COVER SHEET

9 4 0 0 7 1 6 0

SEC Registration Number

A R T H A L A N D   C O R P O R A T I O N

(Company's Full Name)

8 F   P I C A D I L L Y   S T A R   B U I L D I N G
4 T H   A V E N U E   C O R N E R   2 7 T H   S T R E E T
B O N I F A C I O   G L O B A L   C I T Y
T A G U I G   C I T Y

(Business Address: No. Street City/Town/Province)

FERDINAND A. CONSTANTINO

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q

(Form Type)

0 6	Last Fri
Month	*Day*

(Annual Meeting)

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

1,972

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

ARTHALAND CORPORATION
(Company's Full Name)

8/F Picadilly Star Building, 4th Avenue corner 27th Street
Bonifacio Global City, Taguig City
(Company's Address)

403-6910
(Telephone Number)

December 31 (Fiscal year ending) (month & day)

June 30 (Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT
(Form Type)

Amendment Designation (If applicable)

March 31, 2018
(Period Ended Date)

(Secondary License Type & File Number)

LCU

(Cashier)

DTU

ASO-94-007160
(SEC Number)

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended *March 31, 2018*

2. Commission Identification No. *ASO-94-007160*

3. BIR TIN *004-450-721-0000*

4. Exact name of registrant as specified in its character

   ARTHALAND CORPORATION

5. Incorporated in Metro Manila, Philippines on *August 10, 1994*.

6. Industry Classification Code ___________________________(SEC Use Only).

7. Address of registrant's principal office Postal Code

   8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City ***1634***

8. Registrant's Telephone Number : *403-6910*

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (P0.18 par value**	**None**
Preferred Shares – Series A	**12,500,000 (P1.00 par value)**	**None**
Preferred Shares – Series B	**20,000,000 (P1.00 par value)**	**None**

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    YES [X] **NO [ ]**

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B ONLY.

12. Indicate by check mark whether the registrant :
    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    YES [X] **NO [ ]**
    (b) has been subject to such filing requirements for the past 90 days.
    YES [X] **NO [ ]**

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

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

See attached.

PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **ARTHALAND CORPORATION**

Signature and Title : **JAIME C. GONZALEZ**
President

Signature and Title : **FERDINAND A. CONSTANTINO**
Chief Finance Officer

Date : May 9, 2018

ITEM 1. Financial Statements Required under SRC RULE 68.1

1. Basic and Diluted Earnings per Share (See attached Income Statement).

2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).

3. Notes to Financial Statements:

   a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.

   b. There is no significant seasonality or cycle of interim operations.

   c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.

   d. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.

   e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.

   f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

   g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.

   h. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.

   i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND DECEMBER 31, 2017

	Notes		MARCH 31 2018 (Unaudited)		DECEMBER 31 2017 (Audited)
ASSETS					
Cash and cash equivalents	4	P	**406,667,941**	P	721,795,236
Financial assets at fair value through profit or loss (FVPL)	5		**388,305,721**		387,879,631
Trade and other receivables	6		**161,137,615**		186,274,230
Real estate for sale	7		**2,635,693,612**		2,646,731,618
Investment properties	8		**6,728,623,596**		6,457,315,253
Property and equipment	9		**47,035,083**		39,743,166
Net deferred tax assets			**82,522,989**		61,212,233
Creditable withholding taxes			**258,325,639**		253,188,078
Other assets	10		**776,801,061**		492,672,321
		P	**11,485,113,257**	P	11,246,811,766
LIABILITIES AND EQUITY					
Liabilities					
Loans payable	11	P	**4,448,883,586**	P	4,268,892,416
Accounts payable and other liabilities	12		**882,505,222**		824,456,920
Due to a related party	13		**286,666,691**		286,666,691
Retirement liability	20		**50,668,546**		50,668,546
Net deferred tax liabilities			**790,241,350**		752,508,368
Total Liabilities			**6,458,965,395**		6,183,192,941
Equity Attributable to Equity Holders of the Parent Company					
Capital stock	14		**989,757,136**		989,757,136
Additional paid-in capital			**2,031,441,541**		2,031,441,541
Retained earnings			**2,060,504,142**		2,085,398,501
Cumulative remeasurement gains on retirement liability - net of tax			**7,448,391**		7,448,391
Parent Company's shares held by a subsidiary	14		**(12,500,000)**		(12,500,000)
			5,076,651,210		5,101,545,569
Non-controlling interests			**(50,503,348)**		(37,926,744)
Total Equity			**5,026,147,862**		5,063,618,825
		P	**11,485,113,257**	P	11,246,811,766

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

	Notes		MARCH 31 2018 (Unaudited)		MARCH 31 2017 (Unaudited)
ASSETS					
Cash and cash equivalents	4	P	**406,667,941**	P	738,958,392
Financial assets at fair value through profit or loss (FVPL)	5		**388,305,721**		1,629,504,821
Trade and other receivables	6		**161,137,615**		318,288,954
Real estate for sale	7		**2,635,693,612**		2,546,697,619
Investment properties	8		**6,728,623,596**		4,863,449,232
Property and equipment	9		**47,035,083**		22,607,121
Net deferred tax assets			**82,522,989**		27,227,590
Creditable withholding taxes			**258,325,639**		249,650,675
Other assets	10		**776,801,061**		344,418,431
		P	**11,485,113,257**	P	10,740,802,835
LIABILITIES AND EQUITY					
Liabilities					
Loans payable	11	P	**4,448,883,586**	P	3,151,336,317
Accounts payable and other liabilities	12		**882,505,222**		1,603,155,717
Due to a related party	13		**286,666,691**		233,851,254
Retirement liability	20		**50,668,546**		47,244,365
Net deferred tax liabilities			**790,241,350**		657,972,675
Total Liabilities			**6,458,965,395**		5,693,560,328
Equity Attributable to Equity Holders of the Parent Company					
Capital stock	14		**989,757,136**		989,757,136
Additional paid-in capital			**2,031,441,541**		2,031,441,541
Retained earnings			**2,060,504,142**		2,022,778,313
Cumulative remeasurement gains on retirement liability - net of tax			**7,448,391**		3,022,025
Parent Company's shares held by a subsidiary	14		**(12,500,000)**		(12,500,000)
			5,076,651,210		5,034,499,015
Non-controlling interests			**(50,503,348)**		12,743,492
Total Equity			**5,026,147,862**		5,047,242,507
		P	**11,485,113,257**	P	10,740,802,835

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2018

AND FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes		MARCH 31 2018 (Unaudited)		DECEMBER 31 2017 (Audited)
REVENUES	15	**P**	**106,831,351**	P	463,538,594
COST OF SALES AND SERVICES	16		**(62,185,605)**		(328,509,674)
GROSS INCOME			**44,645,746**		135,028,920
OPERATING EXPENSES	17		**68,444,865**		326,558,949
LOSS FROM OPERATIONS			**(23,799,119)**		(191,530,029)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8		**57,660,679**		428,390,699
FINANCE COSTS	18		**(22,302,880)**		(80,663,240)
OTHER INCOME - net	19		**5,299,695**		67,443,318
INCOME BEFORE INCOME TAX			**16,858,375**		223,640,748
INCOME TAX EXPENSE			**19,100,338**		85,240,763
NET INCOME (LOSS)			**(2,241,963)**		138,399,985
COMPREHENSIVE INCOME			**-**		4,426,366
TOTAL COMPREHENSIVE INCOME		**(P**	**2,241,963)**	P	142,826,351
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company			**10,334,641**		191,850,580
Non-controlling interest			**(12,576,604)**		(53,450,595)
			(2,241,963)		138,399,985
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company			**10,334,641**		196,276,946
Non-controlling interest			**(12,576,604)**		(53,450,595)
			(2,241,963)		142,826,351
EARNINGS (LOSS) PER SHARE - Basic and Diluted	23	**(P**	**0.0047)**	P	0.0096

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Notes	**MARCH 31 2018 (Unaudited)**	MARCH 31 2017 (Unaudited)
REVENUES	15	**P 106,831,351**	P 265,283,245
COST OF SALES AND SERVICES	16	**(62,185,605)**	(163,811,702)
GROSS INCOME		**44,645,746**	101,471,543
OPERATING EXPENSES	17	**68,444,865**	83,143,837
INCOME (LOSS) FROM OPERATIONS		**(23,799,119)**	18,327,706
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	**57,660,679**	-
FINANCE COSTS	18	**(22,302,880)**	(23,244,583)
OTHER INCOME - net	19	**5,299,695**	14,265,570
INCOME BEFORE INCOME TAX		**16,858,375**	9,348,693
INCOME TAX EXPENSE		**19,100,338**	2,980,455
NET INCOME		**(2,241,963)**	6,368,238
COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**(P 2,241,963)**	P 6,368,238
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**10,334,641**	9,563,328
Non-controlling interest		**(12,576,604)**	(3,195,090)
		(2,241,963)	6,368,238
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**10,334,641**	9,563,328
Non-controlling interest		**(12,576,604)**	(3,195,090)
		(2,241,963)	6,368,238
LOSS PER SHARE - Basic and Diluted	23	**(P 0.0047)**	(P 0.0048)

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Note	**MARCH 31 2018 (Unaudited)**	MARCH 31 2017 (Unaudited)
CAPITAL STOCK			
Common - ₱0.18 par value			
Issued and outstanding	14	**P 957,257,136**	P 957,257,136
Preferred - ₱1.00 par value			
Issued and subscribed		**32,500,000**	32,500,000
		989,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of period		**2,031,441,541**	2,031,441,541
RETAINED EARNINGS			
Balance at beginning of period		**2,085,398,501**	2,115,456,218
Net income for the period		**10,334,641**	6,368,238
Dividends declared during the period	14	**(35,229,000)**	-99,046,143
Balance at end of period		**2,060,504,142**	2,022,778,313
ACCUMULATED UNREALIZED ACTUARIAL GAINS			
Balance at beginning and end of period	20	**7,448,391**	3,022,025
PARENT COMPANY'S PREFFERED SHARES HELD BY A SUBSIDIARY - at cost	14	**(12,500,000)**	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**5,076,651,210**	5,034,499,015
NON-CONTROLLING INTERESTS			
Balance at beginning of period		**(37,926,744)**	(414,731)
Subscription to a subsidiary		**-**	15,938,582
Net loss for the period		**(12,576,604)**	(2,780,359)
Balance at end of period		**(50,503,348)**	12,743,492
TOTAL EQUITY		**P 5,026,147,862**	P 5,047,242,507

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Notes		**MARCH 31 2018** (Unaudited)		MARCH 31 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax		**P**	**16,858,375**	P	9,348,693
Adjustments for:					
Finance Costs	18		**22,201,035**		21,417,147
Depreciation and amortization	17		**2,468,274**		2,129,632
Gain on change in FV of investment properties			**(57,660,679)**		-
Realized holding gains	5		**(1,868,935)**		(6,043,169)
Unrealized holding gains	5		**(426,090)**		(10,429,542)
Unrealized forex gains			**-**		(174,586)
Gain on (loss) sale of property and equipment			**-**		475,131
Operating income (loss) before working capital changes			**(18,428,020)**		16,723,306
Decrease (increase) in:					
Trade and other receivables			**25,136,615**		(17,199,368)
Real estate for sale			**11,038,006**		(807,329,765)
Other assets			**(284,128,740)**		(159,590,343)
Accounts payable and other liabilities			**58,048,302**		703,948,427
Net cash used in operations			**(208,333,837)**		(263,447,743)
Interest paid			**(6,443,865)**		(6,647,533)
Income tax paid			**(7,815,673)**		(8,162,044)
Net cash used in operating activities			**(222,593,375)**		(278,257,320)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of:					
Financial assets at FVPL - net			**1,868,935**		437,043,169
Property and equipment			**579,973**		291,829
Additions to:					
Investment properties			**(10,340,164)**		**(5,432,046)**
Property and equipment			**(213,647,664)**		(329,305,527)
Net cash generated from (used in) investing activities			**(221,538,920)**		102,597,425
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from:					
Loans payable			**219,234,000**		106,888,000
Due to a related party			**-**		(15,938,582)
Payment of loans payable			**(55,000,000)**		(81,360,000)
Payment of dividends			**(35,229,000)**		(99,046,143)
Subcription of non-controlling interest			**-**		13,158,223
Net cash generated from (used in) financing activities			**129,005,000.00**		(76,298,502)
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS			**-**		174,586
NET DECREASE IN CASH & CASH EQUIVALENTS			**(315,127,295)**		(251,783,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIC			**721,795,236**		990,742,203
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P**	**406,667,941**	P	738,958,392

See accompanying Notes to Consolidated Financial Statements.

1. General Information

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 14).

The registered office and principal place of business of the Parent Company is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as “the Group”):

		Effective % of Ownership	
Subsidiary	Place of Incorporation	**2017**	2016
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%
Savya Land Development Corporation (SLDC)	Philippines	**100%**	–
Cebu Lavana Land Corp. (CLLC)	Philippines	**60%**	60%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company and MPI which is also engaged in leasing of properties.

In 2017, the Parent Company subscribed to 100% shares of SLDC. SLDC was registered with the SEC on February 10, 2017 to engage primarily in real estate development.

In 2016, the stockholders and the Board of Directors (BOD) of CLLC approved the subscription of a new investor for 214,351 common shares at ₱100 par value a share and 118,982 preferred shares at ₱100 par value a share out of the unissued authorized capital stock of CLLC. The additional subscription resulted in the reduction of ALCO’s ownership from 100% to 60%.

Major Projects
The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification. It is expected to achieve multiple star rating from the Philippine Green Building Council's (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. Arya Residences was completed on December 31, 2016.

In 2014, the Group started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai, and is a building targeting dual certification. It has been pre-certified as LEED Gold and the Parent Company is targeting to secure a LEED Platinum certification for it. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and is expected to be completed in the second quarter of 2018.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey LEED and BERDE certified office building that will be developed in Barangay Lahug, Cebu City. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 110,000 square meters, Cebu Exchange boasts of being the largest green building in the country. Pre-selling began in September 2017 although construction will commence in the second quarter of 2018.

In 2017, Cazneau has started planning for and will soon announce its first foray into developing a sustainable, master planned and integrated community in an eight-hectare property in Biñan City, Laguna, adjacent to the De La Salle University Science and Technology campus. This project will be catering to start-ups, incubators, student, faculty population and starter families within the area.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the three months ended March 31, 2018 were approved and authorized for issue by the Board of Directors (BOD) on May 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The interim consolidated financial statements as of March 31,2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2017.

Measurement Bases
The interim consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 or the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 Significant Accounting Judgments, Estimates and Assumptions
- Note 5 Financial Assets at FVPL
- Note 8 Investment Properties

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Change in Accounting Policy and Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS:

Adopted effective January 1, 2017 –

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendment to PFRS 12, Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

Adopted effective January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement,* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contracts with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- PIC Q&A No. 2016-04, *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provide implementation guidance, in relation to the mandatory adoption of the new revenue accounting standard in 2018, specifically on accounting for revenue from the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a Contract to Sell with a buyer – whether the sale meet the criteria for revenue recognition over time.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements except for the adoption of PFRS 15. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which is not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements is summarized below. This is effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Group anticipates that the application of PFRS 16 might have a significant effect on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

<u>Basis of Consolidation</u>

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company 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 Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS investment depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at FVPL.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses on these assets are recognized under "Other income - net" account in profit or loss.

The Group classified its investment in money market fund under this category.

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, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow are classified under this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other Financial Liabilities at Amortized Cost. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.
The Group's loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and due to a related party are classified as other financial liabilities at amortized cost.

Derecognition of Financial Instruments
Financial Assets. A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments and probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed 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, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties were previously measured at cost, including transaction costs. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

Starting 2016, the Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. The fair value of investment properties is determined using market data approach and income approach by independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.
Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Transportation equipment	3 to 5

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

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 profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Other Assets
Other assets include value added tax (VAT), prepayments, deposits, investment in time deposit, amounts held in escrow and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

Materials and Supplies. The Group recorded as assets several construction materials and supplies from the completed construction of its projects.

Creditable Withholding Taxes

Creditable withholding taxes (CWT) represent the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its customers as reservation fee for real estate sales. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the revenue recognition criteria are met.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Group.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Subscription Receivable

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

Parent Company's Shares Held by Subsidiary

Shares of the Parent Company held by subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as principal in all of its revenue arrangements. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Any excess collections over the recognized receivables are included in the "Payable to Buyers" account under "Accounts payable and other liabilities" of the consolidated statements of financial position.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Rental Income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Project management fees. Revenue is recognized in profit or loss when the related services are rendered.

Other income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of real estate sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Cost of services. Cost of services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or there is a substantial change to the asset.

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

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

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

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Segment Reporting

The Group’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets.

Provisions and Contingencies

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

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

Events After the Reporting Period
Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the consolidated notes to financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may 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 estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Recognizing Revenue and Cost from Real Estate Sales. Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. The Company's revenue and cost from real estate sales were recognized based on percentage of completion, which is determined based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Change in estimates may affect the reported amounts of revenue and cost of real estate sales and receivable.

Classifying between Real Estate for Sale and Investment Properties. The Group determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, or held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of the Group.

Determining Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Determining Lease Commitments - Group as Lessee. The Group entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor 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. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2016 and 2015, the Parent Company has the ability to exercise control over these investees.

Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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:

Estimating Allowance for Impairment of Trade and Other Receivables. Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

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

Estimating Fair Value of Investment Properties. The Management determines the policies and procedures for the fair value measurement of investment properties. External real estate appraisers are engaged by management for valuation of investment properties. The involvement of external real estate appraisers is decided upon by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management reviews the external real estate appraisers' valuation techniques and inputs used for each investment property.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 8 to the consolidated financial statements.

Estimating Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

Assessing Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's 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 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2017 and 2016.

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 20 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 2018	December 2017	March 2017
Cash on hand	**50,000**	35,000	30,000
Cash in bank	**71,689,753**	70,690,170	62,458,224
Short-term placements	**334,928,188**	651,070,066	676,470,168
	406,667,941	721,795,236	738,958,392

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months or less and earn interest at the prevailing short-term deposit rates.

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₽388.3 million and ₽387.9million as at March 31, 2018 and December 31, 2017, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₽426.1 million and ₽10,429.5 million for the three months ended March 31, 2018 and 2017, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income (see Note 19). Realized gain on sale of financial assets at FVPL amounted to ₽1,868.9 million and ₽6,043.2 million for the three months ended March 31, 2018 and 2017, respectively (see Note 19).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

6. TRADE AND OTHER RECEIVABLES

This account consists of:

	March 2018	December 2017	March 2017
Advances for project development	**98,256,285**	100,270,487	176,777,232
Sale of real estate	**7,340,082**	6,835,201	84,097,726
Advances to employees	**7,035,987**	7,925,948	5,098,714
Other receivables	**48,873,553**	71,610,886	52,683,574
	161,505,907	186,642,522	318,657,246
Allowance for impairment losses	**(368,292)**	(368,292)	(368,292)
	161,137,615	186,274,230	318,288,954

The aging analysis of trade and other receivables are shown below:

	March 2018	December 2017	March 2017
Current	**160,769,323**	185,905,938	317,920,662
Past due			
Within 6 months	**-**	-	-
7 months to 1 year	**-**	-	-
More than 1 year	**368,292**	368,292	368,292
	161,137,615	186,274,230	318,288,954

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Advances to officers and employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Other receivables mainly include accrued project management fees.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of March 31, 2018 and December 31, 2017, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

7. REAL ESTATE FOR SALE

This account consists of:

	March 2018	December 2017	March 2017
Raw land	**1,334,546,051**	1,268,419,016	1,264,848,689
Assets under construction	**1,248,775,313**	1,275,413,889	985,659,150
Condominium units for sale	**52,372,248**	102,898,713	296,189,780
	2,635,693,612	2,646,731,618	2,546,697,619

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

Assets under Construction

Assets under construction consist of land and project development costs of ongoing real estate projects of the Group. As at December 31, 2017, this account includes the land and development costs of Cebu Exchange and project in Biñan, Laguna (see Note 1).

Condominium Units for Sale

Condominium units for sale pertain to unsold and completed units of Arya Residences.

As at March 31, 2018, December 31, 2017 and March 31, 2017, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory write-down as at March 31, 2018, December 31, 2017 and March 31, 2017.

8. INVESTMENT PROPERTIES

This account consists of:

	March 2018	December 2017	March 2017
ACPT	**4,792,886,033**	4,579,238,370	3,396,320,870
Arya Residences:			
Commercial units	**1,110,864,000**	1,110,864,000	855,110,000
Parking slots	**206,653,884**	206,653,883	129,919,062
Raw Land			
UPHI's property	**497,653,479**	464,476,979	398,122,800
Batangas and Tagaytay property	**120,566,200**	96,082,021	83,976,500
	6,728,623,596	6,457,315,253	4,863,449,232

ACPT

ACPT is an office building under construction which is intended for lease (see Note 1).

Arya Residences' Commercial Units and Parking Slots

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are intended for lease.

Raw Land

UPHI's raw land, with fair value amounting to ₱497.7 million and ₱464.5 million as at March 31, 2018 and December 31, 2018, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at March 31, 2018 and December 31, 2017, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay aggregating ₱120.6 and ₱96.1 million as at March 31, 2018 and December 31, 2017, respectively.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	Range 2018	2017
ACPT		Discount rate	**8.7%**	8.7%
	Land development approach	Proposed rental rates (per sq.m.)	**₱1,250**	₱1,250
		Calculated no. of net leasable area	**27,809 sq.m**	27,809 sq.m
		Vacancy rate	**5% - 75%**	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow approach (DCF)	Rental rate per square meter (sq.m.)	**₱2,360**	₱2,360
		Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**6.17%**	6.17%
		Vacancy rate	**2%**	2%
Parking slots	Discounted cash flow approach	Rental rate per slot	**₱5,500**	₱5,500
		Rent escalation rate p.a.	**5%**	5%
		Discount rate	**6.17%**	6.17%
		Vacancy rate	**2%**	2%

Raw Land	Market data approach	Price per sq. m. Value adjustments	**₱1,500** **5% - 65%**	₱1,400 5% - 65%

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

Land Development Approach

Under this approach, the investment property is treated as office and commercial units development and the gross rental income that may be expected from the proposed leasable units are then estimated in accordance with the prevailing prices of comparable office and commercial units development within the immediate vicinity. Overhead and operating expenses, and developer's profit are deducted from the gross rental income. The resulting residual income is then attributed to the "raw" land value.

Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Market Data Approach

Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

9. PROPERTY AND EQUIPMENT

The balances and movements of this account as of March 31, 2018, December 31, 2017 and March 31, 2017 consist of:

	Cost	Accumulated Depreciation	Net Carrying Amount
March 2018			
Office equipment	**44,161,218**	**(38,269,814)**	**5,891,404**
Furniture and fixture	**8,697,639**	**(7,692,733)**	**1,004,906**
Leasehold improvements	**70,215,195**	**(48,367,055)**	**21,848,140**

	Cost	Accumulated Depreciation	Net Carrying Amount
Transportation equipment	**39,357,009**	**(21,066,376)**	**18,290,633**
	162,431,061	**(115,395,978)**	**47,035,083**
December 2017			
Office equipment	43,503,108	(37,926,370)	5,576,738
Furniture and fixture	8,075,858	(7,647,608)	428,250
Leasehold improvements	62,934,702	(48,352,701)	14,582,001
Transportation equipment	42,352,941	(23,196,764)	19,156,177
	156,866,609	(117,123,443)	39,743,166
March 2017			
Office equipment	42,583,064	(37,218,810)	5,364,254
Furniture and fixture	7,587,794	(7,536,695)	51,099
Leasehold improvements	48,363,334	(48,242,122)	121,212
Transportation equipment	34,817,931	(17,747,375)	17,070,556
	133,352,123	(110,745,002)	22,607,121

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

10. OTHER ASSETS

This account consists of:

	March 2018	December 2017	March 2017
Input VAT	**326,659,635**	305,361,184	187,819,896
Deposits	**267,532,170**	66,444,390	67,450,853
Investment in time deposits	**71,322,000**	19,972,000	17,556,000
Prepayments	**69,881,605**	62,413,744	56,762,207
Amounts held in escrow	**20,096,757**	20,096,757	11,143,822
Deferred input VAT	**19,722,122**	16,864,439	2,144,632
Others	**1,586,772**	1,519,807	1,541,021
	776,801,061	492,672,321	344,418,431

Input VAT represents VAT paid on land acquisition and to supplier that can be claimed as credit against the company's future VAT liabilities.

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects.

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rate of 1.75% per annum. These time deposits are subject to holding period of six (6) months from the date of issuance. In cases of pre-termination, the investment will earn interest based on regular deposit rates.

Prepayments consist of prepaid rent, taxes, insurance and others expenses which are amortized over a year.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount of which is equivalent to a quarterly principal and interest amortization. The outstanding loan balance under OLSA amounted to P1,622.2 million and ₽1,497.8 million as at March 31, 2018 and December 31, 2017, respectively (see Note 10).

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarter principal and interest amortization.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

11. LOANS PAYABLE

This account consists of:

	March 31, 2018	December 2017	March 2017
Local creditor banks	**2,692,864,087**	2,527,767,436	1,513,565,020
Private funders	**1,756,019,499**	1,741,124,980	1,637,771,297
	4,448,883,586	4,268,892,416	3,151,336,317

Local creditor banks

Loans from local banks consist of interest-bearing secured loans and CTS financing obtained to finance project development and carries interest rates ranging from 3.50% to 5.81% per annum (p.a.) in 2018 and 3.00% to 5.81% p.a. in 2017.

The Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by six (6) promissory notes that are maturing on July 2025. In addition, OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements.
- Parent Company is required to maintain the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱1,622.2 million and ₱1,497.8 million as at March 31, 2018 and December 31, 2017, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio as at March 31 is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total liabilities	**2,036,901,057**	1,967,491,406	1,603,288,991
Total equity	**4,520,731,132**	4,535,384,733	5,047,242,507
	0.45:1.00	0.43:1.00	0.32:1.00

The Parent Company is compliant with the required debt to equity ratio as at March 31, 2018, December 31, 2017, and March 31, 2017.

Private funders
Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the reporting date and bear interest rate of 3.5% in 2018 and 2017.

In 2015, the Parent Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless), an entity under common control, with principal amount of ₱1,650.6 million to partially finance the construction of ACPT.

This loan is payable in cash or in kind at the option of Centrobless. In the event Centrobless elects to be paid in kind on maturity date, the Company shall pay the loan by dacion en pago with total space encompassing seven (7) floors of ACPT and 150 parking slots therein for ₱1,650.6 million.

Outstanding balance of this loan amounted to ₱1,605.8 million and ₱1,591.3 million as at March 31, 2018 and December 31, 2017, respectively.

In 2017, the Parent Company entered into a non-interest bearing loan agreement with Signature Office Property, Inc. (SOPI), an entity under common control, with principal amount of ₱207.1 million, to finance the remaining construction of ACPT. Drawdowns aggregating ₱62.0 million were made in 2017. The loan will mature on December 31, 2018.

Outstanding balance of this loan amounted to ₱60.5 million as at March 31, 2018.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	March 2018	December 2017	March 2017
Retention payable	**331,682,202**	329,929,213	308,876,406
Accounts payable	**264,662,145**	162,195,665	1,077,869,583
Payable to buyers	**121,196,086**	140,710,597	53,846,551
Accrued expenses	**86,412,328**	122,915,922	83,401,545
Dividends Payable	**37,330,695**	4,597,364	66,409,252
Deferred output VAT	**19,485,099**	15,466,182	-
Advance Rent	**12,941,273**	10,787,533	-
Withholding taxes payable	**4,934,713**	11,309,420	8,377,322
Others	**3,860,681**	41,929,921	4,375,058
	882,505,222	824,456,920	1,603,155,717

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to contractors and suppliers.

Payable to buyers include reservation fees and collections received from prospective buyers and lessees, which are to be applied against the receivable upon execution of sales documents and to be applied as security deposits upon execution of lease contracts, respectively.

Accrued expenses, which are expected to be settled within the next 12 months, are the accruals for unbilled project costs, interest, utilities, salaries and wages and other employee benefits.

Deferred output VAT pertains to VAT from sales of property on the installment plan. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

Advance rent pertain to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF.

13. RELATED PARTY TRANSACTIONS

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

Advance to and from Subsidiaries
The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

Advances to Officers and Employees
The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

Advances for Project Development
In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects.

Loans Payable
Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans will mature on December 31, 2018 (see Note 12).

Management Fee
Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Key Management Personnel
The compensation of key management personnel are as follows:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Salaries and other employee benefits	**14,391,759**	72,981,021	33,479,312
Retirement benefits expense	**-**	4,782,219	-
	14,391,759	77,763,240	33,479,312

14. EQUITY

The account consists of:

	Shares		
	March 2018	December 2017	March 2017
Authorized:			
Common shares	16,368,095,199	16,368,095,199	16,368,095,199
Preferred shares	50,000,000	50,000,000	50,000,000
Issued:			
Common shares - ₱0.18 par value	5,318,095,199	5,318,095,199	5,318,095,199
Preferred shares - ₱1.00 par value	32,500,000	32,500,000	32,500,000

	Amount		
	March 2018	December 2017	March 2017
Issued:			
Common shares - ₱0.18 par value	957,257,136	957,257,136	957,257,136
Preferred shares - ₱1.00 par value	32,500,000	32,500,000	32,500,000
	989,757,136	989,757,136	957,257,136

Dividend Declaration

The Parent's Company's BOD and stockholders approved the following cash dividends to ALCO's stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Preferred Shares				
January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76145
August 9, 2017	August 23, 2017	September 6, 2017	₱35,229,000	₱1.76145
May 10, 2017	May 25, 2017	June 6, 2017	₱35,229,000	₱1.76145
February 8, 2017	February 24, 2017	March 6, 2017	₱35,229,000	₱1.76145
Common Shares				
February 28, 2017	March 14, 2017	April 7, 2017	₱63,817,142	₱0.012

15. REVENUES

The account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Real estate sales	**85,139,118**	433,964,838	261,204,172
Rental income	**18,015,484**	14,858,157	2,446,752
CUSA Fees	**2,005,128**	8,139,533	-
Project Management fees	**1,671,621**	6,576,066	1,632,321
	106,831,351	463,538,594	265,283,245

Real estate sales pertain to revenues earned from the sale of condominium units in Arya Residences.

Rent income pertains to the revenues earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences which are recognized on a straight line basis under PAS 17, Lease.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC). The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

16. COST OF SALES AND SERVICES

The account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Cost of real estate sales	**60,569,103**	320,515,983	162,401,918
Cost of services	**1,616,502**	7,993,691	1,409,784
	62,185,605	328,509,674	163,811,702

17. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Personnel costs	**26,310,345**	133,377,623	32,404,590
Advertising	**7,881,891**	36,792,147	9,928,244
Taxes and licenses	**6,944,139**	33,321,044	13,178,130
Commissions	**5,931,552**	11,701,489	7,114,369
Communication and office expenses	**5,684,875**	21,378,435	3,589,638
Management and professional fees	**4,189,810**	33,152,440	6,024,983
Rent	**3,826,848**	13,908,352	3,153,832
Depreciation and amortization	**2,468,274**	9,330,955	2,129,632
Insurance	**1,565,535**	9,908,865	2,538,611
Transportation and travel	**1,222,920**	7,856,509	1,646,958
Utilities	**1,117,110**	1,416,796	291,224
Repairs and maintenance	**657,866**	2,360,720	501,116
Representation	**100,231**	1,435,959	232,011
Others	**543,469**	10,617,615	410,498
	68,444,865	326,558,949	83,143,836

18. FINANCE COSTS

Finance costs relate to the following:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Nine Months)
Interest expense	**22,201,035**	77,918,542	21,417,147
Bank charges	**101,845**	2,744,698	1,827,436
	22,302,880	80,663,240	23,244,583

19. OTHER INCOME – NET

This account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Interest income	**1,919,047**	14,245,251	3,830,302
Realized gain on disposals of financial assets at FVPL	**1,868,935**	37,576,414	6,043,169
Unrealized holding gains on financial assets at FVPL	**426,090**	1,874,352	10,429,542
Forfeited collections	**-**	10,657,784	-
Foreign exchange gains (losses)	**-**	83,998	174,586
"Day 1" gain on loan discounting	**-**	2,907,783	-
Gain (loss) on disposal of Investment property	**-**	(475,131)	-
Others	**1,085,623**	572,867	(6,212,028)
	5,299,695	67,443,318	14,265,571

20. RETIREMENT LIABILITY

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the interim consolidated statements of comprehensive income (based on the report of an independent actuary dated January 31, 2018):

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Balance at beginning of period	**50,668,546**	47,244,365	47,244,365
Current service cost	**-**	7,205,814	-
Interest cost	**-**	2,541,747	-
Remeasurement gains on:			
Experience adjustments	**-**	(4,963,330)	-
Change in financial assumptions	**-**	(1,360,050)	-
Balance at end of period	**50,668,546**	50,668,546	47,244,365

Movements in the present value of retirement liability are as follows:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Balance at beginning of period	**50,668,546**	47,244,365	47,244,365
Retirement expense	**-**	9,747,561	-
Remeasurement gain	-	(6,323,380)	-
Balance at end of period	**50,668,546**	50,668,546	47,244,365

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.
The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

Credit Risk
Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of March 31, 2018 and December 31, 2017, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of March 31, 2018, December 31, 2017 and March 31, 2017.
None of Group's financial assets are secured by collateral or other credit enhancements.

a. Cash in Bank

The credit risk for cash in bank is considered negligible, since the counterparties are reputable universal banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

b. Receivables

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

The Group has no past due or impaired accounts as of March 31, 2018, December 31, 2017 and March 31, 2017.

Liquidity Risk
Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

22. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	March 2018	December 2017	March 2017
Total liabilities	**6,458,965,405**	6,183,192,941	5,693,560,328
Total equity	**5,026,147,853**	5,063,618,825	5,047,242,507
Debt-to-equity ratio	**1.29:1**	1.22:1	1.13:1

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

23. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share are computed as follows:

	March 2018	December 2017	March 2017
Net income attributable to equity holders of the Parent Company	**10,334,641**	191,850,580	26,958,046
Less share of Series "B" Preferred Shares	**(35,229,000)**	(140,916,000)	(35,229,000)
	(24,894,359)	50,934,580	(25,665,672)
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
	(0.0047)	0.0096	(0.0048)

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

24. FINANCIAL RATIOS

	MARCH 31 2018	DECEMBER 31 2017	MARCH 31 2017
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	1.55:1	2.50:1
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.024:1	0.001:1
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.22:1	1.13:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.52:1	0.32:1
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.22:1	2.13:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	3.87:1	1.76:1
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.03:1	0.001:1

** December 2017 ratio is based on full year income while March 2018 and March 2017 ratios are based on three-month income.*

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL POSITION
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Cash and cash equivalents	**P 406,667,941**	P 738,958,392	-45%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	1,629,504,821	-76%
Trade and other receivables	**161,137,615**	318,288,954	-49%
Real estate for sale	**2,635,693,612**	2,546,697,619	3%
Investment properties	**6,728,623,596**	4,863,449,232	38%
Property and equipment	**47,035,083**	22,607,121	108%
Net deferred tax assets	**82,522,989**	27,227,590	203%
Creditable withholding tax	**258,325,639**	249,650,675	3%
Other assets	**776,801,061**	344,418,431	126%
Total Assets	**11,485,113,257**	10,740,802,835	7%
Loans payable	**4,448,883,586**	3,151,336,317	41%
Accounts payable and other liabilities	**882,505,222**	1,603,155,717	-45%
Due to a related party	**286,666,691**	233,851,254	23%
Retirement liability	**50,668,546**	47,244,365	7%
Net deferred tax liabilities	**790,241,350**	657,972,675	20%
Total Liabilities	**6,458,965,395**	5,693,560,328	13%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,022,778,313	2%
Cumulative remeasurement gains on retirement liability - net of tax	**7,448,391**	3,022,025	146%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
	5,076,651,210	5,034,499,015	1%
Non-controlling interests	**(50,503,348)**	12,743,492	-496%
Total Equity	**5,026,147,862**	5,047,242,507	0%
Total Liabilities and Equity	**P 11,485,113,257**	P10,740,802,835	7%

The Company's total resources as of March 31, 2018 increased by 7% to ₱11.5 billion from March 31, 2017 level of ₱10.7 billion due to the following:

45% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

76% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)
The reduction was due to partial termination of money market placements which were subsequently used to fund the on-going projects of the Company.

49% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

38% Increase in Investment Properties
The increase was mainly due to additional construction costs of ACPT and valuation gain for the quarter.

108% Increase in Property and Equipment
The increase was largely due to the capitalization of construction costs for sales gallery in Cebu.

203% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from losses at CLLC.

126% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional input vat from construction costs.

41% Increase in Loans Payable
The increase was largely due to additional loan drawdowns, availed to partly fund the Company's working capital and project financing requirements.

45% Decrease in Accounts Payable and Other Liabilities
The decrease was attributable to the payment made on the land purchased for the Cebu project, as well as payments of other trade suppliers and project contractors.

15% Increase in Due to a Related Party
This pertains to additional advances made by stockholders for the Cebu project.

7% Increase in Retirement Liability
The increase was due to additional provisions as of yearend 2017 and current period to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

20% Increase in Net Deferred Tax Liabilities
The increase was due to the deferred tax liabilities attributable to the gain on change in fair value of investment properties as mentioned previously.

146% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax
The increase was due to the cumulative re-measurement gains on ALCO's retirement liability for 2017 in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

496% Decrease in Non-Controlling Interests
The significant decrease was brought about by CLLC's net loss for the period.

FINANCIAL RATIOS
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	2.50:1	-38%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.001:1	-97%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.13:1	14%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.32:1	72%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.13:1	8%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	1.76:1	0%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.001:1	106%

FINANCIAL POSITION
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Cash and cash equivalents	**P 406,667,941**	P 721,795,236	-44%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	387,879,631	0%
Trade and other receivables	**161,137,615**	186,274,230	-13%
Real estate for sale	**2,635,693,612**	2,646,731,618	0%
Investment properties	**6,728,623,596**	6,457,315,253	4%
Property and equipment	**47,035,083**	39,743,166	18%
Net deferred tax assets	**82,522,989**	61,212,233	35%
Creditable withholding tax	**258,325,639**	253,188,078	2%
Other Assets	**776,801,061**	492,672,321	58%
Total Assets	**11,485,113,257**	11,246,811,766	2%
Liabilities			
Loans payable	**4,448,883,586**	4,268,892,416	4%
Accounts payable and other liabilities	**882,505,222**	824,456,920	7%
Due to related party	**286,666,691**	286,666,691	0%

	MARCH 31 2018	DECEMBER 31 2017	% Change
Retirement liability	**50,668,546**	50,668,546	0%
Net deferred tax liabilities	**790,241,350**	752,508,368	5%
Total Liabilities	**6,458,965,395**	6,183,192,941	4%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,085,398,501	-1%
Cumulative remeasurement gains on retirement liability - net of tax	**7,448,391**	7,448,391	0%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
Non-controlling interests	**(50,503,348)**	(37,926,744)	-33%
Total Equity	**5,026,147,862**	5,063,618,825	-1%
Total Liabilities and Equity	**P 11,485,113,257**	P 11,246,811,766	2%

The Company's total resources increased by 2% from ₱11.2 billion in December 31,2017 to ₱11.5 billion as of March 31, 2018, due to the following:

44% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

13% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

18% Increase in Property and Equipment
The increase was due to the additional construction costs of sales gallery in Cebu.

35% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from current period's losses at CLLC.

58% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional placements in time deposits.

7% Increase in Accounts Payable and Other Liabilities
The increase was due to additional payables to trade contractors and suppliers for project related and other operational costs.

33% Decrease in Non-Controlling Interests
Decrease in non-controlling interest was largely accounted for by losses incurred in CLLC.

FINANCIAL RATIOS
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	1.55:1	-1%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.024:1	-100%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.22:1	6%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.52:1	6%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.22:1	3%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	3.87:1	-55%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.03:1	-93%

RESULTS OF OPERATIONS
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Revenues	**P 106,831,351**	P 265,283,245	-60%
Cost of sales and services	**(62,185,605)**	(163,811,702)	-62%
Gross Profit	**44,645,746**	101,471,543	-56%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	66,101,224	-17%
Selling and marketing expenses	**13,813,443**	17,042,613	-19%
	68,444,865	83,143,837	-18%
OPERATING PROFIT (LOSS)	**(23,799,119)**	18,327,705	-230%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	23,224,583	-4%
Gain on change in FV of investment properties	**(57,660,679)**	-	100%

	MARCH 31 2018	MARCH 31 2017	% Change
Other income – net	**(5,299,695)**	(14,265,570)	-63%
	(40,657,494)	8,979,013	-553%
PROFIT BEFORE TAX	**16,858,375**	9,348,693	80%
TAX EXPENSE (BENEFIT)	**19,100,338**	2,980,455	541%
NET PROFIT (LOSS)	**P (2,241,963)**	P 6,368,238	-135%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	9,563,328	8%
Non-controlling interest	**(12,576,604)**	(3,195,090)	294%
	P (2,241,963)	P 6,368,238	-135%

The company reported a ₱2.2 million net loss in the first three months of 2018 as against ₱6.4 million income recognized over the same period in 2017.

60% Decrease in Revenues
The decrease in revenues was due to fewer available units for sale.

62% Decrease in Cost of Sales and Services
The decrease in cost of sales was directly related to Revenues.

17% Decrease in Administrative Expenses
The decrease was due to lower personnel related costs, taxes and licenses and other fees paid.

19% Decrease in Selling and Marketing Expenses
The decrease was due to less marketing efforts and lower commission paid due to less Arya units sold.

100% Increase in Gain on Change in FV of Investment Properties
The increase is due to appraisal gain on investment properties recognized for the period.

63% Decrease in Other Income - Net
The decrease was due to the lower level of placements in Q1 2018 as compared to prior period.

541% Increase in Tax Expense
The increase was mainly due to the tax effect of gain on change in fair value of investment properties.

RESULTS OF OPERATIONS
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Revenues	**P 106,831,351**	P 463,538,594	-77%
Cost of sales and services	**(62,185,605)**	328,509,674	-81%
Gross Profit	**44,645,746**	135,028,920	-67%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	278,065,313	-80%
Selling and marketing expenses	**13,813,443**	48,493,636	-72%

	MARCH 31 2018	DECEMBER 31 2017	% Change
	68,444,865	326,558,949	-79%
OPERATING LOSS	**(23,799,119)**	(191,530,029)	-88%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	80,663,240	-72%
Gain on change in FV of investment properties	**(57,660,679)**	(428,390,699)	-87%
Other income – net	**(5,299,695)**	(67,443,318)	-92%
	(40,657,494)	(415,170,777)	-90%
PROFIT BEFORE TAX	**16,858,375**	223,640,748	-92%
TAX EXPENSE	**19,100,338**	85,240,763	-78%
NET PROFIT	**P (2,241,963)**	P 138,399,985	-102%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	P 191,850,580	-95%
Non-controlling interest	**(12,576,604)**	(53,450,595)	-76%
	P (2,241,963)	P 138,399,985	-102%

The Company posted a consolidated net loss of ₱2.2 million in the first quarter of 2018 as compared with the 2017 full year net income of ₱138.4 million.