9,614,821
Investment properties (Note 8)	**83,463,177**	83,843,530
Construction materials, parts and supplies (Note 10)	**205,538,119**	205,538,119

Determination of lease term of contracts with renewal options – Group as a lessee (Effective January 1, 2019)

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

The Group did not include the renewal period of its lease contracts since the renewal options is based on mutual agreement, thus not enforceable (see Note 21).

Management's Use of Estimates

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

Revenue recognition upon adoption of PFRS 15

The Group's real estate sales is based on the percentage-of-completion method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15

Revenue and cost recognition – real estate sales

The Group's revenue from real estate sales of uncompleted projects are recognized based on the POC method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of condominium units and receivables.

Management also regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of initial investment before allowing revenue recognition.

Real estate sales and cost of sales under the POC method amounted to ₱205.26 million and ₱80.44 million in 2017, respectively.

Revenue and cost recognition – construction contract
The Group's construction revenue is based on the percentage of completion measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

(a) whether work has commenced on the contract;
(b) the stage of completion of contract activity; or
(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its on-going construction project and used the above guidance in determining whether the project's contract cost exceeds its contract revenues. There is no assurance that the use of estimates may not result in material adjustments in future periods.

Revenue from construction contracts and direct costs amounted to ₱28.57 million and ₱18.61 million in 2017(nil in 2019 and 2018) (see Note 18).

Provision for expected credit losses of trade receivables and contract assets – effective January 1, 2018
The Group uses vintage analysis approach to calculate ECLs for installment contracts receivables and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

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

The information about the ECLs on the Group's receivables is disclosed in Note 5. As of December 31, 2019 and 2018, the carrying value of receivables amounted to ₱97.70 million and ₱281.04 million, respectively.

Allowance for impairment losses on real estate installment contracts receivable – effective prior to January 1, 2018
The Group maintains an allowance for impairment losses at a level based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on

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

The installment contracts receivables are collateralized by the corresponding real estate properties sold. In cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices. In 2017, the Group has not provided any allowance for impairment losses on its real estate installment contracts receivables.

Evaluation of NRV of real estate held for sale and development
The Group reviews the NRV of real estate inventories, which are recorded under "Real estate held for sale and development" in the consolidated statement of financial position, and compares it with the cost, since assets should not be carried in excess of amounts expected to be realized from sale. Real estate held for sale and development are written down below cost when the estimated NRV is found to be lower than the cost.

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 and having taken suitable external advice. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction.

The Group estimates that the NRV of real estate held for sale and development is greater than its cost. The carrying value of real estate held for sale and development amounted to ₱2,046.55 million and ₱1,469.03 million as of December 31, 2019 and 2018, respectively (see Note 7).

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

As of December 31, 2019, lease liabilities of the Group amounted to ₱14.39 million (see Note 21).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income on which deferred tax assets can be applied. The Group recognized deferred tax assets amounting to ₱35.06 million and ₱34.02 million as of December 31, 2019 and 2018, respectively (see Note 19).

Estimating pension cost and obligation
The determination of the Group's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The salary increase rate was assumed taking into consideration the prevailing inflation rate and Group policy. The turnover rate was assumed based on the result of the most recent experience study of margins for fluctuations.

Those assumptions are described in Note 16. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect pension obligation. The carrying value of pension liability amounted to ₱8.08 million and ₱5.63 million as of December 31, 2019 and 2018, respectively (see Note 16).

4. Cash

	2019	2018
Cash in bank	**₱69,739,532**	₱42,073,963
Cash on hand	**53,065**	20,000
	₱69,792,597	₱42,093,963

Cash in banks earn interest at the respective bank deposit rate of 0.25% in 2019 and 2018.

Interest income derived from cash in banks amounted to ₱202,611, ₱42,322, and ₱11,286 in 2019, 2018 and 2017, respectively (Note 17).

5. Receivables

This account consists of:

	2019	2018
Installment contracts receivable	**₱77,319,491**	₱249,252,525
Advances to Homeowners' Association	**13,400,000**	4,400,000
Accrued rent receivable (Note 21)	**3,825,849**	11,475,184
Interest receivable	**2,190,793**	14,947,287
Others	**1,604,218**	1,604,218
	98,340,351	281,679,214
Less allowance for expected credit loss	**637,552**	637,552
	97,702,799	281,041,662
Less noncurrent portion	**23,388,507**	63,594,475
Current portion	**₱74,314,292**	₱217,447,187

The details of installment contracts receivable follow:

	2019	2018
Installment contracts receivable	**₱77,319,491**	₱250,236,810
Less unamortized discount	–	984,285
Net contracts receivable	**77,319,491**	249,252,525
Less noncurrent portion	**23,388,507**	63,594,475
Current portion	**₱53,930,984**	₱185,658,050

Movements in the unamortized discount of the Group's receivables as of December 31, 2019 and 2018 follow:

	2019	2018
Balance at beginning of year	**₱984,285**	₱775,478
Additions	–	280,967
Accretion	**(984,285)**	(72,160)
Balance at end of year	**₱–**	₱984,285

Installment contracts receivable are collectible in equal monthly principal installments with various terms up to a maximum of 10 years and are secured by the related property sold from real estate held for sale. The receivables bear fixed interest rates of 9.50% per annum computed on the diminishing balance of the principal, except for those that are with installment schemes within two (2) to ten (10) years. Titles to the sold units are transferred to the buyers only upon full payment of the contract price.

As of December 31, 2019 and 2018, the nominal amount of installment contracts receivables amounting to nil and ₱63.59 million was recorded initially at fair value. These represent noninterest-bearing receivables collectible in 2 to 10 years. The fair value upon initial recognition is derived using discounted cash flow model with discount rates ranging from 3.04% to 3.79% in 2019 and 2018.

The Group recognized interest income pertaining to its receivables amounting to ₱42.99 million, ₱19.64 million and ₱9.39 million in 2019, 2018 and 2017, respectively.

The Group's allowance for expected credit losses on installment contracts receivables and accrued rent receivables amounted to ₱0.63 million and ₱0.01 million, respectively, as of December 31, 2019 and 2018. The carrying value of the Group's installment contracts receivables and accrued rent receivables as of December 31, 2019 amounted to ₱76.69 million and ₱3.81 million, respectively. The carrying value of the Group's installment contracts receivables and accrued rent receivables as of December 31, 2018 amounted to ₱248.62 million and ₱11.46 million, respectively

Interest receivable pertains to the interest due from the customers with long-term interest-bearing amounts due to the Group.

Advances to Homeowners' Association pertain to receivable from Goldendale, The Richdale Village and Stratosphere Condominium Homeowners' Association to fund its daily expenses. These are unsecured and have no fixed terms in relation to these advances.

Accrued rent receivable pertains to the lease receivable from the rent of the Group's properties.

6. Contract Liabilities

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2019 and 2018 from amounts included in contract liabilities at the beginning of the year amounted to nil and ₱71.26 million, respectively.

Contract liabilities as of December 31, 2019 and 2018 amounted to ₱151.74 million and ₱122.65 million, respectively.

7. Real Estate Held for Sale and Development

This account consists of:

	2019	2018
Condominium units	**₱1,436,697,474**	₱882,229,917
Subdivision land held for sale and development	**146,015,911**	147,127,128
Land and improvements	**463,835,932**	439,669,868
	₱2,046,549,317	₱1,469,026,913

Condominium units consist of completed units within a property that is being sold in the Group's normal operating cycle.

Subdivision land held for sale and development includes properties that are being developed and have undergone development and are being sold in the normal operating cycle.

Land and improvements pertain to properties held for future development.

The movements in the real estate held for sale and development as of December 31 follow:

2019

	Condominium units	**Subdivision land held for sale and development**	**Land and improvements**	**Total**
Balances at beginning of year	**₱882,229,917**	**₱147,127,128**	**₱439,669,868**	**₱1,469,026,913**
Construction/development costs incurred	**567,230,303**	**395,692**	**24,166,064**	**591,792,059**
Disposals recognized as cost of sales (Note 18)	**(12,762,746)**	**(1,506,909)**	**–**	**(14,269,655)**
Balances at end of year	**₱1,436,697,474**	**₱146,015,911**	**₱463,835,932**	**₱2,046,549,317**

2018

	Condominium units	Subdivision land held for sale and development	Land and improvements	Total
Balances at beginning of year as previously reported	₱998,018,449	₱147,633,201	₱420,982,838	₱1,566,634,488
Effect of adoption of new accounting standards (Note 2)	(34,441,290)	–	–	(34,441,290)
Balances at beginning of year, as restated	963,577,159	147,633,201	420,982,838	1,532,193,198

(Forward)

	Condominium units	Subdivision land held for sale and development	Land and improvements	Total
Construction/development costs incurred	₱66,523,193	₱745,960	₱18,687,030	₱85,956,183
Disposals recognized as cost of sales (Note 18)	(128,926,829)	(1,252,033)	–	(130,178,862)
Transfer to investment properties (Note 8)	(18,943,606)	–	–	(18,943,606)
Balances at end of year	₱882,229,917	₱147,127,128	₱439,669,868	₱1,469,026,913

In 2018, the Group reclassified real estate held for sale and development amounting to ₱18.94 million to investment property. This pertains to the commercial spaces in Stratosphere project (see Note 8).

As of December 31, 2019 and 2018, real estate held for sale and development with carrying value of ₱814.69 million and ₱117.31 million, respectively, were used as collateral to secure the Group's bank loans (see Note 13).

8. Investment Properties

Rollforward analysis of the account is as follows:

	2019		
	Commercial units	**Land**	**Total**
Cost			
Balances at beginning and end of year	**₱18,943,606**	**₱65,212,976**	**₱84,156,582**
Accumulated Depreciation			
Balances at beginning of year	**313,052**	**–**	**313,052**
Depreciation (Note 18)	**380,353**	**–**	**380,353**
Balances at end of year	**693,405**	**–**	**693,405**
Net Book Value	**₱18,250,201**	**₱65,212,976**	**₱83,463,177**

	2018		
	Commercial units	Land	Total
Cost			
Balances at beginning of year	₱–	₱62,958,916	₱62,958,916
Additions	–	2,254,060	2,254,060
Transfer from real estate held for sale and development (Note 7)	18,943,606	–	18,943,606
Balances at end of year	18,943,606	65,212,976	84,156,582
Accumulated Depreciation			
Depreciation (Note 18)	313,052	–	313,052
Net Book Value	₱18,630,554	₱65,212,976	₱83,843,530

Investment properties consist of commercial spaces and land held for operating lease for third parties. Total rental income arising from investment properties amounted to ₱17.51 million, ₱11.08 million and ₱1.05 million in 2019, 2018 and 2017, respectively.

Direct operating expenses incurred from rental operations of the Group amounted to ₱0.38 million, ₱0.31 million and nil in 2019, 2018 and 2017, respectively (see Note 18).

The fair value of investment properties amounted to ₱198.65 million and ₱173.60 million as at December 31, 2019 and 2018, respectively. The fair values of investment properties have been internally determined by reference to other similar transaction in the market. 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 value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy.

9. Investment in an Associate

On February 1, 2019, PC acquired 43.43% ownership interest in Primex Development Corporation (PDC) through acquisition of 75,000 shares for a total consideration of ₱75.00 million, which approximates the proportionate share of PC in the fair value of the identifiable net assets of PDC.

PDC is a corporation duly organized and existing under laws of the Republic of the Philippines. It is primarily engaged and carry on the business of real estate leasing and selling.

PDC has no operation nor commenced the transaction of its business. As such, there is no share in the net income for year ended December 31, 2019.

Below is the summarized financial information of PDC as of December 31, 2019:

	2019
Total Assets	
Current assets	**₱9,271,183**
Noncurrent assets	**533,555,719**
	542,826,902
Total liabilities	**₱357,085,720**
Equity	**₱185,741,182**

10. Other Assets

	2019	2018
Current		
Construction materials, parts and supplies	**₱205,538,119**	₱205,538,119
Input VAT	**67,826,343**	15,511,886
Prepaid taxes	**10,722,374**	2,312,452
Creditable withholding tax	**1,715,213**	302,244
Advances to employees	**360,449**	325,449
Others	**56,413**	46,651
	₱286,218,911	₱224,036,801
Noncurrent		
Deposits (Note 21)	**5,493,347**	₱4,511,576
Others	**3,340**	3,340
	₱5,496,687	₱4,514,916

Construction materials, parts and supplies pertain to materials purchased in the construction of the Group's land development project.

Input VAT represents taxes imposed on the Group for the acquisition of lots, purchase of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits.

Prepaid taxes pertain to taxes and licenses paid in advance by the Group.

Advances to employees represent advances for operational purposes and are collected through salary deduction.

Deposits consist of guarantee deposits and amounts paid to utility providers for service application.

11. Property and Equipment

The composition of and movements in this account follow:

	2019				
	Transportation Equipment	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets – Showroom** (Note 2)	**Total**
Cost					
At beginning of year, as previously reported	**₱32,454,292**	**₱16,420,721**	**₱5,636,687**	**₱–**	**₱54,511,700**
Effect of adoption of PFRS 16, *Leases* (Note 2)	–	–	–	**16,837,654**	**16,837,654**
At beginning of year, as restated	**32,454,292**	**16,420,721**	**5,636,687**	**16,837,654**	**71,349,354**
Additions	**170,014**	**340,833**	**2,246,044**	**1,589,880**	**4,346,771**
At end of year	**32,624,306**	**16,761,554**	**7,882,731**	**18,427,534**	**75,696,125**
Accumulated Depreciation and Amortization					
At beginning of year	**₱26,396,372**	**₱12,910,475**	**₱5,590,032**	**₱–**	**₱44,896,879**
Depreciation and amortization (Notes 18 and 21)	**3,729,925**	**852,316**	**48,140**	**4,203,630**	**8,834,011**
At end of year	**30,126,297**	**13,762,791**	**5,638,172**	**4,203,630**	**53,730,890**
Net Book Value	**₱2,498,009**	**₱2,998,763**	**₱2,244,559**	**₱14,223,904**	**₱21,965,235**

	2018			
	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
At beginning of year	₱31,933,850	₱16,273,881	₱5,587,080	₱53,794,811
Additions	520,442	146,840	49,607	716,889
At end of year	32,454,292	16,420,721	5,636,687	54,511,700
Accumulated Depreciation and Amortization				
At beginning of year	₱22,763,138	₱11,951,541	₱5,566,581	₱40,281,260
Depreciation and amortization (Note 18)	3,633,234	958,934	23,451	4,615,619
At end of year	26,396,372	12,910,475	5,590,032	44,896,879
Net Book Value	₱6,057,920	₱3,510,246	₱46,655	₱9,614,821

Depreciation expense charged to operations amounted to ₱8.83 million, ₱4.62 million and ₱5.60 million in 2019, 2018 and 2017, respectively (see Note 18).

12. Accounts and Other Payables

This account consists of:

	2019	2018
Accounts payable	**₱524,857,197**	₱406,213,939
Advances from affiliates (Note 14)	**325,417,509**	389,530,497
Advance rent	**25,002,676**	7,644,758
Refundable deposits	**4,319,522**	2,779,092
Accrued expenses	**884,107**	7,970,651
Others	**4,432,157**	333,138
	₱884,913,168	₱814,472,075

Accounts payable are amounts due to suppliers and contractors on development costs incurred on its real estate projects under development. These are noninterest bearing and are generally settled on a 30- to 60-day term.

Accrued expenses include accruals of operating expenses and are normally settled on 15- to 60-day terms.

Advance rent pertains to payments from the lessees for the rental of the Company's properties to be applied in the next period.

Refundable deposits pertain to the sum of money that the lessee agrees to pay upon signing of lease contract which will be refunded at the end of the lease term. As of December 31, 2019 and 2018, the refundable deposits amounting to ₱4.32 million and ₱2.78 million, respectively, are recorded at fair value, which approximates its carrying amount due to the relatively short-term nature of these transactions.

Noncurrent refundable deposits are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates for similar type of instruments. As of December 31, 2019 and 2018, the present value of the refundable deposits amounted to ₱24.81 million and ₱12.98 million, respectively. Interest expense arising from the accretion of these deposits amounted to ₱0.68 million and ₱0.31 million in 2019 and 2018, respectively.

Other payables consist of amounts owed to the government for statutory payments such as Social Security System and PAG-IBIG contributions and withholding taxes. These are remitted on a monthly basis.

13. **Short-term and Long-term Loans Payable**

This account consists of the following loans:

	2019	2018
Short-term loans payable	**₱–**	₱200,000,000

Long-term loans payable	**2019**	2018
Balance at beginning of year	**₱2,000,000**	₱–
Availments	**627,000,000**	2,000,000
Payments	**(2,000,000)**	–
Unamortized discount	**(3,018,577)**	–
Balance at end of year	**₱623,981,423**	₱2,000,000

The Group entered into loan agreements with local commercial banks as follows:

a. On October 23, 2018, PRC obtained a secured 10-year loan facility from a local bank amounting to ₱2.00 million to be used for permanent working capital requirements. The principal amount is payable in 72 equal monthly amortizations commencing on November 23, 2022. The loan is subject to an interest rate of 7.12% which is subject to a monthly or quarterly repricing based on the prevailing market rate. This loan was paid in full in 2019.

   Interest expense incurred amounted to ₱0.11 million and ₱0.02 million in 2019 and 2018, respectively.

b. On September 25, 2018, PRC obtained a short-term loan facility from a local bank amounting to ₱200.00 million to be used for permanent working capital requirements. The 50% of the principal amount is payable on the 5th and 6th month from date of borrowing. The remaining principal amount is payable in 6 equal monthly amortization commencing on the 7th month. The loan is subject to an interest rate of 4.5% which is subject to a monthly or quarterly repricing based on the prevailing market rate. The outstanding payable for this loan payable amounted to nil and ₱200.00 million as of December 31, 2019 and 2018, respectively.

   Interest expense incurred amounted to ₱5.29 million and ₱2.80 million in 2019 and 2018, respectively.

c. On March 4, 2019 and December 11, 2019, PC obtained a four-year and five-year long-term loan facilities from a local bank amounting to ₱95.00 million and ₱120.00 million, respectively which are payable on installment basis with floating interest rate of 6.25% and 5.50%, respectively. The proceeds of the loans will used for working capital requirements

   Interest expense incurred amounted to ₱5.63 million in 2019.

d. In 2019, PRC obtained long-term loan facilities amounting to ₱277 million and ₱135 million from a local bank with fixed and floating rates ranging from 5.50% to 5.75% and 6.25%, respectively to be used for the construction of Primex Tower and payment of dividends. The principal amounts are payable in 72 equal monthly amortizations commencing on November 23, 2022.

Interest expense incurred amounted to ₱8.98 million in 2019.

Movement in unamortized discount as of December 31, 2019 follows:

Beginning balance	₱–
Additions	4,702,500
Amortization	(1,683,923)
Ending balance	₱3,018,577

Real estate held for sale and development with a carrying amount of ₱814.69 million and ₱117.31 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the bank loans described in (a) and (d) above (see Note 7).

14. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individuals or corporate entities.

The Group, in the regular conduct of business, has entered into transactions with related parties principally consisting of reimbursement of expenses and advances. There have been no guarantees provided or received for any related party receivables or payables.

2019

Category	**Amount/Volume**	**Payable**	**Terms and Conditions**
Associate			
Primex Development Corporation	**₱8,600,000**	**(₱56,250,000)**	**Payable within 1 year; unsecured; non-interest bearing**
Stockholders			
Advances from stockholders	**(737,012)**	**(325,417,509)**	**Payable within 1 year; unsecured; non-interest bearing**
		(₱381,667,509)	

2018

Category	Amount/Volume	Payable	Terms and Conditions
Entity under common control			
Primex Development Corporation	(₱14,850,000)	(₱64,850,000)	Payable within 1 year; unsecured; non-interest bearing
Stockholders			
Advances from stockholders	(50,236,270)	(324,680,497)	Payable within 1 year; unsecured; non-interest bearing
		(₱389,530,497)	

Terms and conditions of transactions with related parties
Related party balances at year-end are unsecured, interest-free and are expected to be settled once parties have followed through with the settlement. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

There are no agreements between the Group and any of its directors and key officers on providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

The Parent Company has an approval requirement such that material related party transaction shall be reviewed by the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the BOD amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements. The BOD will approve all material related party transactions that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of material related party transactions previously approved, including but not limited to changes in price.

Compensation of Key Management Personnel
Salaries, including other short-term employee benefits and post-employment benefits of the Group's key management personnel amounted to ₱3.08 million, ₱2.69 million and ₱1.82 million for the years ended December 31, 2019, 2018 and 2017, respectively.

15. **Equity**

Paid-in Capital
Details of the Parent Company's paid-in capital as of December 31, 2019 and 2018 follow:

	2019	2018
Authorized shares	**4,500,000,000**	4,500,000,000
Par value per share	**₱0.20**	₱0.20
Issued and outstanding shares	**1,661,666,665**	1,661,666,665

On August 10, 2001, the Parent Company launched its Initial Public Offering where a total of 200,000,000 common shares were offered at an offering price of ₱2.20 per share. The registration statement was approved on July 17, 2001 by SEC.

On February 5, 2013, a subscription agreement was entered into by the Parent Company and another third party corporation for an additional subscription of 17,000,000 shares of the Parent Company's common stock for a share price of ₱3.50 per share with the excess in par value amounting to ₱42.50 million recognized as additional paid-in capital. The Parent Company's subscription receivable amounting to ₱2.00 million was collected during 2014.

On November 24, 2015, the Parent Company's BOD approved the change in par value of the Parent Company's common shares from ₱1.00 per share to ₱0.20 per share. Following the approval, on November 25, 2015, the Parent Company's BOD approved the amendment of the Articles of Incorporation to reflect the change in par value of the authorized capital stock.

Subsequently, in a special stockholders' meeting held on January 29, 2016, the Parent Company secured the approval of the stockholders on the change in par value of capital stock from ₱1.00 per share to ₱0.20 per share and the amendment of the Articles of Incorporation. The SEC approved the change in par value of the Parent Company's capital stock on August 3, 2016.

On February 21, 2017, a subscription agreement was entered into by the Parent Company and third party corporations and an individual for an additional subscription of 45,000,000 shares of the Parent Company's common stock for a share price of ₱4.00 per share with the excess in par value amounting to ₱171.00 million recognized as additional paid-in capital.

The Parent Company has 16 and 20 stockholders as of December 31, 2019 and 2018, respectively.

Retained Earnings
Retained earnings include the accumulated equity in undistributed net earnings of the consolidated subsidiaries amounting to ₱177.30 million and ₱276.20 million as of December 31, 2019 and 2018, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the subsidiaries.

In accordance with the Revised SRC Rule 68, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to ₱256.95 million and ₱174.42 million, respectively. The issuance cost for the common stock issued by the Parent Company in 2017 amounting to ₱0.05 million was charged against retained earnings.

On May 3, 2018, the Parent Company's BOD approved the declaration of cash dividends with an aggregate amount of ₱91.39 million to all of its stockholders of record as of July 20, 2018 and were paid on August 10, 2018.

On June 28, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱43.20 million with a date of record and payment of June 18, 2019 and August 12, 2019, respectively.

Other Equity Reserve
The Group's other equity reserve amounting to ₱39.82 million and (₱10.66 million) in 2018 and 2017, respectively, pertain to the change in the relative interests of the controlling and non-controlling interests of the Group resulting from the acquisition of 1.8% and 10.2% stake in PRC from the Group's non-controlling interests in 2018 and 2017, respectively.

Capital Management
The primary objectives of the Group's capital management policies are to afford the financial flexibility to support its business initiatives and to maximize stakeholders value. The Group will manage its capital structure and make adjustments to it, in light of changes in economic condition. The Group's source of capital is its equity attributable to equity holders of the Parent Company totaling to ₱952.10 million and ₱976.73 million as of December 31, 2019 and 2018, respectively.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its long-term loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There have been no breaches in the financial covenants of the loans availed by the Group.

No changes were made in the Group's capital management objectives, policies or processes during the years ended December 31, 2019 and 2018.

16. Retirement Plan

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The benefits are based on the employees' years of service. The latest actuarial valuation report was issued for the year ended December 31, 2019.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Group's retirement plan meets the minimum retirement benefit specified by the law.

The components of retirement expense included under operating expenses in the consolidated statements of comprehensive income follow:

	2019	2018	2017
Current service cost	**₱151,267**	₱132,844	₱135,820
Interest cost	**410,468**	258,061	228,418
Total retirement expense (Note 18)	**₱561,735**	₱390,905	₱364,238

The amounts recognized in the consolidated statements of financial position for the pension liability represent the present value of defined benefit obligation as of reporting date.

Changes in present value of the defined benefit obligation are as follow:

	2019	2018
Balance at beginning of year	**₱5,629,811**	₱4,838,982
Current service cost	**151,267**	132,844
Interest cost	**410,468**	258,061
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**646,705**	(143,078)
Experience adjustments	**1,245,692**	543,002
Balance at end of year	**₱8,083,943**	₱5,629,811

The average duration of the defined benefit obligation at the end of the reporting period is 14-17 years.

The principal assumptions used to determine retirement benefits for the Group for the years ended December 31 are as follows:

	2019	2018
Discount rate	**4.91%-5.06%**	7.24%-7.36%
Salary increase rate	**5%**	5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, assuming all other assumptions were held constant.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Effect on DBO	
	Increase (decrease)	**2019**	2018
Discount rate	1.00%	**(₱307,325)**	(₱178,432)
	(1.00%)	**405,143**	222,982
Rate of salary increase	1.00%	**393,132**	233,307
	(1.00%)	**(318,008)**	(202,699)

The maturity analysis of the undiscounted benefit payments as of December 31 follows:

	2019	2018
More than 1 year to 5 years	**₱6,488,917**	₱4,837,805
More than 5 to 10 years	**1,636,569**	4,713,282
More than 10 to 15 years	**15,489,090**	8,493,732

17. Miscellaneous Income

	2019	2018	2017
Rental income (Note 21)	**₱60,932,336**	₱25,430,507	₱24,077,309
Interest income from banks (Note 4)	**202,611**	42,322	11,286
Loss on cancellation of sales	**(32,961,916)**	–	–
Others	**1,742,044**	431,070	40,902
	₱29,915,075	₱25,903,899	₱24,129,497

Rental income pertains to the Group's lease agreements with third parties covering its parcels of land under real estate held for sale and development and transactions with an affiliate in which the latter allowed the Group to lease out the properties it owns, collect property rentals and assume all expenses and liabilities with regard to the undertaking at no cost to the Group.

Others pertain to income penalties earned from late payments of buyers for the scheduled installment contracts receivable payments as well as income derived from deposits resulting to forfeitures of potential real estate sales.

18. Sales and Services, Costs and Expenses

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2019	2018	2017
Real estate	**₱25,029,574**	₱233,508,332	₱205,258,298
Construction contract	**–**	–	28,571,429
	₱25,029,574	₱233,508,332	₱233,829,727

Cost of real estate sales and services consist of:

	2019	2018	2017
Cost of real estate sales (Note 7)	**₱14,269,655**	₱130,178,862	₱80,440,125
Cost of rental (Note 8)	**380,353**	313,052	–
Construction cost	**–**	–	18,613,917
	₱14,650,008	₱130,491,914	₱99,054,042

General and administrative expenses consist of:

	2019	2018	2017
Taxes and licenses	**₱18,551,610**	₱9,637,521	₱6,463,654
Depreciation and amortization (Note 11)	**8,834,011**	4,615,619	5,604,328
Salaries, wages and employee benefits	**8,435,969**	6,751,139	5,989,147
Light, water and dues	**3,407,426**	1,434,319	1,250,643
Commission	**1,789,876**	5,691,392	3,783,068
Professional fees	**977,748**	1,026,465	914,0648
Insurance	**802,204**	239,441	362,203
Retirement (Note 16)	**561,735**	390,905	364,238
Communication and transportation	**483,085**	164,098	272,926
Gas and oil	**383,077**	633,883	1,826,594
Security, messengerial and janitorial services	**343,209**	812,154	698,933
Entertainment, amusement and recreation	**232,488**	238,023	2,958,921
Repairs and maintenance	**70,828**	618,884	421,145
Training and development	**45,010**	–	112,000
Rent expense (Note 21)	–	3,412,732	3,412,732
Miscellaneous	**4,470,611**	2,937,712	4,536,858
	₱49,388,887	₱38,604,287	₱38,971,454

Miscellaneous pertains to expenses incurred for office supplies, uniforms of employees and out-of-pocket expenses.

19. **Income Taxes**

Provision for income tax consists of:

	2019	2018	2017
Current - RCIT	**₱9,972,535**	₱53,634,113	₱39,382,847
Deferred	**(320,178)**	(18,119,157)	1,192,573
Current - final	**40,522**	8,464	2,257
	₱9,692,879	₱35,523,420	₱40,577,677

The components of net deferred tax assets follow:

	2019	2018
Presented in profit or loss		
Deferred tax assets on:		
Deferred gross profit	**₱29,627,258**	₱29,627,258
Pension liability	**1,675,617**	1,507,097
Accrued expenses	**1,359,289**	1,359,289
Amortization on loans payable	**778,482**	–
Accretion of interest on receivables	**619,710**	969,713

(Forward)

	2019	2018
Allowance for expected credit loss	**₱191,265**	₱191,265
Lease liabilities - net	**50,125**	–
Unearned rent	**5,110**	185,679
	34,306,856	33,840,301
Deferred tax liabilities on:		
Capitalized borrowing costs	**(3,355,803)**	(3,254,384)
Amortization of transaction cost	**(1,261,730)**	–
Lease income differential between straight-line and accrual method of accounting for leases	**(295,845)**	(1,558,008)
Accretion of interest on receivables	**(39,281)**	(9,323)
Accretion of interest on security deposit – net	**(15,433)**	–
	(4,968,092)	(4,821,715)
	29,338,764	29,018,586
Presented in OCI		
Deferred tax asset on:		
Remeasurement gain on defined benefit obligation	**749,565**	181,846
	₱30,088,329	₱29,200,432

A reconciliation of the statutory income tax to the provision for income tax follows:

	2019	2018	2017
Statutory income tax	**₱8,879,144**	₱35,373,383	₱38,896,597
Add (Deduct):			
Nondeductible expenses	**831,093**	154,269	1,601,656
Deductible temporary difference for which no deferred tax asset was recognized	**2,904**	–	94,054
Interest income subject to final tax	**(20,262)**	(4,232)	(1,130)
Deductible expenses charged to equity	–	–	(13,500)
Provision for income tax	**₱9,692,879**	₱35,523,420	₱40,577,677

In 2018, the Group did not unrecognize DTA related on the accretion of interest expense on security deposit amounting to ₱2,904.

As of December 31, 2017, the Group did not recognize deferred tax assets on the NOLCO of PHDC amounting to ₱0.31 million (incurred in 2017 and expiring in 2020) as management assessed that there will be no sufficient future taxable profit against which this deferred tax asset can be used. The deferred tax effect of the deductible temporary differences for which no deferred tax asset has been recognized amounted to ₱0.09 million as of December 31, 2017.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the financial reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the financial reporting date.

20. Earnings Per Share

Earnings per share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the Parent Company	**₱19,904,269**	₱82,387,855	₱88,628,405
b. Weighted average number of outstanding common shares	**1,661,666,665**	1,661,666,665	1,661,666,665
c. Basic/diluted earnings per share (a/b)	**₱0.0120**	₱0.0496	₱0.0533

As of December 31, 2019, 2018 and 2017, the Group has no potentially dilutive common shares.

21. Lease Commitments

Operating Leases - Group as Lessor

The Group entered into lease agreements covering its parcels of land under real estate held for sale and development and investment properties to third parties. The leases are renewable under certain terms and conditions. The terms of the leases range from five (5) to 10 years. Accrued rent receivable amounted to ₱3.83 million and ₱11.48 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the future minimum lease receivables under noncancelable operating leases follow:

	2019	2018
Within one year	**₱52,626,476**	₱42,219,131
After one year but not more than five years	**102,059,954**	111,831,146
	₱154,686,430	₱154,050,277

In addition, the Group has transactions with an affiliate in which the latter allowed the Group to lease out the properties it own, collect property rentals and assume all expenses and liabilities with regard to the undertaking at no cost to the Group. These transactions are recorded under "Miscellaneous income" account in profit or loss.

Total rental income amounted to ₱78.44 million, ₱36.51 million and ₱25.13 million in 2019, 2018 and 2017, respectively (see Notes 8 and 17).

Leases - Group as Lessee

In 2018, the Group entered into an operating lease agreement with Springdale Trading Corp. for the lease of a commercial space used as the Group's showroom and for subleasing purposes. The contract runs for a period of five years and is renewable annually subject to mutual agreement by both parties. Security deposits relating to this contract as of December 31, 2019 amounted to ₱0.74 million (see Note 10).

On May 1, 2019, the Group entered into another operating lease agreement with Philippine Union Realty Development Corporation for a period of two years covering a commercial space to be used as the Group's showroom. The lease is renewable upon mutual agreement by both parties. Related security deposits amounted to ₱0.28 million as of December 31, 2019 (Note 10).

Rental expense (which includes common area dues) charged to profit or loss on the above leases amounted to ₱3.41 million in 2018 and 2017 (see Note 18).

The following are the amounts recognized in the 2019 consolidated statement of comprehensive income:

Depreciation of right-of-use assets	₱4,203,630
Interest expense on lease liability	1,119,655
Total amount recognized in consolidated statements of comprehensive income	₱5,323,285

The movements in the lease liabilities as at December 31, 2019 are presented below:

Balance as at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 2)	16,089,977
Balance as at January 1, 2019, as restated	16,089,977
Additions	1,589,880
Interest expense	1,119,655
Payments	(4,408,523)
As at December 31, 2019	₱14,390,989

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

	2019	2018
Less than one year	**₱4,165,481**	₱3,840,923
After one year but not more than five years	**7,041,564**	15,174,169
	₱11,207,045	₱19,015,092

22. Partly-Owned Subsidiary

In January 2018, the Parent Company acquired the remaining non-controlling interest of 1.8% in PRC for a consideration of ₱14.85 million, thereby taking 100% control in PRC.

Information as of and for the year ended December 31, 2017 on PRC's material non-controlling interest are provided below:

Proportion of equity held by non-controlling interest	1.8%
Accumulated balance of material non-controlling interest	₱65,332,830
Profit allocated to material non-controlling interest	449,243

The summarized financial information of PRC before the remaining NCI was purchased is provided below. This information is based on amounts before intercompany eliminations.

Summarized statement of income for the year ended December 31, 2017 follows:

Revenue	₱86,337,070
Cost of sales	30,931,346
Operating and other expenses	18,583,004
Profit before tax	36,822,720
Provision for income tax	11,864,855
Profit for the year	24,957,865
Other comprehensive income	75,177
Total comprehensive income	₱25,033,042
Total comprehensive income attributable to non-controlling interests	₱450,596

Summarized statement of financial position as of December 31, 2017 follows:

Current assets	₱1,348,613,189
Noncurrent assets	84,325,034
Current liabilities	797,805,555
Noncurrent liabilities	7,493,377
Total equity	₱627,639,291
Attributable to:	
Equity holders of the Parent Company	₱562,306,461
Non-controlling interests	65,332,830

Summarized cash flow information for the year ended December 31, 2017 follows:

Operating	(₱54,707,196)
Investing	(7,480,796)
Financing	70,000,000
Net increase in cash	₱7,812,008

23. **Financial Instruments**

Fair Value Information

The fair values of cash, receivables (except installment contracts receivables), accounts and other payables and short-term loans payable approximate their carrying amounts due to relatively short-term nature of these financial instruments.

Installment contracts receivable - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 2.34% to 7.18% and 1.62% to 5.00% in 2019 and 2018, respectively. The carrying value and fair value amounted to ₱77.32 million in 2019 and ₱249.25 million and ₱250.24 million in 2018, respectively.

Long-term loans payable - variable-rate loans that reprice monthly, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Refundable deposits - Due to the unpredictability of timing of payment, fair value of these liabilities cannot be reasonably estimated.

Fair Value Hierarchy
The Group categorized installments contracts receivable under Level 3 as of December 31, 2019 and 2018. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a (lower) higher fair value, respectively.

The Group categorized long-term loans classified as other financial liabilities under Level 3 as of December 31, 2019 and 2018. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a lower (higher) fair value, respectively.

There have been no reclassifications between Levels 1, 2, and 3 categories in 2019 and 2018.

Financial Risk Management Objectives and Policies
The Group has various financial instruments such as loans and receivables and other financial liabilities which arise directly from the conduct of its operations. The main risks arising from the Group's financial instruments are credit risk and liquidity risk.

The Group reviews and approves policies for managing risks which are summarized below:

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

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk is primarily attributable to its installment contracts receivable and interest receivable. The Group manages its credit risk by conducting credit reviews and analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain payment structures. In addition, the Group's credit risk is minimized since the contract to sell provides the Group the right to rescind the sale, offer the same property to other parties in case of customer's default and the title of the property passes to the buyer only after the full payment of the receivable.

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

As of December 31, 2019 and 2018, the aging analysis of receivables presented per class, is as follows:

2019

		Past Due but not Impaired							
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**	**ECL**	**Total**
Installments contracts receivable	**₱67,278,783**	**₱907,757**	**₱76,681**	**₱76,079**	**₱75,481**	**₱8,278,977**	**₱9,414,975**	**₱625,733**	**₱77,319,491**
Interest receivable	**–**	**2,190,793**	**–**	**–**	**–**	**–**	**2,190,793**	**–**	**2,190,793**
Advances to Homeowners' Associations	**13,400,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,400,000**
Accrued rent receivable	**–**	**3,814,030**	**–**	**–**	**–**	**–**	**3,814,030**	**11,819**	**3,825,849**
Others	**–**	**–**	**–**	**–**	**–**	**1,604,218**	**1,604,218**	**–**	**1,604,218**
	₱80,678,783	**₱6,912,580**	**₱76,681**	**₱76,079**	**₱75,481**	**₱9,883,195**	**₱17,024,016**	**₱637,552**	**₱98,340,351**

2018

		Past Due but not Impaired							
	Current	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	ECL	Total
Installments contracts receivable	₱149,243,866	₱1,433,196	₱6,360,411	₱28,980,426	₱10,794,703	₱51,814,190	₱99,382,926	₱625,733	₱249,252,525
Interest receivable	–	14,947,287	–	–	–	–	14,947,287	–	14,947,287
Advances to Homeowners' Associations	4,400,000	–	–	–	–	–	–	–	4,400,000
Accrued rent receivable	5,696,336	4,694,290	–	–	–	1,072,739	5,767,029	11,819	11,475,184
Others	–	–	–	–	–	1,604,218	1,604,218	–	1,604,218
	₱159,340,202	₱21,074,773	₱6,360,411	₱28,980,426	₱10,794,703	₱54,491,147	₱121,701,460	₱637,552	₱281,679,214

The table below shows the credit quality of the Group's financial assets as of December 31, 2019 and 2018:

2019

	Current	**Past due but not impaired**	**ECL**	**Total**
Financial assets at amortized cost				
Cash in bank	**₱69,739,532**	**₱–**	**₱–**	**₱69,739,532**
Receivables:				
Installment contracts receivable	**67,278,783**	**9,414,975**	**625,733**	**77,319,491**
Interest receivable	**–**	**2,190,793**	**–**	**2,190,793**
Advances to Homeowners' Associations	**13,400,000**	**–**	**–**	**13,400,000**
Accrued rent receivable	**–**	**3,814,030**	**11,819**	**3,825,849**
Others	**–**	**1,604,218**	**–**	**1,604,218**
	₱150,418,315	**₱17,024,016**	**₱637,552**	**₱168,079,883**

<u>2018</u>

	Current	Past due but not impaired	ECL	Total
Financial assets at amortized cost				
Cash in bank	₱42,073,963	₱–	₱–	₱42,073,963
Receivables:				
Installment contracts receivable	149,243,866	99,382,926	625,733	249,252,525
Interest receivable	–	14,947,287		14,947,287
Advances to Homeowners' Associations	4,400,000	–		4,400,000
Accrued rent receivable	4,694,290	6,769,075	11,819	11,475,184
Others	–	1,604,218	–	1,604,218
	₱200,412,119	₱122,703,506	₱637,552	₱323,753,177

The Group considers the probability of default upon initial recognition of financial asset and assesses whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Credit risk from balances with banks is managed in accordance with the Group's policy. The Group holds cash in banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

The Group's allowance for expected credit losses on installment contracts receivables and accrued rent receivables amounted to ₱0.63 million and ₱0.01 million, respectively, as of December 31, 2019 and 2018.

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

<u>Credit line</u>
The Group has a total available credit line up to ₱1.89 billion and ₱2.32 billion with various local banks as of December 31, 2019 and 2018, respectively.

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 deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. In the event that there is a need in meeting its obligations, its stockholders will provide the necessary financial support in the funding requirements of the Group as they fall due.

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 tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31 based on the remaining contractual maturities and undiscounted contractual cash flows:

2019

	<30 days	**30-60 days**	**61 days-1 year**	**>1 year**	**Total**
Other financial liabilities:					
Accounts and other payables					
Accounts payable	**₱524,857,197**	**₱–**	**₱–**	**₱–**	**₱524,857,197**
Accrued expenses*	**884,107**	–	**32,343,047**	**149,605,157**	**182,832,311**
Loans payable	–	–	–	**623,981,423**	**623,981,423**
Refundable deposits	**4,319,522**	–	–	**24,811,436**	**29,130,958**
Total other financial liabilities	**₱530,060,826**	**₱–**	**₱32,343,047**	**₱798,398,016**	**₱1,360,801,889**
Financial assets at amortized cost					
Cash	**₱69,792,597**	**₱–**	**₱–**	**₱–**	**₱69,792,597**
Receivables:					
Installment contracts receivable	**25,356,871**	**7,483,242**	**20,465,139**	**23,388,507**	**76,693,759**
Interest receivable	**2,190,793**	–	–	–	**2,190,793**
Accrued rent receivable	**3,814,030**	–	–	–	**3,814,030**
Advances to Homeowners' Associations	**9,000,000**	–	**4,400,000**	–	**13,400,000**
Others	–	–	**1,604,218**	–	**1,604,218**
Total	**₱110,154,291**	**₱7,483,242–**	**₱26,469,357**	**₱23,388,507**	**₱167,495,397**

**Accrued expenses include expected future interest payments on long-term notes payable amounting to ₱181.14 million.*

2018

	<30 days	30-60 days	61 days-1 year	>1 year	Total
Other financial liabilities:					
Accounts and other payables					
Accounts payable	₱406,213,939	₱–	₱–	₱–	₱406,213,939
Accrued expenses	1,588,223	284,394	2,843,943	3,254,091	7,970,651
Advances to affiliates	–	–	389,530,497	–	389,530,497
Loans payable*	–	202,441,096	–	2,976,534	205,417,630
Refundable deposits	–	–	2,779,092	12,984,274	15,763,366
Total other financial liabilities	₱407,802,162	₱202,725,490	₱395,153,532	₱19,214,899	₱1,024,896,083
Financial assets at amortized cost					
Cash	₱42,093,963	₱–	₱–	₱–	₱42,093,963
Receivables:					
Installment contracts receivable	64,323,433	5,734,677	114,974,208	63,594,475	248,626,793
Interest receivable	14,947,287	–	–	–	14,947,287
Advances to Homeowners' Associations	–	–	4,400,000	–	4,400,000
Accrued rent receivable	10,390,626	–	1,072,739	–	11,463,365
Others	–	–	1,604,218	–	1,604,218
Total	₱131,755,309	₱5,734,677	₱122,051,165	₱63,594,475	₱323,135,626

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The Group has interest-bearing loans with floating interest rate subject to repricing amounting to ₱350.00 million and ₱202.00 million as of December 31, 2019 and 2018. The short-term loans payable amounting to ₱200.00 million matured in 2019.

The table below demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2019, with all variables held constant, (through the impact on floating rate borrowings):

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
Floating rate borrowings	**(₱1,985,515)**	**₱1,985,515**

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

24. Segment Information

The industry segments where the Group operates are as follows:

Real estate - sale of high-end and upper middle-income residential lots and units.

Construction - land development and construction of related party project. This industry segment was started by the Group in 2016. This segment was discontinued in 2018.

The significant information on the reportable segments is as follows:

	2019	2018	2017
REVENUE			
Real estate sales	**₱25,029,574**	₱233,508,332	₱205,258,298
Construction contracts	**–**	–	28,571,429
Interest income from real estate sale	**42,988,138**	19,639,338	9,391,481
	68,017,712	253,147,670	243,221,208
COSTS AND EXPENSES			
Cost of real estate sales	**14,650,008**	130,491,914	80,440,125
Construction costs	**–**	–	18,613,917
General and administrative expenses	**49,388,887**	38,604,287	38,971,454
	64,038,895	169,096,201	138,025,496
Income before income tax	**3,978,817**	84,051,469	105,195,712
Provision for income tax	**9,692,879**	35,523,420	40,577,677
Income (loss) after income tax	**(₱5,714,062)**	₱48,528,049	₱64,618,035

(Forward)

	2019	2018	2017
SEGMENT ASSETS			
Cash	**₱69,792,597**	₱42,093,963	₱16,008,082
Receivables	**97,702,799**	281,041,662	286,379,427
Real estate held for sale and development	**2,046,549,317**	1,469,026,913	1,566,634,488
Other current assets	**286,218,911**	224,036,801	261,052,653
Investment properties	**83,463,177**	83,843,530	62,958,916
	₱2,583,726,801	₱2,100,042,869	₱2,193,033,566
SEGMENT LIABILITIES			
Accounts and other payables	**₱556,122,495**	₱424,941,578	₱847,531,767
Contract liabilities	**151,744,585**	122,645,777	–
Subscription payable	**56,250,000**	–	–
Loans payable	**623,981,423**	202,000,000	–
	₱1,388,098,503	₱749,587,355	₱847,531,767

Segment assets exclude property and equipment, investment in associate, deferred tax assets and other noncurrent assets.

Segment liabilities exclude refundable deposits, advances to affiliates, statutory liabilities and pension liability.

Segment revenue exclude rental income from use of properties owned by the Group and miscellaneous income.

All revenues are from individuals and domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue in 2019 and 2018. The Group derived ₱28.57 million or 11% of its total revenue from a single external customer which pertains to a land development contract with the Group acting as the developer in 2017.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Reconciliation of Assets

	2019	2018	2017
Total operating assets of segments	**₱2,583,726,801**	₱2,100,042,869	₱2,193,033,566
Investment in an associate	**75,000,000**	–	–
Property and equipment	**21,965,235**	9,614,821	13,513,551
Deferred tax assets	**30,088,329**	29,200,432	12,265,142
Other noncurrent assets	**5,496,687**	4,514,916	4,514,916
Consolidated total assets	**₱2,716,277,052**	₱2,143,373,038	₱2,223,327,175

Reconciliation of Liabilities

	2019	2018	2017
Total operating liabilities of segments	**₱1,388,098,503**	₱749,587,355	₱847,531,767
Advances to affiliates	**325,417,509**	389,530,497	324,444,227
Refundable deposits	**24,811,436**	12,984,274	9,427,536
Lease liability	**14,390,989**	–	–
Statutory liabilities	**3,373,164**	8,915,851	11,670,471
Pension liability	**8,083,943**	5,629,811	4,838,982
Consolidated total liabilities	**₱1,764,175,544**	₱1,166,647,788	₱1,197,912,983

Reconciliation of Revenue and Other income

	2019	2018	2017
Total revenue of segments	**₱68,017,712**	₱253,147,670	₱243,221,208
Rent income	**17,507,152**	11,083,935	1,049,141
Miscellaneous income	**29,915,075**	25,903,899	24,129,497
Consolidated total revenue and other income	**₱115,439,939**	₱290,135,504	₱268,399,846

Reconciliation of Net Income

	2019	2018	2017
Income (loss) after income tax	**(₱5,714,062)**	₱48,528,049	₱64,618,035
Rent income	**17,507,152**	11,083,935	1,049,141
Miscellaneous income	**29,915,075**	25,903,899	24,129,497
Interest expense	**(21,803,896)**	(3,128,028)	(719,025)
Consolidated net income	**₱19,904,269**	₱82,387,855	₱89,077,648

25. Additional Cash Flow Information

Below is the rollforward of liabilities under financing activities:

2019

	January 1, 2019	**Cash Flows**	**Non-cash Changes**	**December 31, 2019**
Loans payable	**₱202,000,000**	**₱420,297,500**	**₱1,683,923**	**₱623,981,423**
Refundable deposits	**12,984,274**	**11,144,187**	**622,975**	**24,811,436**
Lease liabilities	**–**	**(4,408,523)**	**17,679,857**	**13,271,334**
Interest payable	**152,778**	**(17,559,107)**	**18,317,343**	**911,014**
Dividends payable	**–**	**(43,203,333)**	**43,203,333**	**–**
	₱215,137,052	**₱366,270,724**	**₱81,507,431**	**₱662,975,207**

2018

	January 1, 2018	Cash Flows	Non-cash Changes	December 31, 2018
Loans payable	₱–	₱202,000,000	₱–	₱202,000,000
Interest payable	–	(2,668,243)	2,821,021	152,778
Dividends payable	–	(91,391,667)	91,391,667	–
	₱–	₱107,940,090	₱94,212,688	₱202,0152,778

26. Events After the Reporting Period

Coronavirus Disease (COVID-19) Impact

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. This was extended twice, initially up to April 30, 2020 and then until May 15, 2020 for "high risk" areas such as NCR and several other regions in Luzon and the Visayas until May 15, 2020.

On May 12, 2020, the Philippine government announced that it will ease quarantine measures in many areas of the country, but it will extend lockdowns in Metro Manila and some other cities until May 31, 2020, which the government termed as "modified" enhanced community quarantine (MECQ). That designation is the most stringent of a new three-tiered quarantine system in which some areas will be placed under general community quarantine (GCQ), while others will go under a lighter "modified" version of GCQ. Effective June 1, 2020, Metro Manila is now under GCQ.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the future impact to its financial position, performance and cash flows. The Group continues to monitor the situation.

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Primex Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
July 2, 2019, valid until July 1, 2022
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125310, January 7, 2020, Makati City

June 26, 2020

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Primex Corporation and Subsidiaries (the Group) as at December 31, 2019 and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
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June 26, 2020

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial assets
B	Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
C	Amounts receivable from related parties which are eliminated during the consolidation of financial assets
D	Long term debt
E	Indebtedness to related parties (long-term loans and related companies)
F	Guarantees of securities of other issuers
G	Capital Stock
Annex 68-D	Reconciliation of retained earnings available for dividend declaration
Annex 68-E	Schedule of financial soundness indicators
	Map showing the relationships between and among the companies in the group, its ultimate Group and co-subsidiaries

PRIMEX CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON FINANCIAL ASSETS
AS OF DECEMBER 31, 2019

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION	INCOME RECEIVED & ACCRUED
	NOT APPLICABLE			

The Group does not have financial assets that are above 5% of its total assets as of December 31, 2019.

SCHEDULE B

PRIMEX CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND RELATED PARTIES FOR THE YEAR ENDED DECEMBER 31, 2019

NAME	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
		NOT APPLICABLE					

The Group does not have receivable from directors, officers, and employees as of December 31, 2019.

SCHEDULE C

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION PERIOD FOR THE YEAR ENDED DECEMBER 31, 2019

NAME (Debtor)	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
Primex Corp.	₱86,000,000		₱6,000,000		₱80,000,000		₱80,000,000
Primex Housing Dev't Corp.	2,567,570				2,567,570		2,567,570

This balance pertains to receivable of Primex Realty Corporation and receivable of Primex Housing Dev't Corp. from Primex Corporation.

SCHEDULE D

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON LONG TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2019

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	INTEREST RATE	NO. OF PERIODIC INSTALLMENT	MATURITY DATE
Bank loan	₱215,000,000	₱–	₱213,400,337	5.50%	72	October 23, 2028
Bank loan	135,000,000	–	134,318,174	6.25%	72	October 23, 2028
Bank loan	120,000,000	–	119,598,824	5.50%	3	March 4, 2024
Bank loan	95,000,000	–	95,107,251	6.25%	4	March 4, 2024
Bank Loan	32,000,000	–	31,770,223	5.75%	72	October 23, 2028
Bank loan	30,000,000	–	29,786,614	5.75%	72	October 23, 2028

SCHEDULE E

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2019

NAME OF RELATED PARTY (CREDITOR)	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
Stockholders	₱324,680,497	₱325,417,509
Associate	₱64,850,000	₱56,250,000

Increase in the advances from stockholders was used in the operations of the Group while decrease in advances to affiliate pertains to payments made during the year.

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON GUARANTEES OF SECURITIES OF OTHER ISSUERS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The Group does not have guarantees of securities of other issuers as of December 31, 2019.

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2019

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AND SHOWN UNDER RELATED BALANCE SHEET CAPTION				Number of shares reserved for options, warrants conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common shares	4,500,000,000	1,661,666,665	–	–	1,661,666,665	–	62,680,400	1,180,649,995	418,336,270

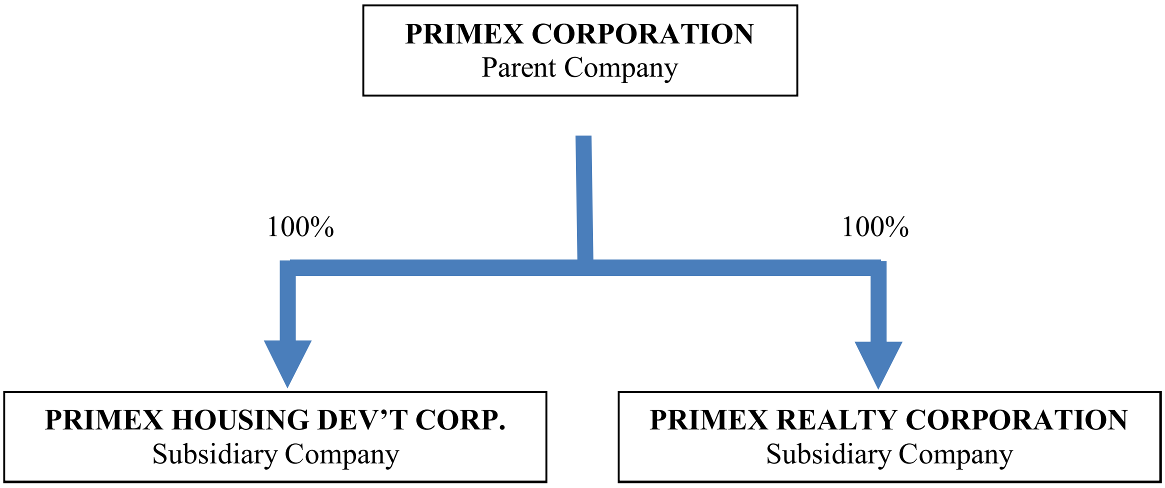
ANNEX 68-D

PRIMEX CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Unappropriated Retained Earnings, beginning	₱175,317,296
Adjustments:	
Deferred tax asset, beginning	(1,302,186)
Unappropriated Retained Earnings, as adjusted, beginning	174,015,110
Net income based on the face of AFS	126,450,220
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	308,898
Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalent)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Add: Non-actual losses	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
Net income actual/realized	126,141,322
Less: Other adjustments	
Dividend declarations during the period	(43,203,333)
Effects of changes in accounting standard	
Treasure shares	–
Unappropriated Retained Earnings, end available for dividend distribution	₱256,953,099

PRIMEX CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE GROUP AND CO SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019



ANNEX 68-E

PRIMEX CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2019

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019 and 2018:

Financial ratios	Formula		2019	2018
Current ratio	Current assets/ Current liabilities		**2.26:1**	1.70:1
	Current assets	2,476,875,117		
	Divide by: Current liabilities	1,096,829,806		
	Current ratio	2.26		
Acid test ratio	Quick assets/Current liabilities (quick assets include cash and current receivables)		**0.13:1**	0.23:1
	Current assets	2,476,875,117		
	Less: Real estate held for sale	2,046,549,317		
	Other current assets	286,218,911		
	Quick assets	144,106,889		
	Divide by: Current liabilities	1,096,829,806		
	Acid test ratio	0.13		
Solvency ratio	EBITDA/Total liabilities (Total liabilities includes short-term and long-term liabilities)		**0.03:1**	0.11:1
	Net income	19,904,269		
	Add: Interest expense	21,803,896		
	Income taxes	9,692,879		
	Depreciation and amortization	9,214,364		
	EBITDA	60,615,408		
	Divide by: Total liabilities	1,764,175,544		
	Solvency ratio	0.03		
Debt-to-equity ratio	Total liabilities/Total equity		**1.85:1**	1.19:1
	Total liabilities	1,764,175,544		
	Divide by: Total equity	952,101,508		
	Debt-to-equity ratio	1.85		
Asset-to-equity ratio	Total assets/Total equity		**2.85:1**	2.19:1
	Total assets	2,716,277,052		
	Dived by: Total equity	952,101,508		
	Asset-to-equity ratio	2.85		

Financial ratios	Formula		2019	2018
Interest rate coverage ratio	EBITDA/Interest expense		**2.78:1**	40.27:1
	Net Income	19,904,269		
	Add: Interest expense	21,803,896		
	Income taxes	9,692,879		
	Depreciation and amortization	9,214,364		
	EBITDA	60,615,408		
	Divide by: Interest expense	21,803,896		
	Interest rate coverage ratio	2.78		
Return on assets	Operating income/Average total assets		**1.22%**	5.40%
	Operating income	29,597,148		
	Divide by: Average total assets	2,429,825,045		
	Return on assets	0.0122		
Return on equity	Net income/Average total equity		**2.06%**	8.23%
	Net income	19,904,269		
	Divide by: Average total equity	964,413,379		
	Return on equity	0.0206		
Net profit margin	Net income /Total revenue		**79.52%**	35.28%
	Net income	19,904,269		
	Divide by: Total revenue	25,029,574		
	Net profit margin	0.7952		