

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2019**
2. Commission Identification Number **163671**
3. BIR Tax Identification No. **000-804-342-000**
4. Exact name of issuer as specified in its charter **AyalaLand Logistics Holdings Corp.**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal code
3rd Floor Glorietta 5, Ayala Center, Makati City 1223
8. Issuer's telephone number, including area code **(632) 8884-1106**
9. Former name, former address and former fiscal year, if changed since last report:
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
(As of 31 October 2019)

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding</u>
Common shares	6,301,591,987
<u>Amount of Debt Outstanding</u>	
Outstanding Loans (consolidated)	-0-

11. Are any or all of the securities listed on a Stock Exchange?
Yes No

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

The Group registered a strong topline for the first nine months ended 30 September 2019 reaching P3.2 billion Revenues versus same period last year of P1.9 billion or 64% growth as a result of improved performance across business segments. The revenue for the 3rd quarter 2019 is slightly lower than same period of previous year due to timing of lot sales booking.

Net income significantly increased to P500 million from P189 million for nine (9) months of the year or 164% growth. A portion of the 2019 net income is attributable to the gain on sale of shares held by a subsidiary of P149 million.

Given its geographic expansion program, the Group secured the parcels of land in Mabalacat, Pampanga through equity purchase (192 hectares) and land acquisitions in Laguindingan, Misamis Oriental (62 hectares) and National Road Muntinlupa (2 hectares). Current year-to-date spend on capital expenditures is at P3.0 billion for land acquisition, equity purchase and developments.

Lastly, earnings per share for the period ended 30 September 2019 increased to P0.07 or 133% from P0.03 last year.

By Business Segment

- a) Industrial lot sales registered P560 million in revenues for the first nine (9) months of 2019, which grew by 98% versus last year's revenues of P283 million. Gross profit margins improved from 46% last year to 50% this year.

As of 30 September 2019, landbank is at 306 hectares.

- b) Rental revenues are coming from:

- b.1) Revenue for warehouse leasing is P176 million as of 30 September 2019, up by 56% from P113 million in 2018.

Warehouse leasing is at gross leasable area (GLA) of 154K as of 30 September 2019, up by 12% from 138K square meters.

Lease-out rate is at 94% versus 86% or an 8% points improvement over last year.

- b.2) Revenue from commercial leasing is P579 million as of 30 September 2019, up by 25% from P465 million in 2018 mainly driven by a higher average rent per square meter.

Commercial leasing's GLA is at 84K as of 30 September 2019.

Lease-out rate is 94% versus 86% or an 8% points improvement over last year.

- c) Sale of electricity remains steady with a 3% margin.

Laguna Technopark, Inc. (LTI)

For the nine-month period, LTI registered a 79% growth on Revenues from P1.4 billion to P2.5 billion.

Cost of real estate grew by 83% driven by higher industrial lot sold but margins improved from 46% to 50% for the nine-month period ended 30 September 2018 and 2019, respectively.

Cost of rental services increased from P29 million to P48 million as of the period ended 30 September due to higher GLA but margins improved from 55% to 62% due to better topline.

Net income is higher by 114% for the nine-month period ended 30 September at P334 versus P157 million last year.

Tutuban Properties, Inc. (TPI)

The 3rd quarter revenues for the period ended 30 September is at P137 million which is 10% higher compared to the same period last year. Costs and Expenses increased by 28% or P24 million from P82 million last year due mainly to higher depreciation and lower common area recoveries in areas being redeveloped. The higher cost and expenses resulted to lower net income for the 3rd quarter 2019 by P5 million versus net income last year of P32 million.

As of nine-month period ended 30 September 2019, Revenues registered a 10% growth which cushioned the additional costs, thus maintained net income at P84 million, same level as last year.

The improved performance of TPI is not only driven by retail lease but also upsides in venue rentals, carts, and kiosks.

LCI Commercial Ventures, Inc. (LCI)

Revenues for 3rd quarter of 2019 was P19 million, 26% higher than last year's revenue of P15 million. Net income for the quarter posted at P7 million or 47% higher than for the same period last year.

For the nine-month period of 2019, total Revenues is at P44 million, 12% lower than the same period last year. This is due to the effect of the reduced leased area as a result of the on-going redevelopment. Total Cost and Expenses posted at P24 million which is higher than last year's cost of P13 million due to absorbed operating expenses and higher depreciation during the period. Net income was P17 million or 40% lower than 2018.

Orion Land Inc. (OLI)

For the quarter, total Revenues posted at P77 million or 103% higher than the P38 million last year. Cost and expenses recorded at P25 million, lower than last year's P49 million due to increased common cost recoveries from merchants. OLI posted a net income of P138 million which is significantly higher versus same period last year of P4 million. This is due to recognition of gain on sale of ALLHC shares amounting to P149 million during the quarter.

On a year-to-date, OLI posted P180 million Revenues with a growth of 80% versus same period last year. Cost and Expenses decreased by 6% from P162 million to P152 million. Net income is at P127 million versus last year's net loss of P47 million.

OLI continuously converts its merchant mix from mainly retail to incorporate office tenants and other uses which created strategic advantage for the development as a whole.

FLT Prime Insurance Corporation (FPIC)

During the quarter, FPIC reported a net loss of P2 million compared to a net loss of P3 million for the same period last year. FPIC has no revenues as it has not issued any insurance policies as it holds only a servicing license. Cost and Expenses registered at P6 million which is higher than last year's

cost of P3 million due to higher claims and losses.

On a year-to-date, FPIC posted no Revenues and Total Cost and Expenses of P7 million. Net Loss was at P2 million or 90% lower than the net loss of P21 million for the same period last year.

Financial Condition

Total Assets of the Group registered at P19.2 billion as of 30 September 2019, or a 48% increase over P13.0 billion as of 31 December 2018. This was on account of capital expenditures for land acquisitions, development costs, purchase of equity for Mabalacat Pampanga property, and set up Right of Use asset to comply with new accounting standard.

Total Liabilities as of 30 September 2019 was P8.5 billion, which was 174% higher than the P3.1 billion as of 31 December 2018.

Total Equity registered at P10.7 billion, 9% higher than P9.9 billion as of 31 December 2018 due mainly to Group's net income.

Financing Through Loans

As of 30 September 2019, the Group has no outstanding loans from any financial institution.

The top 5 Key Performance Indicators of the Group are as follows:

Ratio	Formula	30 September -19	30 September-18	31-Dec-18
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.14: 1 6,136,567/ 5,382,489	2.60: 1 4,744,698/ 1,826,132	2.35 : 1 5,262,978/ 2,240,072
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Equity}}$	0.79: 1 8,488,645/ 10,717,955	0.29: 1 2,725,067/ 9,490,830	0.31: 1 3,100,143/ 9,874,250
Capital Adequacy Ratio	$\frac{\text{Equity}}{\text{Total Assets}}$	0.56 : 1 10,717,955/ 19,206,600	0.78: 1 9,490,830/ 12,215,897	0.71 : 1 9,874,250/ 12,974,393
Book Value per Share	$\frac{\text{Equity}}{\text{Total \# of Shares}}$	1.70 10,717,955/ 6,301,591	1.54 9,490,830/ 6,148,456	1.61 9,874,250/ 6,148,456
Income per Share	$\frac{\text{Net Income}}{\text{Total \# of Shares}}$	0.08 500,007/6,226,225	0.03 189,466/ 5,350,485	0.08 441,908/ 5,350,484

Current ratio shows the Group's ability to meet its short-term financial obligation. As of 30 September 2019, the Group has P1.14 worth of current assets for every peso of current liabilities which was lower compared to P2.35 as of 31 December 2018. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety. Compared to 31 December 2018, debt-to-equity ratio was higher which is attributed to payables in relation to build up of capital expenditures and set-up of lease liability to adopt the new accounting standard.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 30 September 2019, the Group's Capital Adequacy Ratio was lower at 0.56 compared to same period last year.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 30 September 2019, the Group's book value per share of P1.70 was 6% higher than as of 31 December 2018.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 30 September 2019, the Group reported a P0.08 income per share which was 127% higher than same period of last year.

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company and its subsidiaries' liquidity increasing or decreasing in any material way.

(ii) Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation

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

(iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For 2019, the Group budgeted total capital expenditures of P4.9 billion for projects. This will be financed through internally generated funds and bank loans. A total of P3.0 billion was already spent as of 30 September 2019.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.

There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The Group did not recognize income or loss during the period that did not arise from continuing operations.

(vii) Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).

Cash and cash equivalents and short-term investments decreased by 11% primarily used for funding capital expenditures.

Real estate held for sale and development increased by 36% due to additional LTI real estate inventories.

Amounts owed by related parties decreased to P655 million or 30% lower from P937 million as of 31 December 2018 due to collection.

Other current assets posted at P1.2 billion, 126% higher due to unutilized input value added tax and prepayments.

Receivables-net of current portion posted at P24 million or a decrease of 47% from P45 million due to collection.

Investment properties posted at P10.6 billion from P6.8 billion or 55% higher than 31 December 2018 due to acquisition of land in Mabalacat, Pampanga (through equity purchase) and National Road, Muntinlupa City.

PPE-at cost increased by 4% attributed to effect of additional expenditures in TPI during the period.

Software costs was reduced by 41% to P2 million due to depreciation during the period.

Other non-current assets also decreased by 30% from P757 million as of 31 December 2018 to P528 million due to transfer of deferred input value added tax.

Deferred tax assets increased by 3,350% from P14 million to P490 million due to tax impact on the recognition of right of use assets as a result of the adoption of the new accounting standards (PRFS 16).

Accounts Payable & Accrued Expenses increased by 69% from P1.5 billion to P2.5 billion due to remaining payable to the Seller of the company which owns the Mabalacat property.

Current portion of deferred rent income posted at P3 million from P9 million due to realization during the period.

Rental and other deposits decreased by 8% to P468 million due to reclassification to non-current portion.

Amounts owed to related parties increased to P2.4 billion from P234 million due to availment of inter-company loan during the period.

Rental and other deposits-net of current portion increased by 62% from P153 million to P248 million due to security deposits from merchants.

Deferred rent income decreased by 25% from P10 million to P8 million due to realization during the period.

Deferred tax liability increased to P678 million from P215 million due to recognition of the tax impact on lease liability a result of the adoption of new accounting standards (PFRS 16).

Equity Reserves increased by 20% to negative P1.6 billion from negative P1.4 billion due to the acquisition of additional LTI shares.

Shares held by a subsidiary decreased by 89% from P1.3 billion to P144 million due to sale of shares held by OLI.

Retained earnings increased to P902 million due to recognized net income during the period.

(viii) **Any seasonal aspects that had a material effect on the financial condition or results of operations.**

There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

Breakdown on contribution of ALLHC's subsidiaries (on a per type of business basis) to ALLHC's net income as provided below:

Parent company/holding co.	-	(11.67%)
Real estate -commercial leasing and industrial lot sales and development	-	103.96%
Retail electricity supply	-	8.66%
Others	-	(0.95%)
Total		<u>100.00%</u>

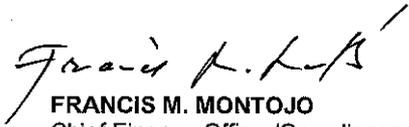
SIGNATURE

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

Issuer:

AYALALAND LOGISTICS HOLDINGS CORP.

By:



FRANCIS M. MONTOJO
Chief Finance Officer/Compliance Officer

Date: 14 November 2019

AYALALAND LOGISTICS HOLDINGS CORP.
(FORMERLY PRIME ORION PHILIPPINES, INC.) AND
SUBSIDIARIES

Unaudited Consolidated Financial Statements
September 30, 2019 and December 31, 2018

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value and Number of Shares)

	UNAUDITED September 30, 2019	AUDITED December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 26)	P235,282	P220,145
Short-term investments (Notes 4 and 26)	–	43,489
Receivables - current (Notes 5 and 26)	1,606,121	1,574,864
Real estate held for sale and development (Note 6)	1,750,669	1,289,245
Financial assets at fair value through other comprehensive income (Notes 7, 17 and 26)	660,807	651,964
Amounts owed by related parties (Notes 17 and 26)	654,810	936,548
Financial assets at fair value through profit or loss (Notes 8 and 26)	4,407	4,519
Other current assets (Note 9)	1,224,471	542,204
Total Current Assets	6,136,567	5,262,978
Noncurrent Assets		
Right of use asset (Note 2)	1,390,746	–
Receivables - net of current portion (Notes 5 and 26)	23,559	44,955
Investment properties (Note 11)	10,574,730	6,833,060
Property and equipment (Note 12)	43,803	42,249
Software costs (Note 13)	1,680	2,873
Net pension assets (Note 20)	17,390	17,390
Deferred income tax assets – net (Note 2)	489,761	14,197
Other noncurrent assets (Notes 14 and 26)	528,364	756,691
Total Noncurrent Assets	13,070,033	7,711,415
	P19,206,600	P12,974,393
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15 and 26)	P2,504,681	P1,484,416
Current portion of:		
Rental and other deposits (Notes 16 and 26)	468,360	512,036
Deferred rent income (Note 24)	2,800	9,352
Amounts owed to related parties (Notes 17 and 26)	2,406,648	234,268
Total Current Liabilities	5,382,489	2,240,072
Noncurrent Liabilities		
Lease liability (Note 2)	1,690,775	–
Rental and other deposits - net of current portion (Notes 16 and 26)	247,791	152,860
Deferred rent income - net of current portion	8,051	10,235
Deferred income tax liabilities – net (Note 2)	677,864	215,301
Subscriptions payable (Notes 18 and 26)	481,675	481,675
Total Noncurrent Liabilities	3,106,156	860,071
Total Liabilities	P8,488,645	P3,100,143

(Forward)

	UNAUDITED September 30, 2019	AUDITED December 31, 2018
Equity (Note 22)		
Equity attributable to equity holders of the parent		
Paid-in capital	₱5,972,047	₱5,889,195
Additional paid-in capital	5,856,526	5,772,959
Retained earnings	902,314	619,841
Revaluation increment (Note 11)	217,986	217,986
Loss on remeasurement of retirement benefits (Note 20)	(44,313)	(44,313)
Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	(571,562)	(579,379)
Shares held by a subsidiary	(144,377)	(1,279,026)
Equity reserves (Notes 2)	(1,623,625)	(1,351,940)
	10,564,996	9,245,323
Non-controlling interests	152,959	628,927
Total Equity	10,717,955	9,874,250
	₱19,206,600	₱12,974,393

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	QUARTER ENDED SEPTEMBER 30		NINE MONTHS PERIOD ENDED	
	2019	2018	2019	2018
REVENUES				
Sale of electricity	632,424	650,447	1,811,060	1,063,469
Rental	277,685	216,101	755,164	578,983
Real estate sales (Note 6)	38,350	142,427	560,407	283,359
Others	978	41	31,311	4,386
	949,437	1,009,016	3,157,942	1,930,197
COST AND EXPENSES				
Cost of purchased power and services	612,539	631,443	1,753,638	1,037,450
Cost of rental services	136,958	147,139	479,481	427,056
Cost of real estate sold (Note 6)	21,168	77,569	276,586	151,771
Operating expenses (Note 19)	68,480	34,054	155,503	87,768
Commission and other underwriting expenses	4,381	490	223	10,559
	843,526	890,695	2,665,431	1,714,604
OTHER INCOME (CHARGES)				
Interest income and bank charges - net	(1,331)	7,925	19,837	16,911
Gain on sale of property and equipment	-	(93)	-	3
Reversal of (provision for) probable losses	(6,329)	1,620	(6,329)	2,664
Gain on sale of shares held by a subsidiary	149,037	-	149,037	-
Gain (loss) on sale of financial assets at FVOCI	-	(65)	-	(1,218)
Interest income on financial assets at FVOCI	-	1,251	-	3,386
Write-Offs & Other Charges	(18,774)	-	(18,774)	-
Dividend income	-	66	33	131
Unrealized loss on financial assets at FVPL	-	-	(112)	(108)
Others - net	2,735	6,055	11,551	15,411
	125,338	16,759	155,243	37,180
INCOME BEFORE INCOME TAX	231,249	135,080	647,754	252,773
PROVISION FOR INCOME TAX	77,270	15,589	147,747	63,307
NET INCOME	153,979	119,491	500,007	189,466
ATTRIBUTABLE TO:				
Equity holders of the Parent	178,817	97,431	448,489	152,846
Non-controlling interests	(24,838)	22,060	51,518	36,620
	153,979	119,491	500,007	189,466
EARNINGS PER SHARE (Note 21)				
Basic, for income for the period attributable to ordinary equity holders of the parent company	0.03	0.02	0.07	0.03

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	QUARTER ENDED SEPTEMBER 30		NINE MONTHS PERIOD ENDED	
	2019	2018	SEPTEMBER 30 2019	2018
NET INCOME	153,979	119,491	500,007	189,466
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent period:				
Unrealized gain (loss) on financial assets at FVOCI	(75,279)	(23,012)	8,627	(77,290)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:				
Remeasurement loss on retirement plan - net of tax	-	1,996	-	1,966
TOTAL COMPREHENSIVE INCOME	78,700	98,475	508,634	114,142
Total comprehensive income (loss) attributable to:				
Equity holders of the parent company	91,428	85,285	438,798	85,762
Noncontrolling interests	(12,728)	13,190	69,836	28,380
	78,700	98,475	508,634	114,142

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary	Revaluation Increment (Note 11)	Equity Reserves	Unrealized Valuation Gains (Losses) on AFS Financial Assets	Losses on Remeasurement of Retirement Benefits Plan	Retained Earnings (Deficit)	Equity attributable to Equity Holders of Parent Company	Non-Controlling Interests	Total
Balances at December 31, 2018	5,889,195	5,772,959	(1,279,026)	217,986	(1,351,940)	(579,379)	(44,313)	619,841	9,245,323	628,927	9,874,250
Effect of adoption of new accounting standard	-	-	-	-	-	-	-	(166,016)	(166,016)	-	(166,016)
Balances at December 31, 2018, as restated	5,889,195	5,772,959	(1,279,026)	217,986	(1,351,940)	(579,379)	(44,313)	453,825	9,079,307	628,927	9,708,234
Net income for the period	-	-	-	-	-	-	-	448,489	448,489	51,518	500,007
Other comprehensive income for the period											
Unrealized gain on financial assets at FVOCI	-	-	-	-	-	7,817	-	-	7,817	810	8,627
Total comprehensive income for the period	-	-	-	-	-	7,817	-	448,489	456,306	52,328	508,634
Issuance of capital stock	49,444	94,933	-	-	-	-	-	-	144,377	-	144,377
Collection of subscription receivables	33,408	888	-	-	20	-	-	-	34,316	-	34,316
Payment of stock transaction costs	-	(12,254)	-	-	-	-	-	-	(12,254)	-	(12,254)
Disposal of shares held by a subsidiary	-	-	1,134,649	-	-	-	-	-	1,134,649	-	1,134,649
Equity reserves	-	-	-	-	(271,705)	-	-	-	(271,705)	-	(271,705)
Decrease in noncontrolling interest	-	-	-	-	-	-	-	-	-	(528,296)	(528,296)
Balances at September 30, 2019	5,972,047	5,856,526	(144,377)	217,986	(1,623,625)	(571,562)	(44,313)	902,314	10,564,996	152,959	10,717,955
Balances at December 31, 2017	4,652,268	3,942,404	(1,279,026)	225,595	60,810	17,748	(46,259)	(355,159)	7,218,381	38,475	7,256,856
Net income for the period	-	-	-	-	-	-	-	152,846	152,846	36,620	189,466
Other comprehensive income (loss):											
Actuarial gain (loss) recognized in OCI	-	-	-	-	-	-	1,967	(1,997)	(30)	-	(30)
Unrealized gain on financial assets at FVOCI	-	-	-	-	-	(75,607)	-	-	(75,607)	313	(75,294)
Total comprehensive income for the period	-	-	-	-	-	(75,607)	1,967	150,849	77,209	36,933	114,142
Stock subscriptions	1,225,371	1,805,379	-	-	-	-	-	-	3,030,750	-	3,030,750
Collection of subscription receivables	4,609	-	-	-	-	-	-	-	4,609	-	4,609
Transfer of realized revaluation increment	-	-	-	(2,536)	-	-	-	2,536	-	-	-
Equity reserves	-	-	-	-	(1,392,049)	-	-	-	(1,392,049)	-	(1,392,049)
Increase in noncontrolling interest	-	-	-	-	-	-	-	-	-	476,521	476,521
Balances at September 30, 2018	5,882,248	5,747,783	(1,279,026)	223,059	(1,331,239)	(57,859)	(44,292)	(201,774)	8,938,900	551,929	9,490,829

See accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	647,754	252,773
Adjustments for:		
Loss (Gain) on sale of:		
Financial assets at FVOCI- net (Note 7)	-	1,218
Property and equipment	-	(3)
Financial assets at FVPL	112	108
Shares held by a subsidiary	(149,037)	-
Accounts written off	18,774	-
Provision for impairment losses on:		
Receivables (Note 5 and 19)	186	-
Other current assets	-	3
Provision for (reversal of) accrued provision for losses	6,329	(1,625)
Movement of retirement liability	-	5,780
Depreciation and amortization (Notes 11, 12, 13 and 19)	218,018	178,707
Interest income	(38,235)	(20,743)
Dividend income (Note 7)	(33)	(131)
Interest expense and bank charges	18,398	446
Operating income before working capital changes	722,266	416,533
Decrease (increase) in:		
Receivables	(10,324)	161,887
Inventories	-	55
Real estate inventories	(461,424)	(122,977)
Other current assets	(686,294)	(33,737)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,617,413	(387,764)
Rental and other deposits	44,704	266,426
Net cash flows generated from operations	1,226,341	300,423
Interest received	38,235	20,743
Interest paid	(18,398)	(446)
Net cash flows generated from operating activities	1,246,178	320,720

(Forward)

NINE MONTHS ENDED SEPTEMBER 30

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets at FVOCI (Note 7)	-	4,819
Shares held by a subsidiary	1,428,063	-
Property and equipment	-	3
Acquisitions of:		
Investment properties (Note 11)	(3,952,475)	(157,384)
Financial assets at FVOCI (Note 7)	(1,026)	(10,710)
Software cost (Note 13)	(35)	-
Property and equipment (Note 12)	(16,624)	(16,094)
Shares held by a subsidiary	(144,377)	-
Decrease (increase) in:		
Investment properties	-	977
Other noncurrent assets	(409,455)	14,543
Amounts owed by related parties	281,738	(301,089)
Acquisitions of noncontrolling interest	(800,000)	-
Dividends received (Note 7)	33	131
Decrease investment in associate	-	800
Net cash flows used in investing activities	(3,614,158)	(464,004)
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of shares of stock	144,377	-
Payment of stock subscription cost	(12,254)	-
Collection of subscriptions receivable	34,316	4,609
Movement of noncontrolling interest	809	(13,998)
Increase in amounts owed to related parties	2,172,380	104,539
Net cash flows from financing activities	2,339,628	95,151
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,352)	(48,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	263,634	254,969
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	235,282	206,836

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Status of Operations

Corporate Information

AyalaLand Logistics Holdings Corp. (formerly Prime Orion Philippines, Inc.) (ALLHC; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company’s registered office address is 3rd Floor Glorietta 5, Ayala Center, Makati City.

ALLHC and its subsidiaries, collectively referred to as “the Group”, have principal business interests in holding companies, commercial leasing, industrial lot sales and development, and retail electricity supply (see Note 23).

On May 9, 2019, the Securities and Exchange Commission approved the change of its corporate name from Prime Orion Philippines, Inc. to AyalaLand Logistics Holdings Corp.

On November 12, 2019, the Audit and Risk Committee approved and authorized the release of the accompanying unaudited interim consolidated financial statements of AyalaLand Logistics Holdings Corp. and Subsidiaries as at September 30, 2019.

Group Information

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	Percentage of Ownership	
		September 30, 2019	December 31, 2018
Laguna Technopark, Inc. (LTI)	Real Estate Development	95%	75%
Ecozone Power Management, Inc. (EPMI)	Purchase, Supply and Delivery of Electricity	95%	75%
Orion Land, Inc. (OLI)	Real Estate and Investment Holding Company	100%	100%
Tutuban Properties, Inc. (TPI)	Real Estate, Mall Operations	100%	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	100%	100%
Orion Property Developments, Inc. (OPDI)	Real Estate Development	100%	100%
Orion Beverage, Inc. (OBI)*	Manufacturing	100%	100%
LCI Commercial Ventures, Inc. (LCI) (formerly <i>Lepanto Ceramics, Inc.</i>)	Real Estate, Warehouse Leasing Operations	100%	100%
Luck Hock Venture Holdings, Inc. (LHVHI)*	Other Business Activities	60%	60%
Unity Realty & Development Corp.	Buying, Selling, Renting, Leasing	100%	–
OE Holdings, Inc. (OEHI)*	Wholesale and Trading	100%	100%
Orion Maxis, Inc. (OMI)*	Marketing and Administrative Services	100%	100%
ZHI Holdings, Inc. (ZHIHI)*	Financial Holding Company	100%	100%
Orion I Holdings Philippines, Inc.	Financial Holding Company	100%	100%

Subsidiaries	Nature of Business	Percentage of Ownership	
		September 30, 2019	December 31, 2018
(OIHPI)*			
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	78.77%	78.77%
	Management Information		
Orion Solutions, Inc. (OSI)*	Technology Consultancy Services	100%	100%

* Inactive companies approved by their respective BOD for liquidation

All of the companies are incorporated in the Philippines.

LTI

LTI was incorporated on November 15, 1990 and is based in Laguna. LTI develops industrial parks and leases ready-built factory units and sells industrial lots to local and company locators.

On June 7, 2010, the BOD of LTI approved the setting up of a wholly owned subsidiary, EPMI, primarily to engage in the purchase, supply and delivery of electricity. EPMI was registered with the Securities and Exchange Commission (SEC) on August 20, 2010.

On December 19, 2018, the BOD of ALLHC approved the purchase of 20% interest in LTI equivalent to 8,051 common shares for a value of ₱800 million, subject to conditions to be fulfilled by ALLHC.

On June 10, 2019, ALLHC and ALI executed the Deed of Absolute Sale on the purchase of 20% interest in LTI equivalent to 8,051 common shares for a value of ₱800 million.

OLI

On November 29, 2017, OLI, acquired a commercial building composed of a 5-storey shopping center and a 6-storey business processing outsourcing office with a gross leasable area of 60,000 square meters located along National Road, Alabang, Muntinlupa City, from ALI, for a total consideration of ₱4,798.00 million, inclusive of VAT (see Note 11).

On July 5, 2019, OLI acquired a parcel of land with an aggregate area of approximately 19,311 square meters more or less along National Road, Muntinlupa City from AVIDA Land Corporation for a total consideration of ₱772.44 million, exclusive of VAT (see Note 11).

TPI

TPI operates the Tutuban Center, a commercial complex located in Manila City. The Tutuban Center, which sits on a 20-hectare property, will be the location of the North-South Railway Project (NSRP) Transfer Station which will interconnect with the LRT 2 West Station (see Note 11).

On September 5, 2016, the BOD of TPI approved the closure of TPI's hotel and café operations in Tutuban Center but was converted into storage facility for lease in November 2018.

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) (now the Department of Transportation or DOTr) and Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans of the North-South Railway Project (NSRP). As of September 30, 2019, discussions on the finalization and implementation of the plans of the NSRP is still on-going.

LCI

LCI was a top manufacturer of ceramic floor and wall tiles in the Philippines and has a manufacturing plant in Laguna. In 2012, LCI suspended its manufacturing operations and started renting out its warehouses in July 2014. On May 2, 2018, the BOD of LCI approved the amendment of LCI's Articles of Incorporation (AOI), specifically, to change its name to LCI Commercial Ventures, Inc. and to change its primary purpose from manufacturing to real estate warehouse leasing. On June 29, 2018, the SEC approved the change of corporate name and its primary purpose.

FPIC

In March 2017, FPIC surrendered its Certificate of Authority as it was no longer compliant with the net worth requirement of P550.0 million of the Insurance Commission (IC) as of December 31, 2016.

On April 20, 2017, the IC issued a Servicing License to FPIC, with authority limited to the following:

- a. accepting contract price payments from the policyholders;
- b. paying or settling claims arising under its non-life coverage; and/or,
- c. such other related services.

On September 7, 2018, the Insurance Commission approved the Servicing Plan of FPIC. Based on the approved plan, FPIC has until April 19, 2019 to service policies expiring in 2019 and 2020 and to settle outstanding liabilities and obligations of FPIC.

On September 2, 2016, the BOD of OMI and OSI approved and authorized the dissolution and liquidation of OMI and OSI by shortening their corporate term up to December 31, 2016.

On October 20, 2017, the BOD of OIHPI, OEHI, ZHIHI, OBI, LHVHI and TPIHC approved and authorized the dissolution and liquidation of these companies by shortening their corporate term up to December 31, 2017.

Business Combination

On April 30, 2018, ALLHC entered into a Deed of Exchange with ALI whereby ALI agreed to subscribe to 1,225,370,620 additional shares in ALLHC in exchange for ALI's 30,186 shares in LTI, with a fair market value of P3,030.75 million.

On July 19, 2019, ALLHC acquired 612,445 common shares of Unity Realty & Development Corp. representing 100% stake in the company for a total consideration of P2,389.47 million.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the debt and equity financial assets measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. All amounts are rounded off to the nearest thousand (P1,000), except when otherwise indicated.

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2019 and December 31, 2018.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the group ceases control over a subsidiary.

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

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

Generally, there is a presumption that a majority of voting rights result in control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. the contractual arrangement with the other vote holders of the investee;
- b. rights arising from other contractual arrangements; and
- c. the Group's voting rights and potential voting rights.

The Group 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.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies. All significant intercompany transactions and balances between and among the Group, including intercompany profits and unrealized profits, are eliminated in the consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the parent. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interests and other components of equity, while the resultant gain or loss is

recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

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

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

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

- PFRS 16, *Leases*

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

The impact of the adoption resulted into the following:

Right of use asset	₱1,390,746
Deferred tax asset	₱ 489,761
Lease Liability	₱1,690,775
Deferred tax liability	₱ 434,696
Retained Earnings adjustment beginning January 1, 2019	₱ 166,016

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

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

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net

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

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

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

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of September 30, 2019 and December 31, 2018.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

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

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

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

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

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

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after

January 1, 2019, with early application permitted.

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

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

The new standard is not applicable to the Group since the Group's insurance entity no longer issues insurance contracts.

Deferred effectivity

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

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

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

Current versus Noncurrent Classification

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

- a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. Held primarily for the purpose of trading;
- c. Expected to be realized within twelve months after the reporting period; or
- d. 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:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

For financial 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 each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the reporting period. Financial instruments for which the fair value cannot be reasonably determined are carried at cost less any impairment in value.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined the 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.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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 (debt instruments)

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 cash equivalents, short-term investments 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:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and;
- (b) 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 statement of profit or loss 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's debt instruments at fair value through OCI includes government securities owned by the Group as at September 30, 2019.

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 profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at 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 profit or loss.

Derecognition

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

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

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

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

Impairment of financial assets

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

The Group uses a provision matrix for receivables from tenants and receivables from sale of electricity, vintage approach for receivables from sale of real estate and simplified approach (low credit risk simplification) for treasury assets to calculate ECLs.

For trade receivables except real estate receivable, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of

qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of facility. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission and refurbishment. As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original effective interest rate (EIR) or an approximation thereof.

The Group considers a financial asset in default generally when contractual payments are 30 days past due or when sales are cancelled supported by a notarized cancellation letter executed by the Group and customer. 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.

For other financial assets such nontrade receivables, insurance receivables, receivable from related parties, refundable deposits and other 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 debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. The Group considers there to be a significant increase in credit risk when contractual payments become past due.

The Group's debt instruments at fair value through OCI comprise solely of government securities that are considered high graded and, therefore, 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.

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 payable and accrued expenses" (other than "Taxes payable" which is covered by other accounting standard), "Amounts owed to related parties", "Subscriptions payable" and "Rental and other 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 profit or loss.

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

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 interest-bearing loans and borrowings.

Other Financial Liabilities

This is the category most relevant to the Group and includes liabilities arising from operations.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

The Group's accounts payable and accrued expenses and rental and others deposits are classified in this category.

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 profit or loss.

c. Offsetting of financial instruments

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

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of financial instruments

Financial instruments within the scope of PAS 39 are classified as financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial instruments recorded at FVPL.

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, as derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

Day 1 profit

For transactions where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments 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' profit) in profit or loss under "Other 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' profit amount.

Financial Instruments - Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. 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 in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are impaired or derecognized. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents, receivables, amounts owed by related parties and refundable deposits (included under "Other noncurrent assets"; see Notes 4, 5, 14 and 17).

AFS Financial Assets

AFS financial assets include equity and debt securities. AFS financial assets consist of investment in equity securities which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized under Other Comprehensive Income (OCI) in the "Unrealized valuation gains on AFS financial assets" in the consolidated statement of changes in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income as impairment losses. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends on holding AFS financial assets are recognized in the consolidated statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

The Group's listed and nonlisted equity securities and quoted and unquoted debt securities are classified under this category (see Note 7).

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value, with changes in fair value recognized in the consolidated statement of income.

The Group evaluated its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Group's investment in redeemable preference shares are classified under this category (see Note 8).

Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue cost, and any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's financial liabilities include accounts payable and accrued expenses, rental and other deposits, amounts owed to related parties and subscriptions (see Notes 1, 16, 17, 19 and 20).

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a 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 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 debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets 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 an 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 them for impairment. 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 of 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 estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the

amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based on the original EIR. 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 to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

In the case of quoted equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Others - net" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income on AFS financial assets" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Instruments

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- 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) has transferred substantially all the risks and rewards of the asset; or (b) 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 all 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 asset is recognized to the extent

of the Group's continuing involvement in the asset. 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.

Financial Liabilities

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 of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle, on a net basis, or to realize the asset and settle the liabilities simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The NRV of finished goods is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of factory supplies and spare parts is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

The cost of raw materials includes all costs directly attributable to their acquisition. Finished goods include the cost of raw materials, direct labor, and a proportion of manufacturing overhead.

Real Estate Held for Sale and Development

Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs. Borrowing costs incurred on loans obtained to finance the improvements and developments of real estate held for sale and development are capitalized while development is in progress.

Other Current Assets

Other current assets are resources that the Group expects to consume or realize within its operating cycle. These are carried at cost, less any impairment in value. Included under these are creditable withholding taxes (CWTs), input value added tax (VAT), and prepayments.

CWTs

CWTs represent taxes withheld by the Group's customer on sale of goods and services which are claimed against income tax due. The excess over the income tax payable is either carried over in the succeeding period for the same purpose or claimed for refund.

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 VAT recoverable from the taxation authority is included as part of "Other current assets" and Other noncurrent assets" in the consolidated statement of financial position.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepaid expenses are apportioned to expense over the period covered by the payment and charged to the appropriate expense accounts when incurred.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the "Equity in net income (loss) of an associate" in the consolidated statement of income.

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

Investment in an associate pertains to the Group's investment in BIB Aurora Insurance Brokers, Inc. (BAIBI) (see Note 10).

Investment Properties

The Group's investment properties include properties utilized in its mall operations, commercial building and certain land and land improvements which are held for rentals while the rest of the land is held for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated 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 and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the investment properties as follows:

	Useful life in years
Land improvements	30
Buildings and improvements	7-40
Machineries and equipment	9-25

Leasehold improvements are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter.

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

Investment properties are derecognized when 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Constructions-in-progress

The Group's constructions-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its

working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the property and equipment as follows:

	Useful life in years
Leasehold improvements	3-5
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5

Leasehold improvements are amortized on a straight-line basis over three (3) to five (5) years or the term of the lease, whichever is shorter.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The residual values, useful lives and depreciation and amortization method are reviewed and adjusted if appropriate, at each end of the reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are sold or retired, the cost and the related accumulated depreciation and amortization and any impairment in value are derecognized and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Software Costs

Acquired software license is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software license is amortized on a straight-line basis over its estimated useful life of three (3) to four (4) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred in the consolidated statement of income.

An item of software license is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the items is derecognized.

The Group's capitalized software costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to its intended use.

Other Noncurrent Assets

Other noncurrent assets consist of advance rental, deferred acquisition cost, refundable deposits, deferred input VAT, spare parts and supplies and other prepayments that will be consumed twelve (12) months after each end of the reporting period.

Deferred Acquisition Costs

Costs incurred in relation to the acquisition of insurance contracts such as commissions are deferred and charged to commission expense in proportion to premium revenue recognized.

Subsequent to initial recognition, these costs are amortized using the 24th method where the deferred acquisition cost pertains to the commissions for the last two months of the year. Amortization is charged to the consolidated statement of income. The unamortized acquisition costs are shown as “Deferred acquisition cost” under “Other noncurrent assets”.

Advances to suppliers and contractors

These are carried at cost less impairment losses, if any.

Impairment of Nonfinancial Assets

Inventories and Real Estate Held for Sale and Development

The Group recognizes provision for inventory losses when the net realizable values of inventory items become lower than the costs due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are written down to their net realizable values.

Investment in an Associate

The Group assesses at each end of the reporting period whether there is any indication that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment and the acquisition cost and recognizes the amount in the consolidated statement of income.

An assessment is made at each end of the reporting period 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 investment’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investment is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Investment Properties, Property and Equipment and Software Costs

The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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.

For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Nonfinancial Other Current and Noncurrent Assets

The Group first assesses whether there are indications of impairment on nonfinancial other current and noncurrent assets. When indicators exist, the Group estimates the recoverable amount of the asset and recognizes impairment loss in the consolidated statement of income to reduce the carrying amount to the recoverable value.

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract, there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Recognition and Measurement

a) Premium Revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as “Reserve for unearned premiums” and shown as part of “Accounts payable and accrued expenses” in the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as “Deferred reinsurance premiums” and shown under “Other noncurrent assets” in the consolidated statement of financial position. The net changes in these accounts between financial reporting dates are charged to or credited against profit or loss.

b) Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Reserve for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods is deferred as reserve for unearned premiums using the 24th

method. The change in the reserve for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

Claims Provision and Incurred but not Reported (IBNR) losses

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. Provision for IBNR losses is calculated based on standard actuarial projection techniques.

The liability is not discounted for the time value of money and includes IBNR losses. The liability is derecognized when the contract expires, is discharged or is cancelled.

Liability Adequacy Test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

c) Reinsurance Assets

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for ceded insurance liabilities. Recoverable amounts are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment arises during the financial reporting year.

Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance commissions are deferred and subject to the same amortization method as the related acquisition costs; unamortized reinsurance commissions are shown as "Due to reinsurers and ceding companies" and shown as part of "Accounts payable and accrued expenses" in the statement of financial position.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

Short-term Insurance Contracts

These contracts include the following:

- Fire insurance contracts cover loss or damage to the insured's properties caused by fire and/or natural calamities like typhoon, lightning, flood and earthquake.
- Motor insurance contracts provide financial protection to vehicle owners against physical loss of or damage to their vehicles and legal liability to third parties and/or passengers due to accident.
- Personal accident insurance contracts provide financial aid to either the insured or his beneficiaries in case of accidental death or disability.
- Marine insurance contracts indemnify the owner and/or assignee of a vessel, plane, goods and/or other transportable properties against sustained loss or damage on land, marine and aerial transit.
- Engineering insurance contracts provide complete protection against loss of or damage to plant, mechanical, electronic and other types of equipment used in construction and/or business operations.
- Extended perils or optional coverages are also available.
- Bonds/suretyship insurance contracts cover undertake to provide the needed guarantee to complete a contractual or civil engineering project.
- Liability insurance contracts indemnify the insured against the financial consequences of accidents to third parties for which he is legally responsible or liable.

Rental and Other Deposits

Customer rental and other deposits represent payments from tenants on leased properties which are refundable at the end of the lease contract. These are initially measured at fair value and subsequently measured at amortized cost.

Subscriptions Payable

Subscriptions payable pertains to the Group's unpaid subscription of shares of stock of other entities. These are recognized and carried in the books at the original subscription price in which shares of stock will be issued upon payment.

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 as of date of acquisition. 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 financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control as allowed by the Philippine Interpretations Committee (PIC) Q&A No. 2012-01.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Additional paid-in capital". Subscription receivables pertain to the uncollected portion of the subscribed shares and is presented net against capital stock.

Retained Earnings (Deficit)

Retained earnings (deficit) represent accumulated earnings (losses) of the Group.

Equity Reserves

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies.

Treasury Shares and Shares Held by Subsidiary

Treasury shares are own shares (ALLHC and subsidiaries) acquired by the Group. These are measured at acquisition cost and presented as deduction against equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issuance or cancellation of the company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

The Parent Company's shares acquired by a subsidiary is presented as "Shares held by a subsidiary" under the equity section.

Share-based Payments

The Group has equity-settled, share-based compensation plan with its employees. The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Group's shares at a discounted price. The Group recognizes stock compensation expense over the holding period. These are accounted for as limited-recourse loan-type share plans. Dividends paid on the awards are treated as installment payment against the exercise price of the options. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in "Equity reserves" in equity, in "Personnel expense" account

Other Comprehensive Income (Loss)

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

Revenue Recognition

Revenue from Contract with Customers

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

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

Sale of Electricity Revenue

The Group recognizes revenue from electricity services over time using the output method as the customer receives and consumes the benefit from the performance of the related utility service. As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every kilowatt hour of electricity delivered. Electricity is billed every month according to the billing cycles of the customer.

Rental

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Real estate sales

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

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

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability are recognized in the year in which the changes are determined.

Insurance Premiums and Commissions - net

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Accounts payable and accrued expenses" in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as "Deferred reinsurance premiums" and shown under "Other noncurrent assets" in the consolidated statement of financial position. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year.

The portion of the commissions that relates to the unexpired periods of the policies at the financial reporting date is accounted for as “Due to reinsurers and ceding companies” and shown as part of “Accounts payable and accrued expenses” in the consolidated statement of financial position.

Gain on Sale of Financial Assets at Fair Value Through Other Comprehensive Income

Gain on sale of financial assets at fair value through OCI is recognized when the Group sold its financial assets at fair value through OCI higher than its carrying value at the time of sale.

Interest Income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as financial assets at FVOCI and AFS financial assets, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividend Income

Dividend income is recognized when the Group’s right to receive the payment is established.

Cost and Expenses

Cost recognition for real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development, 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.

Cost of purchased power and services

Purchased power represents the cost of electricity supplied to contestable customers. This includes generation charges, transmission line fees, capacity fees and systems losses which are recognized in profit or loss when the electricity purchased is consumed.

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

Cost of rental services

Cost of rental services are direct costs incurred in the normal course of the business, are recognized when incurred and generally measured in the amount paid or payable. These comprise cost of rent, utilities, depreciation and others.

Operating Expenses

Operating expenses consist of all expenses associated with the development and execution of marketing and promotional activities and expenses incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the service is incurred or the expense arises.

Commission Expense

Commission expense is recognized as incurred. Commissions are paid to agents from selling insurance contracts. Rates applied on collected premiums vary depending on the type of insurance product. Subsequent to initial recognition, commission expense is amortized using the 24th method. The unamortized portion of commission expense represents DAC in the statement of financial position.

Underwriting Expenses

Underwriting expenses pertain to the Company's share in the underwriting expenses incurred by insurance pools in which the Company is a member. An insurance pool is a collective pool of assets from multiple insurance companies and used as a way of providing high risk insurance. Underwriting expenses are recognized by the Company as incurred.

Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on any convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused NOLCO and MCIT can be utilized, and except if it arises from initial recognition and those associated with the investments in subsidiaries, associates and joint ventures as discussed above.

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

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at each end of the reporting period.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Retirement Benefits Costs

The Group has a funded, non-contributory defined benefit retirement plan.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net

defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as “Interest income (expense)” in the consolidated statement of income.

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

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

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

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies:

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

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

Operating Lease Commitments - Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Variable are recognized as revenue in the period in which they are earned.

Operating Lease Commitments - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Philippine Peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as "Claims payable" under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

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 are disclosed when an inflow of economic benefit is probable.

Segment Reporting

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets. The BOD is the chief operating decision maker of the Group. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

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

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures, at the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these 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:

Determining Classification of Investment Properties

The Group classifies its buildings and improvements and land and improvements either as investment property or owner-occupied property based on its current intentions where it will be used. When buildings and improvements as well as land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. Buildings and improvements and land and improvements which are held for rent are classified as investment properties.

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance lease or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on the management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Assessing Operating Lease Commitments - Group as Lessor

The Group has entered into commercial property leases on its investment properties portfolio.

The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

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 trade receivables from real estate sales, the customer receives a notice of cancellation and does not continue the payments. For rental receivables, the customers receive letter of collection.

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 throughout the Group's expected loss calculation.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables except for receivables from real estate. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as Gross Domestic Product growth rate and inflation rate. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for real estate receivable. 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 (gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Estimating Useful Lives of Depreciable Investment Properties and Property and Equipment

The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties and property and equipment were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decreases the carrying value of investment properties and property and equipment.

The carrying value of property and equipment amounted to ₱43.80 million and ₱42.25 million as at September 30, 2019 and December 31, 2018, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱56.52 million and ₱50.00 million as at September 30, 2019 and December 31, 2018, respectively (see Note 12).

The carrying value of investment properties amounted to ₱10,574.73 million and ₱6,833.06 million as at September 30, 2019 and December 31, 2018, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱2,722.91 million and ₱2,553.87 million as at September 30, 2019 and December 31, 2018, respectively (see Note 11).

Information on the estimated useful life of investment properties and property and equipment is included in Note 2.

Determining Retirement Benefits Liability

The cost of defined retirement obligation as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. The assumptions are reviewed at each end of the reporting period.

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.

Assessing Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces it to the extent that it is no longer probable that sufficient future

taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Judgments and estimation are required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

Assessing and Estimating Contingencies and Provisions

The Group is currently involved in various legal proceedings and assessments. The estimate of the probable costs for the resolution of these proceedings and assessments has been developed in consultation with internal and external legal counsel handling the defense in these matters and is based upon the analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings.

Estimating Fair Value of Options under the ESOWN

The Group initially measures the cost of equity-settled transactions using Cox-Ross-Rubenstein option pricing model to determine the fair value of the option at date of grant. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the volatility and dividend yield and making assumptions about them.

4. Cash and Cash Equivalents

Cash and Cash Equivalents

This account consists of:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱200,753	₱192,597
Cash equivalents	34,529	27,548
	₱235,282	₱220,145

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Short-term Investments

As of September 30, 2019 and December 31, 2018, short-term investments amounted to nil and ₱43.49 million, respectively, consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the rate 2.66% to 4.50%.

For the period ended September 30, 2019 and 2018, the interest earned from cash and cash equivalents and short-term investments amounted to ₱3.94 million and ₱1.41 million, respectively.

5. Receivables

This account consists of:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Trade debtors		
Land sales	₱733,375	₱769,138
Retail electricity	332,967	378,627
Receivables from tenants	482,278	364,192
Insurance receivables	27,534	91,100
Nontrade receivables	93,522	90,566
Others	234,322	224,976
	1,903,998	1,918,599
Less allowance for expected credit losses	274,318	298,780
	1,629,680	1,619,819
Less noncurrent portion	23,559	44,955
	₱1,606,121	₱1,574,864

Trade debtors are primarily noninterest-bearing and are generally collectible on thirty (30) days' term.

Receivables from land sales represent amounts arising from sale of industrial lots, which are collectible in monthly installments within one to two years from the date of sale. The corresponding titles to the sold lots are transferred to the buyer only upon full payment of the contract price and the transactional expenses.

Receivables from retail electricity consist of uncollected and unbilled electricity to customers which are consumed after meter reading cut-off dates. The credit term of these receivables is from 9 to 15 days from the date of billing. This account also consists of electricity sales made by the Group to customers traded through Wholesale Electricity Spot Market (WESM).

Receivables from tenants represent the outstanding receivables arising from the lease of retail mall and office spaces and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to two-months rental and two-months advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

Insurance receivables consist of premium receivables from policyholders, insurance agents and reinsurance companies and reinsurance recoverable on paid and unpaid losses from facultative and treaty reinsurers. These accounts are generally on 90 days term.

Nontrade receivables consist mainly of receivables from the balance of the expropriation case against certain properties of the Group in Laguna. Nontrade receivables are noninterest-bearing and are due and demandable.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at September 30, 2019 and December 31, 2018. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

The movements of allowance for expected credit losses on receivables follow:

	Trade debtors	Insurance receivables	Others	Total
	<i>(In Thousands)</i>			
At December 31, 2018	55,765	39,091	203,924	298,780
Provisions (Note 19)	186	–	–	186
Write off	(2,539)	(22,109)	–	(24,648)
At September 30, 2019	₱53,412	₱16,982	₱203,924	₱274,318

6. Real Estate Held for Sale and Development

The details of this account follow:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Land	₱1,778,236	₱1,316,812
Less allowance for impairment losses	27,567	27,567
	₱1,750,669	₱1,289,245

The cost of real estate inventories carried at NRV amounted to ₱276.59 million and ₱151.77 million as of September 30, 2019 and 2018, respectively.

Land consists of parcels of land located in Cavite, Misamis Oriental, Laguna, Batangas and Palawan.

The composition of costs as at September 30, 2019 and December 31, 2018 follows:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Land cost	₱1,752,821	₱1,291,397
Construction overhead and other related costs	22,898	22,898
Taxes	2,517	2,517
	₱1,778,236	₱1,316,812

Movements in the allowance for impairment losses follow:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Beginning balances	₱27,567	₱16,042
Provision	–	11,525
	₱27,567	₱27,567

Real estate sales recognized for the period ended September 30, 2019 and 2018 amounted to ₱560.41 million and ₱283.36 million, respectively.

7. Financial Assets at FVOCI

This account consists of:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Listed equity securities	₱551,668	₱551,668
Quoted debt securities	84,521	76,628
Nonlisted equity securities	24,618	23,668
	₱660,807	₱651,964

AFS listed/quoted financial assets are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Equity financial assets are carried at cost, net of any impairment.

Certain AFS financial assets are reserved investments in accordance with the provisions of the Insurance Code as security for the benefit of policy holders and creditors of the FPIC.

The Group sold certain listed equity securities and recognized a loss on sale of ₱1.22 million for the period ended September 30, 2018 (nil for the period ended September 30, 2019).

8. Financial Assets at FVPL

This account pertains to redeemable preferred shares and investments in Unit Investment Trust Fund (UITF) designated as financial assets at FVPL. Fair value of financial assets at FVPL as at September 30, 2019 and December 31, 2018 amounted to ₱4.41 million and ₱4.52 million, respectively, resulting to an unrealized loss of ₱0.11 million for the period September 30, 2019 and 2018.

9. Other Current Assets

This account consists of:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
CWTs	₱246,344	₱257,099
Input VAT	721,051	231,071
Prepayments	257,761	48,130
Inventories	586	7,343
	1,225,742	543,643
Less allowance for impairment losses	1,271	1,439
	₱1,224,471	₱542,204

Creditable withholding taxes (CWTs) are available for offset against income tax payable in the future periods.

Input VAT pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

Prepayments pertain to prepaid insurance, taxes and licenses and other prepaid expenses that are to be amortized over a period of one (1) year.

Inventories pertain to finished goods inventory as at year ended December 31, 2018 amounting to ₱7.34 million, net of allowance for inventory losses amounting to ₱34.72 million. As of September 30, 2019, said finished goods inventories were written off.

Movements in the allowance for impairment losses follows:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Balances at beginning of year	₱1,439	₱8,326
Provisions	-	3
Recovery	-	(6,890)
Write off	(168)	-
Balances at end of year	₱1,271	₱1,439

10. Investments in Associate

This account consists of the 20% equity interest in BAIBI, a domestic insurance brokerage company. On July 24, 2018, the SEC approved the shortening of corporate term of BAIBI.

As at September 30, 2019 and December 31, 2018, the carrying value of investment in associate amounting to nil.

11. Investment Properties

The details of this account follow:

	September 30, 2019		
	Buildings and Improvements	Land and Improvements	Total
	<i>(In Thousands)</i>		
Cost			
At beginning of year	₱8,982,363	₱414,058	₱9,396,421
Additions	765,483	3,186,992	3,952,475
Retirements	(40,272)	-	(40,272)
At end of the period	9,707,574	3,601,050	13,308,624
Accumulated Depreciation and Amortization			
At beginning of year	2,529,317	24,554	2,553,871
Depreciation and amortization	202,830	2,973	205,803
Retirements	(36,762)	-	(36,762)
At end of the period	2,695,385	27,527	2,722,912

	September 30, 2019		
	Buildings and Improvements	Land and Improvements	Total
	<i>(In Thousands)</i>		
Balance before impairment	7,012,189	3,573,523	10,585,712
Less: Allowance for impairment losses	7,773	3,209	10,982
Net book values	₱7,004,416	₱3,570,314	₱10,574,730

	December 31, 2018		
	Buildings and Improvements	Land and Improvements	Total
	<i>(In Thousands)</i>		
Cost			
At beginning of year	₱7,872,770	₱345,627	₱8,218,397
Additions through business combination (Note 1)	861,229	67,006	928,235
Additions	250,433	1,425	251,858
Disposals	(2,069)	-	(2,069)
At end of year	8,982,363	414,058	9,396,421
Accumulated Depreciation and Amortization			
At beginning of year	2,190,613	21,889	2,212,502
Additions through business combination (Note 1)	108,087	-	108,087
Depreciation and amortization	231,709	2,665	234,374
Disposals	(1,092)	-	(1,092)
At end of year	2,529,317	24,554	2,553,871
Balance before impairment	6,453,046	389,504	6,842,550
Less allowance for impairment losses	6,281	3,209	9,490
Net book values	₱6,446,765	₱386,295	₱6,833,060

Based on the latest appraisal reports in 2018, as determined by an independent firm of appraisers, the appraised values of the investment properties amounted to ₱9,051.70 million.

TPI

Investment properties of TPI substantially represent buildings, leasehold improvements and machinery and equipment on the land leased from PNR which are utilized in the Company's mall operations and held for rentals.

The appraised property is located along Claro M. Recto Avenue, within Tondo, Manila. The hierarchy in which the fair value measurement in its entirety is recognized is at Level 3. Based on the lease contract, TPI leases a land containing an aggregate area of 200,830 square meters.

The appraised value was estimated using the Sales Comparison Approach. This is a comparative approach to the value of the property that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings

and offerings may also be considered.

The method used to determine the value of other land improvements and building, machinery and equipment is the Cost Approach. This is a comparative approach to the value of the property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is replica of, or equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total accumulated depreciation.

LCI

On July 1, 2014, LCI transferred its land and improvements and buildings and improvements at revalued amounts to investment property valued at deemed cost. The transfer was made in accordance with PAS 40, *Investment Property* since the properties were held by LCI to earn rentals and for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

OLI

On November 29, 2017, OLI acquired a commercial building composed of a 5-storey shopping center and a 6-storey business processing outsourcing office with a gross leasable area of 60,000 square meters located along National Road, Alabang, Muntinlupa City, from ALI, for a total consideration of ₱4.798.0 million. The amount is equivalent to the fair value of the properties based on the appraisal report by an independent appraiser.

12. Property, Plant and Equipment

The details of this account follow:

September 30, 2019					
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
Cost					
At beginning of year	₱2,479	₱50,911	₱9,738	₱29,120	₱92,248
Additions	-	14,679	1,201	744	16,624
Retirements/Reclassifications	(2)	(15,641)	29	7,067	(8,547)
At end of year	2,477	49,949	10,968	36,931	100,325
Accumulated Depreciation and Amortization					
At beginning of year	892	15,410	7,132	26,565	49,999
Depreciation and amortization (Notes 19)	501	5,569	989	3,921	10,980
Retirements/Reclassifications	-	(400)	26	(4,083)	(4,457)
At end of year	1,393	20,579	8,147	26,403	56,522
Net Book Values	₱1,084	₱29,370	₱2,821	₱10,528	₱43,803

December 31, 2018					
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
Cost					
At beginning of year	₱5,762	₱516,344	₱2,847	₱49,274	₱574,227
Additions through business combinations (Note 1)	-	5,085	6,087	8,160	19,332
Additions	-	14,014	2,121	323	16,458
Disposals	(3,212)	(5,371)	(539)	(28,583)	(37,705)
Retirements	(71)	(479,161)	(778)	(54)	(480,064)
At end of year	2,479	50,911	9,738	29,120	92,248

December 31, 2018					
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
Accumulated Depreciation and Amortization					
At beginning of year	3,675	488,613	2,044	42,646	536,978
Additions through business combinations (Note 1)	–	5,085	5,613	7,489	18,187
Depreciation and amortization (Notes 19)	500	6,244	792	5,028	12,564
Disposals	(3,212)	(5,371)	(539)	(28,544)	(37,666)
Retirements	(71)	(479,161)	(778)	(54)	(480,064)
At end of year	892	15,410	7,132	26,565	49,999
Net Book Values	₱1,587	₱35,501	₱2,606	₱2,555	₱42,249

13. Software Costs

The details of this account follow:

	September 30, 2019	December 31, 2018
(In Thousands)		
At cost:		
Beginning balances	₱15,470	₱30,857
Retirements	35	(15,387)
Ending balances	15,505	15,470
Accumulated amortization:		
Beginning balances	12,597	25,951
Amortization (Note 19)	1,235	1,950
Retirements	(7)	(15,304)
Ending balances	13,825	12,597
Net book values at cost	₱1,680	₱2,873

14. Other Noncurrent Assets

This account consists of:

	September 30, 2019	December 31, 2018
(In Thousands)		
Deferred input VAT	₱251,365	₱413,581
Advances to suppliers and contractors	169,504	228,064
Refundable deposits	102,060	105,287
Others	5,435	9,759
	₱528,364	₱756,691

Deferred input VAT arises from the purchase of capital goods by the Group for amortization for a period of 5 years.

Advances to contractors and suppliers pertain to advance payment to service contractors for various renovation and rehabilitation services of the Group's buildings.

Refundable deposits pertain to deposits made to utility companies, other suppliers and various miscellaneous deposits.

Others consist mainly of various assets that are individually immaterial.

15. Accounts Payable and Accrued Expenses

The details of this account follow:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Accrued expenses		
Light and water	₱328,889	₱343,652
Provisions	115,511	151,607
Rent	17,649	101,895
Professional and management fees	88,130	75,358
Commissions	19,185	35,567
Taxes and licenses	25,977	19,809
Contracted services	25,318	12,926
Repairs and maintenance	1,609	5,555
Salaries and benefits	1,720	4,040
Subcontractor cost	1,887	2,268
	625,875	752,677
Trade payables	1,746,868	596,113
Nontrade payables	71,477	96,989
Claims payables	15,538	32,617
Due to reinsurers and ceding companies	380	2,810
Others	44,543	3,210
	₱2,504,681	₱1,484,416

Accrued expenses include rentals, janitorial, security, utilities and other accrued expenses.

Claims payables pertain to the estimated ultimate cost of incurred but not settled claims as at the reporting period.

Nontrade payables are generally settled within one (1) year.

Due to reinsurers and ceding companies refers to the balance of premium and claims with respect to accepted and ceded reinsurance agreement whether directly or through brokers.

The terms and conditions of the above payables are as follows:

- Trade payables are noninterest-bearing and are normally settled on thirty (30) days' term.
- All other payables are noninterest-bearing and have an average term of one (1) year.

16. Rental and Other Deposits

The details of this account follow:

	September 30, 2019			December 31, 2018		
	Due within One Year	Beyond One Year	Total	Due within One Year	Beyond One Year	Total
	<i>(In Thousands)</i>					
Security deposits	₱360,305	₱220,668	₱580,973	₱397,555	₱118,139	₱515,694
Rental deposits	76,382	–	76,382	76,822	20,799	97,621
Construction bond	17,873	17,868	35,741	21,989	13,424	35,413
Customer deposits	3,393	498	3,891	3,823	498	4,321
Other deposits	10,407	8,757	19,164	11,847	–	11,847
	₱468,360	₱247,791	₱716,151	₱512,036	₱152,860	₱664,896

Deposits include rental, security, customer, construction bond and other deposits paid by tenants to the Group on the leased properties which are refundable at the end of the contract.

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits.

17. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Parent Company and its subsidiaries, in their normal course of business, have entered into transactions with related parties principally consisting of interest-bearing and noninterest-bearing advances with no fixed repayment terms and are due and demandable.

Account balances with related parties, other than intra-group balances which are eliminated in consolidation, are as follows:

As at and for the period ended September 30, 2019

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (a)	₱-	₱85,307	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	262,500	262,500	To be settled in cash, 30-days; 5.96%	Unsecured, not impaired, and unguaranteed
ALI (d)	46,558	46,558		
<i>Entities under common control</i>				
Airswift Transport, Inc. (b)				
Principal	(20,000)	-	To be settled in cash, 30-days; 5.96%	Unsecured, not impaired, and unguaranteed
Interest	552	954		
North Triangle Hotel Ventures, Inc. (b)				
Principal	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	22	108		
Cebu Property Ventures Dev't. Corporation (b)				
Interest	(3)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cebu Holdings, Inc. (b)				
Principal	(13,000)	15,000	To be settled in cash, 59-days; 5.91% - 6.58%	Unsecured, not impaired, and unguaranteed
Interest	225	225		
Central Block Development, Inc. (b)				
Principal	6,000	60,000	To be settled in cash, 30-days; 6.38%	Unsecured, not impaired, and unguaranteed
Interest	33	33	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
HLC Development Corp. (b)				
Principal	(10,000)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amaia Land Corporation (b)				
Interest	(32)	59		
Principal	10,700	10,700	To be settled in cash, 30-days; 5.88%	Unsecured, not impaired, and unguaranteed
Interest	(3)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Land Metro North, Inc. (b)				
Principal	(8,000)	-	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	(251)	62	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (b)				
Principal	(392,700)	51,800	To be settled in cash, 30-days; 6.60%	Unsecured, not impaired, and unguaranteed
Interest	(48)	807	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (d)				
Arvo Commercial Corporation (b)	34,095	34,095	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Principal	(31,000)	23,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	(725)	233	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp (b)				
Principal	(26,000)	–	To be settled in cash, 30-days; 6.53%	Unsecured, not impaired, and unguaranteed
Interest	433	1,288	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Summerhill Commercial (b)				
Principal	(194,000)	–	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	802	3,833	To be settled in cash and collectible on	Unsecured, not impaired, and unguaranteed
Circuit Makati Hotel Ventures, Inc. (b)				
Principal	4,300	4,300	To be settled in cash, 50-days; 5.88%	Unsecured, not impaired, and unguaranteed
Interest	55	55		
ALI Triangle Hotel (b)				
Principal	12,000	12,000	To be settled in cash, 30-days; 5.88%	Unsecured, not impaired, and unguaranteed
Interest	84	84		
Esta Galleria Inc. (b)				
Principal	10,000	10,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Interest	16	16		
Crans Montana Property Holdings Corp. (b)				
Principal	6,000	6,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Interest	33	33		
Bay City Commercial Ventures Corp. (b)				
Principal	2,000	2,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Ten Knots Philippines, Inc. (b)				
Interest	–	36	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bank of the Philippine Islands (c)				
Globe Telecom Inc. (c)				
Nuevocentro, Inc. (c)	–	1,177	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Integrated Microelectronics, Inc. (e)	(603)	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)	256	513	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)	–	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	(130)		To be settled in cash	Unsecured, not impaired,

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
		(51)	and collectible on demand	and unguaranteed
AMSI, Inc. (d)	76	130	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	15,000	15,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	453	453		
Econorth Resort Ventures, Inc. (d)	1	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	1	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	–	6	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	–	2	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Cagayan De Oro Gateway Corp.	984	984		
ALI Commercial Center (c)	1,025	1,260	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
PCM Formosa Company Limited. (c)	595	596	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Total		₱654,810		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (i)	₱19,128	₱82,162	Due and demandable noninterest bearing	Unsecured and unguaranteed
<i>Entities under common control</i>				
Ayalaland Malls, Inc. (d)	(460)	18	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	–	1,682	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	72,920	223,705	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	–	2,115	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	55,399	69,881	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	(1,144)	533	Due and demandable noninterest bearing	Unsecured and unguaranteed
Globe Telecom, Inc (d)	66	81	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Process Solutions, Inc. (d)	32	32	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Metro North, Inc. (b)	34,800	34,800	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Station Square (b)	13,000	13,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Avida Land Corp. (b)	154,488	154,488	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
Alveo Land Corp.	4,000	4,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Solinea, Inc.	6,000	6,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Summerhill Commercial Ventures, Inc.	15,000	15,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Taft Punta Engano Property, Inc.	28,899	28,899	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Ayala Theaters Management, Inc.	389	389	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Avencosouth Corp.	20,000	20,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Ayala Hotels, Inc.	196,200	196,200	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Southportal Properties, Inc.	35,000	35,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Accendo	35,099	35,099	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
ALI Commercial Center	83,412	83,412	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
North Beacon Commercial Corporation	116,480	116,480	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
One Dela Rosa Property Development, Inc.	282,682	282,682	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
ALI-CII Development Corp.	5,007	5,007	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
MDBI Construction Corp.	40,500	40,500	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp.	24,000	24,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Alabang Commercial Corp.	30,000	30,000	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp.	4,635	4,635	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Ayala Corporation	149,539	149,539	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
UP North Property Holdings, Inc.	50,456	50,456	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Glensworth Development, Inc. (b)	18,086	18,086	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Econorth Resorts Ventures, Inc.	20	20	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
North Eastern Commercial Corp. (b)	181,325	181,325	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
AyalaLand Offices, Inc.(b)	40,071	40,071		

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
			To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Ayalaland Estates, Inc. (b)	10,099	10,099	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
North Ventures Commercial Corp. (b)	70,700	70,700	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Asian I-Office Properties, Inc. (b)	36,100	36,100	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Direct Power Services, Inc.	161	161	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Subic Bay Town Center Inc.	91	91	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Vesta Property Holdings, Inc. (b)	340,200	340,200	To be settled in cash, 30-days; 5.70%	Unsecured, not impaired, and unguaranteed
Total		₱2,406,648		

As at and for the year ended December 31, 2018

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (a)	₱84,301	₱85,307	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
<i>Entities under common control</i>				
Airswift Transport, Inc. (b)				
Principal	20,000	20,000	To be settled in cash, 30-days; 6.18%	Unsecured, not impaired, and unguaranteed
Interest	(1,444)	402		
North Triangle Hotel Ventures, Inc. (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	37	86		
Forward				

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Cebu Property Ventures Dev't. Corporation (b)				
Principal	(P8,700)	P-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	3	3		
Cebu Holdings, Inc. (b)				
Principal	28,000	28,000	To be settled in cash, 30-days; 6.14%	Unsecured, not impaired, and unguaranteed
Central Block Development, Inc. (b)				
Principal	54,000	54,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
HLC Development Corp. (b)				
Principal	10,000	10,000	To be settled in cash, 30-days; 5.92%	Unsecured, not impaired, and unguaranteed
Interest	91	91		
Amaia Land Corporation (b)				
Principal	(36,800)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(104)	3		
Ayala Land Metro North, Inc. (b)				
Principal	(27,000)	8,000	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	308	313		
Avida Land Corporation (b)				
Principal	350,700	444,500	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	792	855		
Arvo Commercial Corporation (b)				
Principal	48,000	54,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	954	958		
Soltea Commercial Corp (b)				
Principal	26,000	26,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	855	855		
Summerhill Commercial (b)				
Principal	75,000	194,000	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	2,507	3,031		
Ten Knots Philippines, Inc. (b)				
Principal	(29,000)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(318)	36		
Bank of the Philippine Islands (c)				
	2,249	2,249	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)				
	1,083	1,083	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (c)				
	1,177	1,177	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Integrated Microelectronics, Inc. (e)				
	603	603	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)				
	257	257	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)				
	241	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)				
	79	79	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)				
	62	62	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayalaland Malls Synergies, Inc. (d)				
	54	54	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)				
	37	37	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
North Triangle Depot Commercial Corp. (d)	₱21	₱21	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	6	6	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	2	2	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	1	1		
Ayalaland Estates, Inc.	1	1		
Accendo Commercial Corporation (b) Principal	(10,000)	–		
Southgateway Development Corp. (b) Principal	(50,000)	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Interest	(6)	–		
Guoman Philippines, Inc. (c)	(1,675)	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	231	235	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
<i>Associate</i>				
BAIBI	(2)	–		
Total		₱936,548		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (i)	₱43,607	₱63,034	Due and demandable noninterest bearing	Unsecured and unguaranteed
<i>Entities under common control</i>				
Ayalaland Malls, Inc. (d)	478	478	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	1,682	1,682	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	150,785	150,785	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	2,115	2,115	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	14,482	14,482	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Malls Synergies, Inc. (d)	1,677	1,677	Due and demandable noninterest bearing	Unsecured and unguaranteed
Globe Telecom, Inc (d)	15	15	Due and demandable noninterest bearing	Unsecured and unguaranteed
Total		₱234,268		

The following describes the nature of the material transactions of the Group with related parties as of September 30, 2019 and December 31, 2018:

- Amounts owed by ALI pertains to rental revenue collected by ALI on behalf of OLI.
- Amounts owed by related parties are short-term advances made by the Group with interest rate at 5.70% to 6.60 % per annum.
- The Group entered into operating lease agreements with entities under common control, on its investment property portfolio.
- The Group has entered into transactions with related parties consisting of advances and reimbursements of expenses. Services rendered to and received from related parties are made at normal market prices and normally settled in cash.

- e. The Group engaged the services of a third-party agency to provide security and maintenance within the Technopark which will be billed to IMI.
- f. The Group advances cash to AG Counselors Corp. for the due diligence of a property in Cavite.
- g. The Group has engaged the services of MDC for the due diligence and land development of the property in Cavite.
- h. MDC Build Plus is contractor of the Group's Standard Factory Building 2 in Phase 7, Laguna Technopark
- i. Payable to ALI pertains to the advances made by ALI for operating expenses. This is due and demandable and noninterest bearing.

This assessment is undertaken at each financial year-end by examining the financial position of the related parties and the market in which the related parties operate.

- The Parent Company entered into a service agreement with Ayalaland Malls, Inc. to provide specialized jobs/services/work to the Group. The term of the agreement shall be 3 years starting November 1, 2016 until October 31, 2019.
- The Parent Company and TPI entered into a master service agreement with Aprisa Business Process Solutions, Inc. to provide data processing services. The agreement is effective from January 1, 2019 until December 31, 2019.

18. Subscription Payable

Cyber Bay and Central Bay

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void.

Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA. On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's

latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10.2 billion with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at September 30, 2019 and December 31, 2018, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as “Subscriptions Payable” in the consolidated statements of financial position.

The movement in investment in Cyber Bay under “Financial assets at fair value through other comprehensive income” is as follows:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Beginning balance	₱548,300	₱624,646
Changes in fair value	-	(76,346)
	₱548,300	₱548,300

19. Operating Expenses

	September 30, 2019	September 30, 2018
Systems costs	₱47,931	₱21,189
Taxes and licenses	28,457	4,661
Personnel expenses	25,115	17,123
Janitorial and security services	19,656	17,585
Professional and legal fees	14,593	9,123
Depreciation and amortization (Notes 12 and 13)	8,234	6,374
Rental	4,057	4,359
Communication and transportation	3,063	2,496
Supplies and repairs	1,539	2,045
Membership, fees and dues	689	532
Representations	419	350
Insurance	235	189
Provision for impairment losses	186	-
Marketing expenses	-	77
Others	1,329	1,665
	₱155,503	₱87,768

Others consist mainly of various charges that are individually immaterial.

20. Retirement Plan

The Group has a funded, noncontributory retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The normal retirement benefit is based on a percentage of the employees' final monthly salary for every year of credited service.

The latest independent actuarial valuation dated November 19, 2018 was determined using the projected unit credit method in accordance with PAS 19 (R).

21. Earnings Per Share

The following table presents information necessary to calculate basic earnings per share:

	September 30, 2019	September 30, 2018
a. Net income attributable to equity holders of the Parent	₱448,489	₱152,846
b. Weighted average number of shares	6,226,225	5,407,684
Basic earnings per share (a/b)	₱0.07	₱0.03

22. Equity

The details of the common number of shares follow:

September 30, 2019

	Number of Shares	Amount
Authorized, ₱1 par value	7,500,000,000	₱7,500,000,000
Issued	5,844,160,634	₱5,844,160,634
Subscribed	457,431,353	457,431,353
Less subscription receivables		329,544,572
Issued and outstanding		₱5,972,047,415

December 31, 2018

	Number of Shares	Amount
Authorized, ₱1 par value	7,500,000,000	₱7,500,000,000
Issued	4,513,228,698	₱4,513,228,698
Subscribed	1,611,944,113	1,611,944,113
Less subscription receivables		235,978,292
Issued and outstanding		₱5,889,194,519

On August 14, 2015, ALLHC entered into an agreement with ALI, whereby ALI will subscribe to 2,500,000,000 common shares of stock of ALLHC or 51.06% equity interest in ALLHC for a total consideration of ₱5.625 billion, subject to certain terms and conditions.

In connection with the foregoing, on August 13, 2015, the BOD approved the amendment of ALLHC's Articles of Incorporation, specifically: (i) Article Sixth - to increase the number of its directors from seven (7) to nine (9); and (ii) Article Seventh - to increase its authorized capital stock from ₱2.40 billion (divided into 2.40 billion common shares at ₱1 par value) to ₱7.50 billion (divided into 7.50 billion common shares at ₱1 par value). On February 24, 2016, the Deed of Subscription was executed. ALLHC's increase in authorized capital stock was approved by the SEC on July 4, 2016. Accordingly, the amount received for the ALI subscription of ₱1,406.25 million (initially recorded as deposit for future stock subscription) was applied as payment for the subscription. ALI paid the remaining 75% of its subscription amounting to ₱4,218.75 million on November 21, 2017.

Capital Management

The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at September 30, 2019 and December 31, 2018.

As at September 30, 2019 and December 31, 2018, the Group considers the following accounts as capital:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Capital stock	₱5,972,047	₱5,889,195
Additional paid-in capital	5,856,526	5,772,959
	₱11,828,573	₱11,662,154

The Group is not subject to externally imposed capital requirements.

Shares Held by a Subsidiary

On June 27, 2017, OLI acquired 512,480,671 shares of the Parent Company with a cost of ₱1,255.58 million. This is presented as Shares held by a subsidiary in the consolidated statements of financial position as at December 31, 2018.

On June 3, 2019, OLI sold 323,886,640 shares for a total consideration of ₱800.00 million and recognized a realized gain amounting to ₱5.51 million. On September 9, 2019, OLI sold 215,090,031 shares for a total consideration of ₱628.06 million and recognized a realized gain amounting to ₱143.53 million.

On September 5, 2019, OLI subscribed 49,444,216 shares of the Parent Company with a cost of ₱144.38 million. This is presented as Shares held by a subsidiary in the consolidated statements of financial position.

As at September 30, 2019 and December 31, 2018, shares held by a subsidiary amounted to ₱144.38 million and ₱1,279.03 million, respectively.

23. Segment Information

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The industry segments where the Parent Company and its subsidiaries and associates operate and are as follows:

- Holding Company
- Real estate – commercial leasing and industrial lot sales and development
- Retail electricity supply

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

Financial information about the operations of these business segments is summarized as follows:

September 30, 2019

	Holding Company	Real Estate	Retail Electricity Supply	Others	Total	Elimination	Total
Revenue	P–	P1,346,882	P1,811,060	P–	P3,157,942	P–	P3,157,942
Cost and expenses	(47,919)	(849,247)	(1,755,435)	(12,830)	(2,665,431)	–	(2,665,431)
Other income (charges)	(10,429)	155,383	1,340	8,949	155,243	–	155,243
Income (loss) before income tax	(58,348)	653,018	56,965	(3,881)	647,754	–	647,754
Provision for income tax	13	133,483	13,666	585	147,747	–	147,747
Net income (loss)	(P58,361)	P519,535	P43,299	(P4,466)	P500,007	P–	P500,007
Segment assets	P15,088,708	P18,330,127	P658,946	P1,267,037	P35,344,818	(P16,138,218)	P19,206,600
Segment liabilities	P4,258,296	P7,132,302	P528,198	P487,175	P12,405,971	(P3,917,326)	P8,488,645

September 30, 2018

	Holding Company	Real Estate	Retail Electricity Supply	Others	Total	Elimination	Total
Revenue	P–	P862,342	P1,067,855	P–	P1,930,197	P–	P1,930,197
Cost and expenses	(14,796)	(628,107)	(1,038,508)	(33,193)	(1,714,604)	–	(1,714,604)
Other income (charges)	2,124	21,487	581	14,807	38,999	(1,819)	37,180
Income (Loss) before income tax	(12,672)	255,722	29,928	(18,386)	254,592	(1,819)	252,773
Provision for income tax	–	57,203	4,802	1,302	63,307	–	63,307
Net income (loss)	(P12,672)	P198,519	P25,126	(P19,688)	P191,285	(P1,819)	P189,466

December 31, 2018

Segment assets	P11,940,456	P13,398,367	P647,277	P1,386,964	P27,373,064	(P14,398,671)	P12,974,393
Segment liabilities	P1,217,592	P2,611,220	P559,742	P759,191	P5,147,745	(P2,047,602)	P3,100,143

Geographical Segments

The Group does not have geographical segments.

24. Long-term Lease

On August 28, 1990, TPI, a subsidiary, through a deed of assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where the TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of twenty-five (25) years until 2015 and is automatically renewable for another twenty-five (25) years subject to compliance with the terms and conditions of the lease agreement.

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty-five (25) years beginning September 5, 2014, the end of the original lease agreement.

As at September 30, 2019 and December 31, 2018, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	September 30, 2019	December 31, 2018
	(In Thousands)	
Less than one (1) year	₱35,133	₱140,529
More than (one) 1 year but not more than (five) 5 years	702,647	702,647
More than (five) 5 years	2,061,097	2,061,097
	₱2,798,877	₱2,904,273

Group as a Lessor

The Group has entered into commercial property leases on its buildings. These leases have remaining terms of one (1) year to less than five (5) years. Renewals are subject to the mutual consent of the lessor and the lessee.

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any.

25. Contingencies

The Group is contingently liable for lawsuits or claims, and assessments, which are either pending decision by the courts or under negotiation. Management and its legal counsels believe that the eventual outcome of these lawsuits or claims will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

26. Financial Instruments

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets at FVPL	₱4,407	₱4,407	₱4,519	₱4,519
Financial Assets at FVOCI				
Quoted equity securities	551,668	551,668	551,668	551,668
Quoted debt securities	84,521	84,521	76,628	76,628
Nonlisted equity securities	24,618	24,618	23,668	23,668
Refundable Deposits	102,060	96,390	105,287	99,438
	₱767,274	₱761,604	₱761,770	₱755,921
Other Financial Liabilities				
Rental and other deposits	₱716,151	₱631,277	₱664,896	₱586,096

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at September 30, 2019 and December 31, 2018 are set out below:

Cash and Cash Equivalents and Short-term Investments

The carrying amount of cash and cash equivalents approximates its fair values due to the short-term maturity of this financial instrument.

Receivables - current, Accounts Payable and Accrued Expenses and Amounts owed to and by Related Parties

The carrying amounts of the current portion of receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

Refundable Deposits under Other noncurrent assets and Rental and Other Deposits

The carrying amounts of current portion of rental and other deposits approximates its fair value due to the short-term maturity of this financial instrument. The fair values of noncurrent security deposit recorded under 'Rental and other deposits' and refundable deposits recorded under 'Other noncurrent assets' are determined by discounting future cash flows using the applicable rates of similar types of instruments.

Financial Assets at FVOCI

Equity financial assets that are listed are based on their quoted prices published in markets as at September 30, 2019 and December 31, 2018. Debt financial assets that are quoted are based on published market prices as at September 30, 2019 and December 31, 2018. Nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

Financial Assets at FVPL

Listed equity securities designated as financial assets at FVPL are based on their quoted prices as at September 30, 2019 and December 31, 2018. The fair value of the UITF has been determined based on the net asset values as of reporting date, based on the nature and level of adjustments needed to be made to the NAV and the level of trading in the money market UITF.

Fair Value Hierarchy

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

Quoted FVOCI amounting to ₱636.19 million and ₱628.30 million as of September 30, 2019 and December 31, 2018, respectively, were classified under Level 1.

Nonlisted FVOCI amounting to ₱24.62 million and ₱23.67 million as of September 30, 2019 and December 31, 2018, respectively, were classified under Level 2.

FVPL amounting to ₱4.41 million and ₱4.52 million as of September 30, 2019 and December 31, 2018, respectively, were classified under Level 2.

The fair value disclosure of rental and other deposits and refundable deposits as of September 30, 2019 and December 31, 2018, were classified under Level 3.

There have been no reclassifications from Level 1 to Level 2 categories as at September 30, 2019 and December 31, 2018.

Financial Risk Management Objectives, Policies and Capital Management

The Group has various financial instruments such as cash and cash equivalents, receivables, amounts owed by/to related parties, financial assets at FVOCI and AFS financial assets, FVPL investments, deposits under other noncurrent assets, accounts payable and accrued expenses, rental and other deposits and subscriptions payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial liabilities such as accounts payable and accrued expenses and rental and other deposits, which arise directly from its operations.

The main risks from the use of financial instruments are liquidity risk, credit risk and equity price risk. The Group's BOD reviews and approves policies for managing these risks as summarized below.

Liquidity Risk

Liquidity risk arises when there is a shortage of funds and the Group as a consequence could not meet its maturing obligations.

In the management of liquidity, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at September 30, 2019 and December 31, 2018 based on contractual undiscounted payments:

September 30, 2019

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<i>(In Thousands)</i>						
<i>Financial Assets at Amortized Cost:</i>						
Cash in banks and cash equivalents	₱235,127	₱–	₱–	₱–	₱–	₱235,127
Receivables:						
Trade debtors	1,131,717	149,437	207,204	–	60,262	1,548,620
Insurance receivables	1,667	–	–	–	25,867	27,534
Others	139,655	–	–	–	188,189	327,844
Amounts owed by related parties	654,810	–	–	–	–	654,810
Deposits (under "Other noncurrent assets")	–	–	–	101,652	408	102,060
FVPL investments	4,407	–	–	–	–	4,407
<i>FVOCI Financial Assets</i>						
Quoted debt securities	84,521	–	–	–	–	84,521
	₱2,251,904	₱149,437	₱207,204	₱101,652	₱274,726	₱2,984,923
Accounts payable and accrued expenses	₱1,104,555	₱205,393	₱–	₱716,840	₱477,893	₱2,504,681
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	564,193	17,255	7,243	66,734	60,726	716,151
Amounts owed to related parties	2,406,648	–	–	–	–	2,406,648
	₱4,557,071	₱222,648	₱7,243	₱783,574	₱538,619	₱6,109,155

December 31, 2018

	On demand	Less than 3 months	3 to 6 months	6 to 12 Months	Over 1 year	Total
<i>(In Thousands)</i>						
<i>Financial Assets at Amortized Cost:</i>						
Cash in banks and cash equivalents	₱220,011	₱–	₱–	₱–	₱–	₱220,011
Short-term investments	43,489	–	–	–	–	43,489
Receivables:						
Trade debtors	1,125,501	142,589	181,252	–	62,615	1,511,957
Insurance receivables	43,125	–	–	–	47,975	91,100
Others	–	127,351	–	–	188,191	315,542
Amounts owed by related parties	936,548	–	–	–	–	936,548
Deposits (under "Other noncurrent assets")	–	–	–	104,879	408	105,287
FVPL investments	4,519	–	–	–	–	4,519
<i>FVOCI Financial Assets</i>						
Quoted debt securities	76,628	–	–	–	–	76,628
	₱2,449,821	₱269,940	₱181,252	₱104,879	₱299,189	₱3,305,081
Accounts payable and accrued expenses	₱1,197,324	₱287,092	₱–	₱–	₱–	₱1,484,416
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	346,325	21,278	8,985	135,448	152,860	664,896
Amounts owed to related parties	234,268	–	–	–	–	234,268
	₱2,259,592	₱308,370	₱8,985	₱135,448	₱152,860	₱2,865,255

Credit Risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Rental receivables

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Real estate receivables

In respect of receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Other financial assets

Credit risk from balances with banks and financial institutions and related parties is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests mainly on government securities with very low credit risk and, therefore, are considered to be low credit risk investments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customer with similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries.

The tables below show the aging analyses of financial assets per class that the Group held as at September 30, 2019 and December 31, 2018. A financial asset is past due when a counterparty has failed to make payment when contractually due.

September 30, 2019

	Neither past due nor impaired	Past due but not impaired			Over 90 days	Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days			
<i>(In Thousands)</i>							
<i>Financial Assets at Amortized Cost:</i>							
Cash and cash equivalents	₱235,127	₱-	₱-	₱-	₱-	₱-	₱235,127
Receivables:							
Trade debtors	1,131,717	87,641	48,671	13,125	207,204	60,262	1,548,620
Insurance receivables	-	-	-	-	1,667	25,867	27,534
Others	139,655	-	-	-	-	188,189	327,844
Amounts owed by related parties	654,810	-	-	-	-	-	654,810
Deposits (under "Other noncurrent assets")	101,652	-	-	-	-	408	102,060
<i>FVOCI Financial Assets</i>							
Quoted debt securities	84,521	-	-	-	-	-	84,521
	₱2,347,482	₱87,641	₱48,671	₱13,125	₱208,871	₱274,726	₱2,980,516

December 31, 2018

	Neither past due nor impaired	Past due but not impaired			Over 90 days	Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days			
<i>(In Thousands)</i>							
<i>Financial Assets at Amortized Cost:</i>							
Cash and cash equivalents	₱220,011	₱-	₱-	₱-	₱-	₱-	₱220,011
Short term investments	43,489	-	-	-	-	-	43,489
Receivables:							
Trade debtors	1,125,501	86,019	47,471	9,103	181,252	62,611	1,511,957
Insurance receivables	-	-	-	-	43,125	47,975	91,100
Others	127,351	-	-	-	-	188,191	315,542
Amounts owed by related parties	936,548	-	-	-	-	-	936,548
Deposits (under "Other noncurrent assets")	104,879	-	-	-	-	408	105,287
<i>FVOCI Financial Assets</i>							
Quoted debt securities	76,628	-	-	-	-	-	76,628
	₱2,634,407	₱86,019	₱47,471	₱9,103	₱224,377	₱299,185	₱3,300,562

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity indices and the value of individual stock. The equity price risk exposure arises from the Group's investment in stocks. Equity investment of the Group is categorized as financial assets at FVOCI.

The Group measures the sensitivity to its equity securities by using Philippine Stock Exchange index fluctuations and its effect to respective share prices.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The basic sensitivity analysis assumes that the stock's standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the stock investment. The Group establishes the relative range of stock investment yields based on historical standard deviation for one year.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at September 30, 2019

	Amount
Current	1,150,499
1 to 30 days	87,641
31 to 60 days	48,671
61 to 90 days	13,125
Over 90 days	248,684
Total receivable-trade	1,548,620
Advances to Employees	5,647
Insurance receivable	27,534
Non-trade receivables	322,197
Total non-trade receivable	355,378
Total receivable	1,903,998
Allowance for doubtful accounts	(274,318)
	1,629,680