SEC Registration Number

PW-00000834

Company Name

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town) Province)

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC Form 17-A	**CRMD**	**Not Applicable**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.roxascompany.com.ph	**(02) 810-8901 to 06**	**–**

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
3,340	**Last Wednesday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Monica Isabelle I. Villanueva	**miv@roxascompany.com.ph**	**(632) 751-9537**	**–**

Contact Person's Address

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

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

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

As of and for the year ended: **31 December 2018**

2. SEC Identification Number: **PW- 00000834**

3. BIR Tax Identification No. : **000-269-435-000**

4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of
   Incorporation or Organization

6. (SEC Use Only)
   Industry Classification Code

7. **7th FloorCacho-Gonzales Building, 101 Aguirre Street**
   Legaspi Village, Makati City 1229
   Address of Principal Office

8. **(632) 810-89-01 to 06**
   Registrant's telephone number, including area code

9. CADP GROUP CORPORATION
   6th FloorCacho-Gonzales Building, 101 Aguirre Street
   Legaspi Village, Makati City 1229
   Former name and former address.

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

Title of Each Class and Amount of Debt Outstanding	Number of Shares of Stock Outstanding
Authorized Capital Stock	
Common	**₱3,375,000,000**
Preferred	**1,000,000,000**
No. of shares subscribed & outstanding:	
Common	**2,911,885,870**
Preferred	**500,000,000**
Amount of loans outstanding as of 31December 2018	**₱4,037,901,821**

Of the 2,911,885,870 subscribed and outstanding common shares, 907,798,463 common shares and 500,000,000 preferred shares were exempt securities under Section 10.1 of the SRC.

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

Yes [√] No [ ]

2,911,885,870 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Assuming that the number of stockholdings of non-affiliates as of 31 December 2018is 2,004,087,407 common shares and assuming further that the market bid price of the shares as of same date is ₽2.198 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₽5 Billion.

14. Documents incorporated by reference. (Briefly describe them and identify the part where they are incorporated).

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries as at and for the year ended 31December 2018.

PART I – BUSINESS

1. Business Development

Roxas & Company, Inc.(RCI) is the holding company for a group of companies with interests in (i) the real estate and hotel development and management business thru its wholly-owned subsidiary, Roxaco Land Corporation (RLC), (ii) sugar milling and ethanol manufacturing businesses of Roxas Holdings, Inc. (RHI) , (iii) coconut processing and exports thru its subsidiary, Roxas Sigma Agriventures, Inc. (RSAI) and (iv) renewable energy development .

In November, 2013, RCI sold 31% of its equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company but still remained the single biggest shareholder with 36% equity interest in RHI until January, 2015.

In February, 2015, RCI's equity interest in RHI was diluted from 36% to 31 % as a result of the acquisition of RHI's 241.8 million treasury shares by First Agri Holdings Corporation, a subsidiary of First Pacific.

RCI's equity interest in RHI was further diluted from 31% to 23% as a result of its non-participation in the exercise of Stock Rights Option (SRO) in May 2016 and the conversion of RHI's debt securities into 125 million common shares in July 2017.

On December 3, 2013, RCI's subsidiary, Roxaco Land Corp (RLC) entered into a Shareholders Agreement with VH Select Investments (Phil) Pte. Ltd (VH Select) to form a joint venture company, Roxaco-Vanguard Hotel Corporation (RVHC) primarily to build and manage a minimum of five budget hotels under the "Go Hotels" brand through a franchise agreement with Robinsons Land. RLC increased its equity interest in RVHC in April, 2016 to 51% to obtain control over RVHC to become a subsidiary of RLC.

In October 2016, the first Go Hotel at the Manila Airport Road started commercial operations. Thereafter, North EDSA, Cubao, Ermita, and Timog sites opened for operations in February, April, June and October 2017, respectively.

In April 2018, VH Select Investments sold its shares in RVHC to Asia Hospitality Private Capital Ltd. Singapore to become RLC's new JV partner. Consequently, the corporate name was changed from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC) and was approved by the SEC on October 2018. In August 2018, RAHC appointed Anya Hospitality Group, the hotel management arm of RLC to manage the five Go Hotels.

After completing most of its real property development projects, RLC in 2016 started development of Montana Residences an 8.2 hectare housing project in 201 located in Palico, Nasugbu Batangas.

RLC established Anya Hotel and Resort Corporation (AHRC) in 2013 for the development of Anya Resort and Residences in Tagaytay. It completed the development of the prime residential subdivision (Phase 1) in September 2014 and the Hotel and Resort Suites (Phase 2) in July 2017 with 80 hotel suites and a hotel core that operates its high-end facilities which include premium restaurants, heated pools, a library, function rooms, venues and lounges. The management, sales and marketing of the Anya Hotel & Resort is under contract with Anya Hospitality Group (AHG).

RCI , through RLC, also has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Roxaco-ACM Development Corporation (RADC), SAMG Memorial Management and Services, Inc. (SMMSI)

In December 2018, with the approval of the SEC, RLC effected a corporate reorganization merging Anya Hotels and Resorts Corporation into RLC with RLC being the surviving corporation. Anya Hospitality Group, the hotel management subsidiary was subsequently merged with RLC after securing the SEC approval in February 2019. In December, 2018 as part of RLC's reorganization, RCI increased its equity in RLC by P60 Million via conversion of outstanding advances to common shares.

On May 14, 2015, RCI established Roxas Green Energy Corporation (RGEC), a wholly owned subsidiary to venture in solar power generation for selling to power distributors or end users. RGEC planned to develop a 50 megawatt (MW) solar power plant within the real properties owned by RCI in Nasugbu, Batangas. After completing the initial predevelopment requirements, permits and land preparations, RGEC deferred the full development of the project to take advantage of the continuing decline in capital equipment costs and to await improvements in power rates in the local market. RGEC has since requested for an extension for the completion of the development of the project from the Department of Energy (DOE) and the Board of Investment (BOI).

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) for the purpose of constructing a 300 tons-per-day coconut processing plant in Tupi, South Cotabato. The plant is an advance processing facility to further process dehusked raw coconuts to produce coconut cream/milk, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI invested ₱215.0 million in RSAI for 81.13% equity control to become a subsidiary of the Group. On September 25, 2017, RCI made additional capital contribution of ₱21.5 million and maintained equity ownership at 81.13%. Plant testing and commissioning started on the 3rd quarter of 2017. Commercial operations began in January 2018.

In December, 2018 RCI made an additional P200 Million capital contribution in RSAI thereby increasing its equity ownership to 88.81%.

In December, 2018 the SEC approved RCI's application to increase its authorized capital from 3.375 Billion to 4.375 Billion shares through an additional 1 Billion preferred shares with a par value of P1 per share. By the end of December, 2018, RCI raised P500 Million in equity through the issuance of 500 million preferred shares with a par value of P1.00 per share with optional redemption after 2 years and extendable by another 2 years. The proceeds from the equity raised were used to prepay bank debts and to fund the group's working capital requirements

Distribution Methods of the Products or Services

RLC offers its various properties to potential buyers through its authorized sales agents and brokers.

RAHC through its hotel management, Anya Hospitality Group uses online digital channels, corporate and government direct selling, enrollment in online and local travel agencies and marketing direct to walk-in customers to generate hotel bookings.

RSAI, as a bulk producer, markets its products by initially positioning itself as major ingredient supplier to branded manufacturers, international brokers for its products and food service companies. It will eventually develop its own brand and enter into toll manufacturing when volumes have been developed and expanded for retail sale.

Competition

For RLC
Most of RLC's projects are located in the Municipality of Nasugbu, Batangas using its land bank to develop commercial and residential projects for the local area market. Its recent development of Anya Resort and Residences project in Tagaytay is its entry in to the high end residential and luxury hotel market outside Batangas.

The local property competitors in the area are Ayala Land, Robinsons Land and SM Investments.

For RAHC
All five GO Hotels are classified in the hotel and tourism industry as Economy or Budget Hotels. Major competitors considered in this category are the likes of Red Planet and Hop Inn International

chains, local established chains such as Eurotel and other location – centric hotels with similar price points.

<u>For RSAI</u>
RSAI was established in 2015 to process 300 Metric Tons per day of raw coconuts to produce three major products for export: Coconut Water Concentrate; Virgin Coconut Oil and Coconut Milk / Cream.

Major competitors within the region include Franklin Baker Inc., Peter Paul Philippines, Inc., and Century Pacific Agri Ventures., Primex Foods, Inc., Celebes Foods, Inc., Fresh Fruits Ingredients, Inc. (Fiesta Foods).

Sources and Availability of Raw Materials and Names of Principal Suppliers

RLC secured the services of Allied Metals Inc., Ena Power Builders Inc., MJ Catalonia Trading and Construction, Light Plan Inc., Total Innovative Security Solutions, RVP Architects and Emesae Design Corporation for its major real estate developments.

AHRC's suppliers includes Cornerstone International Philippines, Charles Seafoods Supply, Santis Delicatessen, Classic Fine Foods Philippines, Inc. and ESV International Corporation.

For its hotel operations, RAHC secured the services of Kalinisan Steam Laundry Inc., Kublai Khan Security Services Inc. and Fieldmen Janitorial Services Corporation.

RSAI's main raw materials of dehusked coconuts, are sourced through existing buying stations or consolidators within the area of South Cotabato, Saranggani to North Cotabato and Lanao del Sur.

Patents, Trademarks and Copyrights

The Company's real property arm, RLC, has applied for the registration of the trademark for its project "Anya Resort and Residences". The trademark/Logo is registered with the Intellectual Property Office of the Philippines.

For RAHC, the use of "Go Hotels" Trademark/Logo is covered by the terms and conditions of the Franchise Agreement with Robinsons Land Corporation.

Need for Government Approvals of Principal Products or Services

As part of the normal course of business, RLC secures all the necessary permits such as but not limited to development permits from the local government, Certificate of Registration and License to Sell from the Housing and Land Use Regulatory Board, and the Environmental Compliance Certificate from the Department of Environment and Natural Resources.

RSAI secured approval from Food and Drug Administration in order to operate and sell products legally. It has likewise secured various international certifications as required by foreign buyers such as USFDA, Halal, HACCP, Kosher, Organic, GMP, Food Safety System Certification (FSSC) and BRC Certification.

RGEC secured a service contract with Department of Energy to have the exclusive right to explore, develop or utilize a particular renewable energy (i.e. solar energy) contract area in Nasugbu, Batangas. It has likewise secured BOI registration to qualify for tax incentives for the project.

Effect of Existing or Probable Governmental Regulations

For RLC
The real estate business is subject to a number of laws including the Civil Code of the Philippines, Presidential Decree Nos. 957 and 1216, the Maceda Law, and certain provisions of the Local Government Code. The industry is primarily regulated by the policies and rules and regulations issued by the Housing and Land Use Regulatory Board.

Value Added Tax System

The present value-added tax (VAT) system imposes a 12% VAT on Sale of Real Properties. Section 4.106-3 of Revenue Regulations No. 16-2005 – Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds ₱1,919,500, for residential lots and ₱3,199,200 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling. The tax consequence does not adversely affect the company's business because the tax is passed onto the buyer or consumer.

For RGEC
RGEC, being in the Renewable Energy (RE) industry, is covered by the *Renewable Energy act of 2008* (Republic Act No.9513) which provides substantial incentives and privileges such as VAT zero-rated sales and income tax holiday for a period of 7 years from the start of commercial operations.

For RSAI
RSAI, being a BOI registered company, is entitled to import duty exemption of its capital equipment and income tax holiday for six (6) years from the start of commercial operations or January 2017, whichever is earlier. RSAI is also entitled to zero-rated VAT on export sales.

Costs and Effects of Compliance with Environmental Laws

RLC secures the required Environmental Compliance Certificates for all of its real property developments. For the Anya Resort and Residences project in Tagaytay, RLC has invested in the transfer and relocation of existing landscaping and therefore ensure that the generally lush environment is maintained.

In addition, designs of the houses as well as the amenities for Anya have incorporated sustainable architectural design features that maximize natural lighting and ventilation and reduce energy costs.

RGEC, RAHC and RSAI also secured the required Environmental Compliance Certificates before commencement of commercial operations.

Total Number of Employees and Number of Full-Time Employees
As of 31 December 2018 the Company has three 3) executives and fourteen (14) employees.

RLC, on the other hand, has three (3) executives and fifty seven (57) employees which include the real estate and Anya Hospitality Groups. Anya Resort Hotel Tagaytay has 1 executive and 69 employees

RAHC has eighty four (84) employees while RSAI has two (2) executives and one hundred sixty-one (161) employees.

RGEC has no full time employees yet as it is still at the pre-operating stage.

Property

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,514 hectares, and with total appraised values of P5,280 Million as of December 2018 ₽4,570.8million as of December 31, 2017. Of these, 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

In April 2010, RCI filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare fourteen (14) specific geographical areas within the RCI landholdings as tourism zones. To date, this application has remained unacted upon.

In total, RCI has around 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

There are pending legal cases as of December 31, 2018. None of these contingencies are discussed in detail so as not to seriously prejudice the Company's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₽790,308 while fair market value is at ₽74.60 million as of December 31,2018. This property and 7,777 sqm of land properties in Nasugbu, Batangas with total appraised values of ₽6.8 million as at December 31, 2017were used as collateral for the long-term borrowings of its subsidiary, RLC.

Real Estate

As of December 31, 2018, RLC's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, amounted to₽536.1million. Of these, properties with total area of 677,522 sqm and carrying value of ₽178.8 million were used as collateral to secure certain loan obligations of the Company.

RAHC

RAHC owns a total of 4,933 sqm land located in Metro Manila particularly in Parañaque, North EDSA, Malate, Cubao and Timog, Quezon City. The first five Go Hotels are situated on these sites and have a total appraised values ₽2,222.5 million as at December 31, 2018. These properties were used as collateral for the long-term borrowings of the Company.

RSAI

RSAI is the owner of the 21,945 sqm land located in Purok 10, Poblacion, Tupi, South Cotabato wherein the Coconut Processing Plant is situated and used as collateral for the long-term borrowings of the Company.

Legal Proceedings

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the CARP.

Sometime in 1993, the Company filed a case questioning the Department of Agrarian Reform's (DAR) acquisition of its landholdings and asking for the cancellation of the Certificates of Land Ownership Awards (CLOAs) issued by the DAR in favor of the farmer-beneficiaries. On 17 December 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over haciendas Palico, Banilad and Caylaway/Carmen. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the DAR an application for CARP exemption of its three Haciendas in Nasugbu based on Presidential Proclamation No. 1520 which declared the entire municipality of Nasugbu as a tourist zone. RCI likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands[1]. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

On February 08, 2011, the Supreme Court denied the Company's Second Motion for Reconsideration and affirmed with finality its December 2009 Decision.

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption,"RCI filed in April 2010 with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones ("TEZs"). This application was based on the Tourism Act of 2009.

To date, the said application has not been acted upon, primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, in July 2011, the IRR was published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011[2] affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three[3] other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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[1]The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm.

[2]Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

[3] These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI's application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition. This case is now final and executory but the DAMBA filed a Petition for Relief from Judgment which is still pending resolution of the Office of the Secretary of DAR; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI.

On June 27, 2014, RCI filed a Petition for Certiorari with the Court of Appeals (CA). On 25 October 2017, the Court of Appeals rendered a Decision on the Petition for Certiorari filed by RCI. In its Decision, the Court of Appeals partially granted RCI's Petition. In particular, the CA nullified and set aside the Order and Resolution dated 16 October 2013 and 15 April 2014, respectively, of the Department of Agrarian Reform. It also nullified the Notice of Coverage published by the DAR on 22 October 2012. The CA further remanded the case back to the DAR for purposes of issuing a new Notice of Coverage after determining specific portions of the haciendas that should be covered by the Agrarian Reform Law. However, the CA did not order the cancellation of the existing CLOAs over the properties of RCI that were issued pursuant to the nullified Notice of Coverage. Thus, RCI filed a partial Motion for Reconsideration of the Decision of the CA on 22 November 2017. In its MR, RCI prayed that: (i) the CA cancel all the CLOAs covering the properties covered by the 1999 Roxas case; (ii) To order the DAR to act on the pending applications for exemption/exclusion/conversion; and (iii) For Respondents to cease and desist from committing any act that involves the coverage of the subject properties pending the final resolution of the applications of RCI with the DAR.

On 05 June 2017, the DAR dismissed the application of RCI for exemption/exclusion of a total of 685 h.a. from CARP coverage. The DAR dismissed the application on purely technical grounds. Thus, RCI filed a Motion for Reconsideration on 14 August 2017. This MR has not been resolved by the DAR to date.

On 29 November 2017, the DAR denied RCI's Motion for Reconsideration of the denial of an application for exemption over a total of 285 h.a. for being agricultural in nature. The DAR found that there was no reversible error that would justify a reconsideration of the denial of exemption. Consequently, RCI filed an Appeal with the Office of the President on 22 January 2018. The Appeal is still currently pending before the Office of the President.

The Company shall account for any legal and financial liabilities arising from the land properties subject to CARP upon the resolution of ownership by the Court.

There are pending legal cases as of December 31, 2018. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

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cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers' Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

Real Estate

In the ordinary course of its business, RLC is engaged in litigation either as complainant or defendant. RLC believes that these cases do not have any material adverse effect on it.

Submission of Matters to a Vote of Security Holders

On 10 September 2018, the Company submitted the following items to its shareholders for approval:

1. Amendment of the Articles of Incorporation to Increase the Authorized Capital Stock and Create Preferred Shares;
2. Authority to act as co-maker/co-obligor/surety of Roxaco Land Corporation for a PhP250M term loan and to pledge its treasury shares as security.

The stockholders present in person or by proxy, representing 78.46% of the total outstanding capital stock, unanimously approved the above-mentioned acts.

PART II – SECURITIES OF THE REGISTRANT

Market Price of and Dividends on Common Equity and Related Stockholder Matters

1. Market Information.

The Company has 2,911,885,870 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

(a) High and low share prices for the year ended December 31, 2018.

	High	**Low**
January 2016-March 2016	2.88	1.88
April 2016-June 2016	3.60	2.23
July 2016-September 2016	2.53	2.22
October 2016-December 2016	2.34	2.20
January 2017-March 2017	2.37	2.00
April 2017-June 2017	2.40	1.85
July 2017-September 2017	2.34	1.92
October 2017-December 2017	3.30	1.92
	High	**Low**
January 2018 – March 2018	2.88	1.88
April 2018 – June 2018	2.85	1.82
July 2018 – September 2018	2.95	2.02
October 2018 – December 2018	2.65	1.77

(b) Holders. There are 3,340 holders of the Company's listed shares as of 31 December 2018. The top twenty (20) holders of the Company's common shares as of said date are:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Philippine National	692,779,593	34.57%
2	Pesan Holdings, Inc.	Philippine National	326,921,001[4]	16.31%
3	PCD Nominee Corporation (Non-Filipino)	Other Alien	258,334,844	12.89%
4	PCD Nominee Corporation	Philippine National	232,556,432	11.60%
5	Cisco Holdings, Inc.	Philippine National	112,500,000	5.61%
6	CRE Holdings, Inc.	Philippine National	112,500,000	5.61%
7	IÑIGO Holdings, Inc.	Philippine National	112,500,000	5.61%
8	SRE Holdings, Inc.	Philippine National	112,500,000	5.61%
9	Pesan Holdings, Inc.	Filipino	13,606,519	.68%
10	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.15%
11	Antonio Roxas Chua	Filipino	2,379,610	0.12%
12	Mari Carmen R. Elizalde	Filipino	1,361,241	0.07%
13	Santiago R. Elizalde	Filipino	1,210,930	0.06%
14	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
15	Francisco R. Elizalde	Filipino	1,200,320	0.06%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
17	Pedro E. Roxas	Filipino	937,892	0.05%
18	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
19	Severo A. Tuazon & Company, Inc.	Filipino	537,000	0.03%
20	Dolores Teus De M. Vara Rey	Filipino	488,020	0.02%
	SUBTOTAL		**1,988,674,093**	**99.23%**
	OTHER STOCKHOLDERS		15,413,314	.77%
	GRAND TOTAL		**2,004,087,407[5]**	**100.00%**

2. Dividends.

The ability of the Company to declare and pay dividends on its common shares is generally governed by the pertinent provisions of the Corporation Code of the Philippines, i.e. prohibition on capital impairment and the limitation on the discretion of the Board of Directors, among others. In the recent past, the Company declared and paid dividends as follows:

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	0.06	19 October 2006	10 November 2006

[4]This does not include the 191,291,547 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 17 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 341,465,412 RCI shares representing 17.26% of the subscribed capital stock

[5]The treasury shares amounting to 933,703,514 registered under PCD Nominee Corporation were excluded from the grand total.

21 June 2007	0.06	13 July 2007	31 July 2007
20 September 2007	0.04	15 October 2007	8 November 2007
26 June 2008	0.06	15 July 2008	31 July 2008
2 October 2008	0.06	15 October 2008	30 October 2008
13 December 2013	0.02	06 January 2014	30 January 2014
12 December 2014	0.02	15 January 2015	30 January 2015
18 December 2015	0.01	15 January 2016	05 February 2016

3. Recent Sales of Securities.

In December 2018, Amalgamated Investments Bancorporation subscribed to Five Hundred Million (500,000,000) preferred shares of stock of the Company for P500,000,000.00.

RCI reissued and sold to the stock market 25,905,051 treasury shares at an average price of P3.10 per share for P80.34 Million. The proceeds were used for the group's working capital and debt servicing.

4. Description of Registrant's Securities.

The authorized capital stock of the company is ₽4,375,000,000 divided into 3,375,000,000 common shares with ₽1.00 par value a share and 1,000,000,000 preferred shares with par value of PhP1.00 per share.

Preferred shares are non-voting, redeemable at the option of the Board of Directors, with preference over dividends and are re-issuable.

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII, CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

Calendar year 2018
Corporate Updates

In April 2018, RLC's JV partner, VH Select Investments, sold its shares in RVHC to Asia Hospitality Private Capital Ltd. Singapore. In view of the change of ownership, RAHC changed its corporate name from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC). The change in corporate name was approved by the SEC in October 2018. In August 2018, the joint venture company appointed Anya Hospitality Group, the hotel management arm of RLC to manage the five Go Hotels for the joint venture company.

On July 17, 2017, RLC's high-end Anya Hotel & Resorts in Tagaytay was opened with 80 suite rooms available. In December 2018, with the approval of the SEC, RLC effected a corporate re-organization merging Anya Hotels and Resorts Corporation into RLC with RLC being the surviving corporation. Anya Hospitality Group, the hotel management subsidiary was subsequently merged with RLC after securing the SEC approval in February 2019. In December, 2018 as part of RLC's reorganization, RCI increased its equity in RLC by P60 Million via conversion of outstanding advances to common shares.

In December, 2018 RCI made an additional P200 Million capital contribution in RSAI for 2,000,000 shares thereby increasing its equity ownership to 88.81%.

Roxas Green Energy Corporation (RGEC), a wholly owned subsidiary of RCI, incorporated to venture in solar power generation continues to defer the development of the project and has requested for an extension in the completion of the development of the project from the Department of Energy (DOE) and the Board of Investments (BOI).

In December, 2018, RCI raised P500 Million in equity through a subscription agreement with Amalgamated Investments Bancorporation for 500 million preferred shares with a par value of P1.00 per share. The shares are redeemable after 2 years with an option to extend by another 2 years. Dividend rate for the 1st year is at 8.5%. The proceeds from the equity raised were used to prepay bank debts and to fund the group's working capital requirements

<u>Results of Operation</u>

Consolidated revenue for the year amounted to ₱513.5 million from real estate sales of ₱106.8 million, hotel revenues from Go Hotels and Anya Resort of ₱358.3 million and RSAI's exports of ₱48.4 million.

Gross profit for the year amounted to ₱150.6 million or 29.32% of sales.

Operating expenses increased to ₱554.7 million due to impact of first full year operations of the new businesses (Anya Hotel & Resorts, RSAI and Go Hotels).

Equity in net loss of ₱7.5 million represents the 23% share in the net loss of RHI.

Financing cost for the year of ₱237.9 million was due to increase in bank debts to fund working capital of new projects and higher interest rates.

Other income of ₱792.1 million represent fair value gain from investment properties totaling ₱709.2 Million, while the balance came from sale of coconut by-products, realty interest and forfeited reservation deposits.

Consolidated net income for the year amounted ₱158.4 million.

Financial Position

Consolidated total assets amounting to ₱13,084.0 million as at December 31, 2018 is 6.63% or ₱813.2 million higher than ₱12,270.1 million as at December 31, 2017.

Comparative debt to equity (D/E) ratio as of December 2018 versus December 2017 decreased from 0.66:1 to 0.61:1 and continuous to be within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is at ₱3.82 as at December 31, 2018.

Trade and installment receivables decrease by ₱2.7 million from ₱357.1 million to ₱354.4 million due to higher collection of realty receivables.

Consolidated long and short term debts decreased by ₱176.5 million from ₱4.214B to ₱4.037B due to repayment from collections and proceeds from issuance of preferred shares.

Total equity amounting to ₱8,149.2 million as at December 31, 2018 increased by ₱794 Million from December 31, 2017, mainly due to the issuance of 500 million shares of preferred shares, with a par value of P1.00 and net income of the company for the year.

Other than the matters discussed above, there are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
- 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;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Top Five Performance Indicators

The Group's financial performance is determined to a large extent by the following key results:

1. *Gross profit.* This is recognized in full when the collection of the total contract price reached 10% on real estate sales. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer. In manufacturing and hotel industry, this is the margin on the revenue net of cost of sales.

2. *Export Sales and lots sold*. Export sales represent revenues generated by RSAI, its coconut processing facility while lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Group.

3. *Hotel occupancy and average daily room rate (ADR)*. Hotel occupancy represents the ration of rooms occupied over the available rooms. The ADR represent the average daily rental rate paid per room occupied. ADR along with the property's occupancy are the foundations for the property's financial performance.

4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.

5. *Return on Equity* - denotes the capability of the Group to generate returns for the shareholders.

The table below presents the top five performance indicators of the Group:

Performance Indicator	**December 2018 (One year)**	**December 2017 (One year)**	**December 2016 (Three Months)**
Gross profit	₱151.2 million	₱224.7 million	₱13.1 million
Number of lots sold / reserved	89 units residential/ 193 memorial	273 units residential/ 126 memorial	4 units residential/ 14 memorial
Export sale of coconut products	₱48.4 million	-	-
Hotel occupancy and average daily room rate	46% / ₱1,500	40% / ₱1,468	-
EBITDA	₱489.1 million	(₱19.1 million)	(₱96.9 million)
Return on equity	1.94%	(2.32%)	(1.31%)

Key Variable and Other Qualitative and Quantitative Factors

1. The Group is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
2. The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operations

To establish the property operation’s continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Continue the land development of Hacienda Palico , residential project in Nasugbu, Batangas in 2019.
- To develop and increase processed coconut export sales and maximize plant capacity.

PART III – MANAGEMENT AND SECURITY HOLDERS

1. Incumbent Directors and Officers of the Issuer

Pedro E. Roxas, Filipino, is the Chairman of the Board of Directors. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and held the position of President and Chief Executive Officer of the Company until 16 December 2016. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and he is a Trustee of Roxas Foundation, Inc. and the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

Fernando L. Gaspar, Filipino, is the President and Chief Executive Officer. He also holds the position of Head COB Aviation of ICTSI. He previously served as the Senior Vice President and Chief Administration Officer of International Container Terminal Systems, Inc. (ICTSI). Apart from this, Mr. Gaspar also served as: Managing Director of Alvarez & Marsal, Inc., Philippine Country Manager for the KUOK Group, President and CEO of KUOK Philippine Properties, Inc., President and CEO of KSA Realty Corporation, President of Shangri-la Hotels, President and COO of KPPI Land Corporation, President and COO of EDSA Properties Holdings, Inc., Vice-Chairman and Managing Director and President and COO of Shangri-la Plaza Corp., Executive Vice-President of KUOK Philippine Properties, Inc., Vice-President of Planning and Finance of San Miguel Holdings Limited Vice-President (China Business Development) of San Miguel Brewing International Limited, Managing Director of San Miguel Brewery Ltd, Chairman of the Board of Guangzhou San Miguel Brewery Ltd., Finance Controller and Company Secretary of San Miguel Brewery Ltd., Sr. Assistant

Vice President & Business Development Manager for the Packaging Products Division of San Miguel Corporation, Sr. Assistant Vice President & Manager of the Cash Management Department of San Miguel Corporation. He was educated at the De La Salle University, where he took his undergraduate course in Chemical Engineering. He also took post-graduate courses at the INSEAD Asian Studies Centre, Fontainebleu, France, the Stanford University Graduate School of Business and the Columbia University Graduate School of Business.[6]

Corazon S. de la Paz-Bernardo is Honorary President of the Swiss-based International Social Security Association (ISSA), where she served as President from 2004 to 2010. She served as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first womanpartner of Price Waterhouse International and was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) from 1981 to 2001. She was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of San Miguel Corp., PLDT, Ayala Land Ionics Inc. and Philex Mining and was Chairman of NAMFREL for the 2013 elections. She is a member of the boards of directors of Del Monte Philippines, Inc., Republic Glass Holdings, Inc., D&L Industries, Inc., Roxas & Co., Inc. Phinma Energy, Inc. and Phinma Petroleum & Geothermal, Inc.She is an advisor to the board and audit committee of BDO Unibank, Inc. and advisor to the board audit committee of PLDT. She is Vice-Chairan of Jaime V. Ongpin Foundation, Chairman of Jaime V. Ongpin Microfinance Foundation and Vice Chairman of Shareholders Association of the Philippines. She is also a life member of the Cornell University Council, a member of the boards of trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, The Philippine Business for Education, MFI Polytechnic Institute, the Philippine Center for Population and Development, and Laura Vicuna Foundation for Street Children, among others. She had served as National President of other Philippine Institute of CPA's the Management Association of the Philippines, the Financial Executives Institute of the Philippines, Cornell Club of the Philippines, The Outstanding Women in the Nation's Service (TOWNS), and the Philippine Fulbright Scholars Association. She had been a trustee of the Makati Business Club, the Philippine Business for the Environment, the Philippine Business for Social Progress and Children's Hour. She is an awardee of The Outstanding Filipino (TOFIL) in Public Accounting, The Outstanding Women in the Nation's Service (TOWNS), the Outstanding Professional in Public Accounting by the Professional Regulatory Commission. A Certified Public Accountant, she graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE CPA topnotcher scholar. She was awarded a Doctor of Humanities degree (Honoris Causa) by the University of the Cordilleras in 2017.

Carlos R. Elizalde is 51 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Corporation formerly Elro Commercial & Industrial Corp., a family owned Corporation engaged in Agribusiness, Elro Land Inc. an affiliate company owned corporation engaged in real estate business and Twenty Fours Hours Vendo Machine Corporation, also an affiliate company owned corporation engaged in vendo machine business, Vice President of Elro Trading Corp. and Executive Vice president of Bais Multifarms, Inc. He is one of the directors of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais Y Tanjay, BATAMA Marketing Cooperative and ELRO BPO

[6]Mr. Gaspar was elected by the Board of Directors of the Company as its new President and Chief Executive Officer on 16 December 2016.

Services, Inc. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

Francisco Jose R. Elizalde is 52 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the President and CEO of Elro Retail Corporation, Vice President/Managing Director of ELRO Corporation. He is Chairman of ASpace Corporation, a Director in SPCI Holdings, Inc., ELRO Land, Inc., Roxaco Land Corporation, Club Punta Fuego, Inc., and Hoppler Corporation. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree as Bachelor of Science.

Guillermo D. Luchangco is 79 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman of Investment & Capital Corp of the Philippines ("ICCP"). He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: ICCP Holdings, Corp., Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., Science Park of the Philippines, Inc. , ICCP-SBI Venture Partners, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc.; and Director of Phinma Corp., Phinma Energy Corporation, Ionics, Inc., Ionics EMS, Inc., and Ionics EMS, Ltd.

Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

Aurelio R. Montinola III[7] is Chairman and Trustee of Far Eastern University (FEU) and FEU High School and Vice Chairman and Trustee of the Philippine Business for Education (PBED) Inc. He served as the President and CEO of Bank of the Philippine Islands from 2005 - 2013, and exited with BPI as the only Philippine bank rated Investment Grade by Fitch Ratings. He was twice awarded (2005 and 2009) the Asian Banker Leadership Achievement Award for the Philippines, and served as President of the Bankers Association of the Philippines from 2008 - 2012. Among others, he remains Director of BPI, BPI Family Savings Bank, Inc., BPI Capital Corporation, BPI Direct BanKO, Inc. and BPI/MIS Insurance Corp. and Director of Western Resources Corporation and Xeleb Technologies, Inc. He is the Chairman of BPI Philam Life Assurance Corporation (BPI Philam), WWF Philippines, Nicanor Reyes Education Foundation, Inc., East Asia Computer Center Inc. He is also the Chairman and Director of FEU Alabang, Amon Trading Corporation, Amon Realty, Monti-Rey, Inc., Derrc, Inc, Desrey, Inc. and Seyrell Investment & Realty Corporation. Other affiliations include: Chairman, Roosevelt College, Inc.; Vice Chairman and Director of Mere, Inc.; Chairman, President and Director of Amanda Carina Holdings, Inc.; Director and Trustee, Makati Business Club; Trustee, Pres. Manuel A. Roxas Foundation; and Member of Philippine Trade Foundation, Inc., Anita Magsaysay Ho Foundation and Management Association of the Philippines where he received the MAP Management Man of the Year Award in 2012. He graduated BS Management Engineering at the Ateneo de Manila in 1973, and MBA at the Harvard Business School in 1977.

The directors hold office for a term of one (1) year until their successors are elected and qualified.

[7] Mr. Montinola was appointed as Independent Director on 16 December 2016, to fill-in the vacancy created by the election of Mr. Fernando L. Gaspar as President and Chief Executive Officer.

Corporate Officers

Armando B. Escobar is 59 years old and is a Filipino. He is the Executive Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation; Senior Vice President- Operations & Special Accounts Management Group Head of Philippine Bank of Communications; Director of Bancnet, Inc.. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University; MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate in Strategic Business Economics Program in University of Asia and Pacific.

Peter D. A. Barot is 56 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

Monica Isabelle I. Villanueva[8], Filipino, is the Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Corporate Secretary of Roxaco Land Corporation. Prior to joining the Company, she worked as an Associate Lawyer in Ocampo and Manalo Law Firm and served as Director and Corporate Secretary for several domestic corporations, including PRIME Media Holdings, Inc. She obtained her Bachelor's Degree in Legal Management with a Minor in International Business from Ateneo de Manila University and thereafter obtained her Juris Doctor from the same university. She became a member of the Philippine Bar in April 2009.

Significant Employees

While the Company is not highly dependent on the services of an employee who is not an Executive Officer, the Company values its human resources and expects them to do their share in achieving its objectives.

Family Relationships

Messrs. Pedro E. Roxas, Carlos R. Elizalde, and Francisco Jose R. Elizalde are related to each other within the fourth degree of consanguinity.

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde are brothers.

Legal Proceedings

No director, independent director, executive officer or senior officer of the company, during the past five (5) years, has been subject to:

(a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign;

[8] Atty. Monica Isabelle I. Villanueva was appointed as Asst. Corp. Sec. and Compliance Officer of the Company on 27 October 2016.

(c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and

(d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Pedro E. Roxas and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owned RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas is also a director of RHI. As of 31 December 2017, the Company owns 23% of the total issued and outstanding capital of RHI.

Other than the foregoing, there is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

Parent Company

As of 31 December 2018, the Company directly owns 100% of the issued and outstanding shares of Roxaco Land Corporation (RLC), Nasugbu Feeds Corporation, United Ventures Corporation and Roxas Green Energy Corporation, 88.81% of the issued and outstanding shares of Roxas Sigma Agriventures, Inc. and 23% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI).

As of 31 December 2018, RLC still owns 100% of the total and outstanding shares of SAMG Memorial Management and Services, Inc. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (25%), Roxaco-Asia Hospitality Corporation (51%) and Brightnote Assets Corporation (10%).

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (95.82%), San Carlos Bioenergy, Inc. (93.35%) and Roxas Power Corporation (50%).

Disagreement with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last meeting of shareholders because of a disagreement with the Company on any matter relating to its operations, policies and practices.

2. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₽50,000 for every regular meeting attended, broken down as follows: ₽25,000 in cash and shares in such numbers equivalent to the ₽25,000 balance. For special meetings of the Board, a director will be given a per diem of ₽25,000 cash. A director of the Company who attends all meetings receives a total of roughly ₽200,000 annually. Each of the members of the four committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; (iii) Compensation; and (iv) Related Party Transactions--also receive a per diem of ₽20,000 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		FY 2018			
A	Pedro E. Roxas – Executive Chairman		₽ -	₽ -	₽200,000
B	Fernando L. Gaspar - President and CEO				200,000
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer				
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer				
E	CEO and Top Four Executives		₽24,438, 528	₽2,036,544	400,000
F	All officers & directors as group unnamed		₽28,564,128	₽2,380,344	₽1,250,000

*Director's fees

c) Estimated Compensation and Bonus for CY 2019

The estimated compensation and bonus of the directors and present officers of the Company for calendar year 2019are as follows:

		Salary	Bonus	Other Annual Compensation
A	Pedro E. Roxas – Executive Chairman	₽ -	₽-	₽-
B	Fernando L. Gaspar - President and CEO	-	-	-

C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer	-	-	-
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer			
E	CEO and Top Four Executives	₽28,000,000	₽2,500,000	
F	All officers & directors as group unnamed	₽33,000,000	₽3,500,000	₽1,400,000

3. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of December 31, 2018:

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[9]
Common	SPCI Holdings, Inc. 4F New Solid Bldg. 357 Sen Gil Puyat Ave. Makati City	SPCI Holdings, Inc.[10]	Philippine National	692,779,593 (direct)	34.57%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	341,465,412 (direct & indirect)	17.04%
Common	PCD Nominee Corporation		Other Alien	258,334,844	12.89%
Common	PCD Nominee Corporation (Filipino)		Philippine National	232,556,432	11.60%
Common	CISCO Holdings Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Francisco R. Elizalde	Philippine National	112,500,000	5.61%

[9]The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,978,182,356 common shares, the total outstanding shares as of 31 December 2017.

[10]Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, and their brothers Inigo Elizalde and Santiago Elizalde, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Common	CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Carlos R. Elizalde	Philippine National	112,500,000	5.61%
Common	IÑIGO Holdings, Inc.	Iñigo R. Elizalde	Philippine National	112,500,000	5.61%
Common	SRE Holdings, Inc.[11]	Santiago R. Elizalde	Philippine National	112,500,000	5.61%
TOTAL				**1,975,136,281**	**98.55%**

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 31 December 2018, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(b)Security Ownership of Management as of 31 December 2018.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of December 31, 2018:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Number and Nature Of Ownership*	*Percent of Class*
Common	*Pedro E. Roxas Executive Chairman*	*Filipino*	341,465,412*(direct & indirect)*	*17.04%*
Common	*Carlos Antonio R. Elizalde*[12] *Director*	*Filipino*	*1,200.320 (direct) 755,279,593*[13] *(indirect)*	*0.06% (direct)*
Common	*Francisco Jose R. Elizalde*[14] *Director*	*Filipino*	*1,200,320 (direct) 755,279,593*[15]*(indirect)*	*0.06% (direct)*

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[11]SRE Holdings, Inc., INIGO Holdings, Inc., CRE Holdings, Inc., and CISCO Holdings, Inc. are the personal holding companies of the respective indicated beneficial owners, who in turn are the stockholders of SPCI Holdings, Inc.

[12]Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each own 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 32.56% of the Company's shares. To be exact, Messrs. Carlos and Francisco Elizalde each hold 8.136% indirect ownership of the Company's shares.

[13]Mr. Carlos R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 642,779,593 shares) and CRE Holdings, Inc. (owner of 112,500,000 shares).

[14]Please see footnote no. 10.

[15]Mr. Francisco R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 642,779,593 shares) and CISCO Holdings, Inc. (owner of 112,500,000 shares).

Common	*Corazon S. De la Paz-Bernardo Independent Director*	*Filipino*	*152,079 (direct)*	*0.00%*
Common	*Guillermo D. Luchangco Independent Director*	*Filipino*	*130,594 (direct)*	*0.00%*
Common	*Fernando L. Gaspar President / CEO*	*Filipino*	*398,254 (direct)*	*0.00%*
Common	*Aurelio R. Montinola, III Independent Director*[16]	*Filipino*	*60,868 (direct)*	*0.00%*
Common	*Armando B. Escobar Executive Vice-President / Chief Finance and Risk Management Officer/Treasurer*	*Filipino*	*0*	*0.00%*
Common	*Peter D. A. Barot Corporate Secretary*	*Filipino*	*0*	*0.00%*
Common	*Monica Isabelle I. Villanueva Asst. Corp. Secretary*	*Filipino*	*0*	*0.00%*
Common	*Directors and Officers As a Group*		*344,607,847*	*17.20%*

(c) Voting Trust Holders of 5% or More.

The Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

d) Change in Control

There has been no change in control since the beginning of the last fiscal year. The Company is also not aware of the existence of any change in control agreements.

[16] Mr. Aurelio Montinola III was appointed as Independent Director on 16 December 2016.

PART IV-CORPORATE GOVERNANCE

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission (SEC). Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors.

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance.

On 12 May 2017, the Board approved the Revised Manual on Corporate Governance. The revisions in the updated Manual included revisions recommended for Publicly Listed Companies as provided in SEC MC No. 19, Series of 2016.

The Company has not deviated from nor violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

PART V - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements as of and for the year ended December 31, 2018.

b) Reports on SEC Form 17-C.

The following were filed in the last 6 month period covered by this report, to wit:

1. On 23 May 2018, the shareholders of Roxas and Company, Inc, (RCI), in its annual meeting, unanimously elected the following persons to the Board of Directors of RCI to serve as such until their successors are elected:

   Mr. Pedro O. Roxas
   Mr. Fernando L. Gaspar
   Mr. Carlos R. Elizalde
   Mr. Francisco R. Elizalde

Ms. Corazon De La Paz-Bernardo (Independent Director)
Mr. Guillermo D. Luchangco (Independent Director)
Mr. Aurelio R. Montinola III (Independent Director)

The shareholders also unanimously elected the auditing firm of Sycip Gorres Velayo & Co. as external auditors of RCI for the calendar year 2018.

Further, the shareholders approved the Consolidated Annual Report with accompanying financial statement of RCI for the calendar year ended 31 December 2017. The table below shows how the shareholders voted their shares in today's annual meeting:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Stockholders' Meeting held on 16 June 2017	**1,485,956,038** shares or **74.72%** of the total issued and outstanding shares	NONE	NONE
Approval of the Annual Report to the Stockholders for the calendar year ending 31 December 2017	**1,485,956,038** shares or **74.72%** of the total issued and outstanding shares	NONE	NONE
Ratification of all the acts and resolutions of the Board of Directors and Management	**1,485,956,038** shares or **74.72%** of the total issued and outstanding shares	NONE	NONE
Election of the Board of Directors	**1,485,956,038** shares or **74.72%** of the total issued and outstanding shares	NONE	NONE
Election of the external auditors	**1,485,956,038** shares or **74.72%** of the total issued and outstanding shares	NONE	NONE

Immediately after the stockholders' meeting, the newly-elected members of the Board of Directors held an organizational meeting where they elected the following officers:

Pedro O. Roxas	-	Chairman
Fernando L. Gaspar	-	President & CEO
Armando B. Escobar	-	Executive Vice President & CFO-Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Monica Isabelle I. Villanueva	-	Assistant Corporate Secretary Compliance Officer/ Corporate Information Officer

Julio Jude D. Montinola	-	Assistant Vice President- Business Development, Strategic and Planning Communications/Investment Relations Officer
Almer B. Pangilinan	-	Alternate Corporate Information Officer

They also elected the following Directors to the (a) Audit & Risk, (b) Compensation, (c) Nomination, Election & Governance Committees, and (d) Related Party Transaction Committee:

Audit & Risk Committee:

Corazon s. De La Paz-Bernardo	-	Chairperson (Independent Director)
Aurelio R. Montinola III	-	Member (Independent Director)
Francisco R. Elizalde	-	Member

Compensation Committee:

Guillermo D. Luchangco	-	Chairperson (Independent Director)
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)
Pedro E. Roxas	-	Member

Nomination, Election & Governance Committee:

Pedro E. Roxas	-	Chairperson
Carlos R. Elizalde	-	Member
Guillermo D. Luchangco	-	Member (Independent Director)

Related Party Transaction Committee:

Aurelio R. Montinola III	-	Chairperson (Independent Director)
Corazon De La Paz-Bernardo	-	Member (Independent Director)
Francisco R. Elizalde	-	Member

2. On 13 June 2018, the Company reported that the Board of Directors, in its special board meeting, approved and authorized the company to borrow or avail of a short term loan facility from and to open and maintain Money Market Placements with Amalgamated Investment Bancorporation.

3. On 10 August 2018, the Company reported that the Board of Directors, in its regular board meeting, approved the consolidated financial report of the company for the 2nd quarter of CY2018, quarter ended 30 June 2018. The Board also approved the Revised Related Party Transaction Policy and Guidelines of RCI as recommended by the Related Party Transaction Committee.

4. On 10 September 2018, the Company reported that the Board of Directors, in its special meeting approved the following:

    a) Amendment of the Articles of Incorporation to Increase the Authorized Capital Stock from 3,375,000,000 shares to 4,375,000,000 shares and that out of said increase, to create a Preferred Shares amounting to 1Billion shares with a par value of Php1.00 per share.

b) The Preferred Shares shall be non-voting, non-convertible, redeemable, with preference over payment of dividends, and re-issuable when fully redeemed. The terms and conditions of issuance shall be determined by to the Board of Directors.
c) Authority to convert the short-term loan with China Bank to a 5-year term loan and to act as co-maker/co-obligor of Roxaco Land Corporation for the 5-year term loan under such terms and conditions that may be beneficial to the Corporation
d) Authority to issue a Corporate Guaranty for the PhP250 Million loan conversion and to pledge its treasury shares as security for the said loan under such terms and conditions that may be beneficial to the Corporation.

5. On 10 December 2018, the Company reported that the Board of Directors, in its special board meeting, approved the budget for 2018 of the company and its subsidiaries.

OTHER MATTERS

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the next Annual Stockholders' Meeting, which is on the last Wednesday of May 2019:

a) Chairman's Report and the Consolidated Audited Financial Statements for the calendar year ended 31 December 2018.

b) Minutes of the Annual Meeting of Stockholders held on 23 May 2018.

   The minutes of meeting of the 23 May 2018 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

   (i) reading and approval of the minutes of the 16 June 2017 annual meeting of shareholders;

   (ii) presentation and approval of the 31 December 2017 annual report to shareholders;

   (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 16 June 2017;

   (iv) the elected members of the Board of Directors for calendar year 2018;

   (v) the external auditor for calendar year 2018.

c) Minutes of the Special Meeting held on 10 September 2018, contains the following:

   a) Amendment of the Articles of Incorporation to Increase the Authorized Capital Stock from 3,375,000,000 shares to 4,375,000,000 shares and that out of said increase, to create a Preferred Shares amounting to 1Billion shares with a par value of Php1.00 per share.
   b) The Preferred Shares shall be non-voting, non-convertible, redeemable, with preference over payment of dividends, and re-issuable when fully redeemed. The terms and conditions of issuance shall be determined by to the Board of Directors.

c) Authority to convert the short-term loan with China Bank to a 5-year term loan and to act as co-maker/co-obligor of Roxaco Land Corporation for the 5-year term loan under such terms and conditions that may be beneficial to the Corporation
d) Authority to issue a Corporate Guaranty for the PhP250 Million loan conversion and to pledge its treasury shares as security for the said loan under such terms and conditions that may be beneficial to the Corporation.

d) Acts/Resolutions of the Board of Directors since the 23 May 2018 annual meeting of shareholders, which include the following:

1. Acts/resolutions approved during the 23 May 2018 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo, Mr. Aurelio R. Montinola III and Mr. Guillermo D. Luchangco to be independent directors of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman
Fernando L. Gaspar	-	President/CEO
Armando B. Escobar	-	Executive Vice President & CFO/Treasurer Risk Management Officer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Monica Isabelle I. Villanueva	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer

The following Directors were elected to the Audit& Risk; Executive Compensation; and Nomination, Election & Governance Committees:

<u>Audit & Risk Committee</u>

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
Aurelio R. Montinola III	-	Member (Independent Director)
Francisco Jose R. Elizalde	-	Member

<u>Executive Compensation Committee</u>

Guillermo D. Luchangco	-	Chairman (Independent Director)
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)
Pedro E. Roxas	-	Member

<u>Nomination, Election & Governance Committee</u>

Pedro E. Roxas	-	Chairman
Carlos R. Elizalde	-	Member
Guillermo D. Luchangco	-	Member (Independent Director)

<u>Related Party Transaction Committee</u>

Aurelio R. Montinola III	-	Chairperson (Independent Director)
Corazon De La Paz-Bernardo	-	Member (Independent Director)
Francisco R. Elizalde	-	Member (Independent Director)

2. Acts/resolutions approved during the 13 June 2018 special meeting of the Board of Directors: the company to borrow or avail of a short term loan facility from and to open and maintain Money Market Placements with Amalgamated Investment Bancorporation.

3. Acts/resolutions approved during 10 August 2018 regular meeting of the Board of Directors: the consolidated financial report of the company for the 2nd quarter of CY2018, quarter ended 30 June 2018. The Board also approved the Revised Related Party Transaction Policy and Guidelines of RCI as recommended by the Related Party Transaction Committee.

4. Acts/resolutions approved during the 08 September 2018 special meeting:

    a) Amendment of the Articles of Incorporation to Increase the Authorized Capital Stock from 3,375,000,000 shares to 4,375,000,000 shares and that out of said increase, to create a Preferred Shares amounting to 1Billion shares with a par value of Php1.00 per share.
    b) The Preferred Shares shall be non-voting, non-convertible, redeemable, with preference over payment of dividends, and re-issuable when fully redeemed. The terms and conditions of issuance shall be determined by to the Board of Directors.
    c) Authority to convert the short-term loan with China Bank to a 5-year term loan and to act as co-maker/co-obligor of Roxaco Land Corporation for the 5-year term loan under such terms and conditions that may be beneficial to the Corporation
    d) Authority to issue a Corporate Guaranty for the PhP250 Million loan conversion and to pledge its treasury shares as security for the said loan under such terms and conditions that may be beneficial to the Corporation.

5. Acts/resolutions approved during the 10 December 2018 special meeting of the Board of Directors: the budget for 2018 of the company and its subsidiaries.

6. Acts/resolutions approved during the 05 April 2019 regular meeting of the Board of Directors:
    a. Audited Financial Statements for the period ending 31 December 2018.
    b. Setting of Annual Stockholders' Meeting of the Company on 29 May 2019. The record date for the purpose of the meeting is on 06 May 2019.
    c. SEC Form 17-A.

VOTING PROCEDURES

(a) The vote required for the:-

    (1) Approval of the Minutes of Previous Stockholders' Meeting - majority of the shares represented at the meeting
    (2) Approval of the Chairman's and President's Report - majority of the shares represented at the meeting
    (3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting
    (4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting
    (5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares
    (6) Election of External Auditors - plurality of the shares represented at the meeting
    (7) Extension of corporate term - at least 2/3 of the outstanding capital stock

(b) The method by which votes will be counted - Subject to cumulative voting in the election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date. Counting of votes will be done by representatives of Banco de Oro as the Company's stock transfer agent, representatives of SGV& Co., and the Assistant Corporate Secretary, all of whom shall serve as members of the election committee. Voting shall be done through raising of hands.

THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229.

SIGNATURE

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

ROXAS AND COMPANY, INC.
(formerly **CADP GROUP CORPORATION)**

By:

MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

Issuer

ROXAS AND COMPANY, INC.

Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:

PEDRO E. ROXAS
Chairman

FERNANDO L. GASPAR
President & Chief Executive Officer

ARMANDO B. ESCOBAR
Executive Vice President - Chief Finance Officer

MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 3 0 2019 in Makati City affiants exhibiting to me their respective competent ID's as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. EC2368933	10 Oct 2014 – 09 Oct 2019	Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		
Monica Isabelle I. Villanueva	Passport No. P1265908A	17 Dec 2016 - 16 Dec 2021	Manila

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Series of 2019

ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. 7333128 / 01-3-2019 / MAKATI CITY
IBP No. 055600 / 11-27-2018 / RIZAL
MCLE COMPLIANCE No. V-0023350 / 08-03-2016
ROLL No. 36452 / TIN No. 106-099-102-000
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

Roxas & Company, Inc.

ANNEX "A"

AUDIT COMMITTEE REPORT

Audit and Risk Committee Report

10 April 2019

The Board of Directors
Roxas and Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirm that for the period of 01 January to 31 December 2018:

- The Chairman of the Audit and Risk Committee is an independent director as determined by the Board of Directors;
- We had four (4) regular meetings during the said period;
- We have reviewed and approved the revised Audit Committee Charter which was subsequently endorsed to and adopted by the Board of Directors;
- We have discussed with RCI's internal audit group and Sycip Gorres Velayo & Co. ("SGV"), RCI's external auditor, the overall scope and plans for their respective audits, and the results of examinations, their evaluations of the internal controls and the overall quality of the financial reporting of Roxas and Company, Inc. and its subsidiaries (the Roxas Group);
- We have reviewed and approved all audit services rendered by SGV & Co. to the Roxas Group, and the related fees for such services, and concluded that the fees are not significant to impair their independence;
- We have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standards, and we have received written disclosures and the letter from SGV & Co. as required by the prevailing applicable Independence Standards (Statements as to Independence) and have discussed with SGV & Co. its independence from the Roxas Group and Roxas Group's management;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the Roxas Group as of and for the year ended 31 December 2018 with the Roxas Group's management, which has the primary responsibility for the financial statements, and with SGV & Co., the Roxas Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Roxas Group's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- Based on the reviews and discussions referred to above, in reliance on the Roxas Group's management and SGV & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the Roxas Group's audited financial statements as of and for the year ended 31 December 2018 in the Roxas Group's Annual Report to the Stockholders and to the Philippines Securities and Exchange Commission (SEC) on Form 17-A; and
- Based on a review of SGV & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of SGV & Co. as the Roxas Group's independent auditor.

CORAZON DE LA PAZ-BERNARDO
Chairperson

FRANCISCO R. ELIZALDE
Member

AURELIO R. MOTINOLA III
Member

ANNEX "B"

Statement of Management Responsibility for Consolidated Financial Statements

Certificate on the Compilation Services for the preparation of the Financial Statements and Notes to the Financial Statements

Report of Independent Auditors

Consolidated Balance Sheet

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Retained Earnings Available for Dividend Declaration

Index to Consolidated Financial Statements

Organizational Structure

List of Adoption of Effective Accounting Standards and Interpretations

Roxas & Company, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Roxas and Company, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

PEDRO E. ROXAS
Chairman

FERNANDO L. GASPAR
President and Chief Executive Officer

ARMANDO B. ESCOBAR
EVP-Chief Finance Officer/ Treasurer

Signed this **5th day of April, 2019.**

Roxas & Company, Inc.

SUBSCRIBED AND SWORN to before me this APR 1 2 2019 in Makati City, affiants exhibiting to me their respective competent ID as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. EC2368933	10 Oct 2014 – 09 Oct 2019	Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		

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ATTY. JOHN DOMINGO C. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. 7333128 / 01-03-2019 / MAKATI CITY
IBP No. 055600 / 11-27-2018 / RIZAL
MCLE COMPLIANCE No. V-0023350 / 08-03-2016
ROLL No. 38452 / TIN No. 105-099-102-000
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio Del Pilar,
Makati City, Metro Manila

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with Philippine Financial Reporting Standards (PFRS) and reports as required by accounting and auditing standards for **Roxas and Company, Inc. and Subsidiaries** for the period ended December 31, 2018.

In discharging this responsibility, I hereby declare that I am the Associate Finance Manager of Roxas and Company, Inc. and Subsidiaries.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of SGV and Co. which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

AC Tay

Alejandro C. Tay

CPA Certificate No. 0123757
Valid Until January 24, 2021

Accreditation No. 6618
Valid Until January 18, 2020

SUBSCRIBED AND SWORN to before me this APR 12 2019 at Makati City, Philippines, affiant exhibited to me his Unified Multi-Purpose ID No. CRN-0111-7658842-6.

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ATTY JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. 7333128 / 01-03-2019 / MAKATI CITY
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Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio Del Pilar,
Makati City, Metro Manila

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	0	0	0	0	0	8	3	4

C O M P A N Y   N A M E

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

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

Company's Email Address	Company's Telephone Number	Mobile Number
www.roxascompany.com.ph	(02) 810-8901	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
3,340	Last Wednesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Monica Isabelle I. Villanueva	miv@roxascompany.com.ph	(637) 751-9537	–

CONTACT PERSON's ADDRESS

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

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

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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legazpi Village
Makati City

Opinion

We have audited the consolidated financial statements of Roxas and Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue process, policies and procedures and revenue recognition accounting policy, specifically with respect to its real estate business. The following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of the output/input method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of sales; and (6) recognition of cost to obtain a contract.

The Group identifies contracts that meet all the criteria required under PFRS 15 to be considered as a valid contract from customers.

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

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

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

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

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

Audit Response

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

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

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

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

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

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

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

Classification of investment properties, and valuation of investment properties and land under property, plant and equipment

The Group has significant parcels of land in Nasugbu, Batangas that have been subjected to the revised Notice of Coverage (NOC) issued by the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP). On October 25, 2017, the Court of Appeals partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards by DAR in favor of the farmer-beneficiaries.

As of December 31, 2018, management continues to recognize the parcels of land under CARP as part of the Group's investment properties. As of December 31, 2018, these parcels of land have a carrying value of ₱5,039.31 million, representing 95% of the total investment properties. The classification of these parcels of land as part of investment properties is significant to our audit because the assessment requires significant judgment by management based on the status of the legal proceedings. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of the regulations, laws and rulings, thus, a significant matter to our audit.

Further, the Group accounts for its investment properties at fair value and its land under property, plant and equipment at revalued amount. As of December 31, 2018, the fair value of the Group's total investment properties and land under property, plant and equipment amounted to ₱5,280.03 million and ₱773.5 million, representing 40% and 6% of the Group's consolidated total assets, respectively. The valuation of the investment properties and land under property, plant and equipment requires the work of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates, and Notes 12 and 13 for the detailed disclosure about the Group's investment properties and land under property, plant and equipment and Note 28 for the disclosures about the related fair values.

Audit Response

For the parcels of land covered by CARP which were classified as investment properties, we inquired with the Group's internal and external legal counsels and finance officers about the status of the legal proceedings. We obtained legal opinion from external legal counsels about the progress of the legal proceedings, including their assessment on the likely outcome. We also inspected relevant correspondence with the regulatory bodies.

For the fair values of the entire investment properties and land under property, plant and equipment, we involved our internal specialist in evaluating the methodologies and the assumptions used by the external appraiser, whose professional qualifications and objectivity were considered. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Group's disclosures with respect to the fair values of the investment properties and land under property, plant and equipment.

Investment in a significant associate

The Group has a 23% interest in Roxas Holdings, Inc. (RHI), an associate, that is accounted for under the equity method. For the year ended December 31, 2018, the Group's share in the net income of RHI amounted to ₱28.18 million which accounts for 18% of the Group's consolidated net income whereas the Group's share in other comprehensive income of RHI amounted to ₱32.08 million which accounts to 24% of the Group's consolidated other comprehensive income. The Group's share in RHI's net income is significantly affected by RHI's raw sugar business which follows the quedan system, a negotiable instrument which shows ownership of a specified amount of raw sugar in a warehouse. RHI's physical possession may not necessarily indicate ownership. This matter is significant to our audit due to the volume of transactions covered by this unique system that impacts sales and inventories which are material in the determination of the share in RHI's net income. The Group's share in RHI's net income is also significantly affected by RHI's estimation of provision from certain claims by regulatory bodies and other penalties. The assessment of whether the provision should be recognized and the estimation of potential liability resulting from these assessments require significant judgment by management of RHI. The Group's share in other comprehensive income is significantly affected by the revaluation of land performed by external appraiser whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors. Also, RHI adopted PFRS 15, *Revenue from Contracts with Customers*, which required review by RHI of its contracts with its customers. This involved application of significant management judgment and estimation in determining the fair value of the noncash consideration received from customers and the timing of satisfaction of performance obligation.

Refer to Notes 2 and 3 and to the consolidated financial statements for the relevant discussion of accounting policies and Note 11 for the disclosures on the investment in RHI.

PFRS also requires an impairment testing of an investment in associate where there are indicators of impairment. The Group's management assessed that the investment in RHI may be impaired since the fair value of RHI's listed shares held directly by the Group is lower than the carrying amount of the investment in associate as of December 31, 2018. We have identified this matter as a key audit matter because management's impairment assessment process requires significant judgment and is based on assumptions, specifically the forecasted revenue, operating costs, capital expenditures and discount rate. The disclosures about the significant estimates involving the impairment testing of the investment in RHI are included in Note 5 to the consolidated financial statements.

Audit Response

We obtained the financial information of RHI as at for the year ended December 31, 2018 and recomputed the Group's share in net income of RHI. We obtained an understanding of RHI's quedanning system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of RHI to establish the physical existence of raw sugar as of count date and reviewed the rollforward procedures to arrive at the physical quantity as of reporting date. We reviewed the reconciliation of the physical quantity and quedan accountability report to test the quantity reported, which are supported by quedans, as the RHI's inventory and those which are held in trust for the planters and traders.

We inquired with RHI's legal counsels and management about the status and potential exposures of the significant claims and their basis of assessment of the outcome of the claims. We also inspected relevant correspondences with the regulatory bodies and other relevant parties, and reviewed the minutes of meetings of the Board of Directors and Audit Committee. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and estimation of such amount.

We compared the property-related data in the appraisal reports against RHI's records. We involved our internal specialist in reviewing the scope, methodology and the assumptions used by RHI's external appraiser. We evaluated the competence capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We compared the assumptions used, specifically the sales price of comparable properties, against the relevant external information. We also discussed with the external appraiser the nature and magnitude of the adjustment factors.

We obtained an understanding of RHI management's process in the adoption and implementation of PFRS 15. We reviewed the application by RHI of the accounting policies in relation to the adoption of the new standard and the alignment with the Group's policies.

For the review of impairment testing, we obtained an understanding of the Group's impairment assessment process and tested the relevant controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions such as the forecasted revenue, operating costs and capital expenditures against the historical performance of the cash generating unit (CGU) and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data.

Impairment testing of property, plant and equipment

The Group assesses at the end of the reporting period whether there is any indicator that the property, plant and equipment may be impaired. As at December 31, 2018, the Group's coconut processing plant with carrying amount of ₱913.4 million was underutilized. Management assessed that such underutilization is an indicator of impairment and is required to estimate the asset's recoverable amount.

We considered the impairment testing of property, plant and equipment as a key audit matter because the potential recognition of impairment loss could have material impact on the financial position and financial performance of the Group for the year and the assumptions for impairment testing involve significant judgment and estimates.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Note 12 for the detailed disclosures about the carrying amounts of the property, plant and equipment.

Audit response

We reviewed the potential indicators of impairment that would require the impairment testing of the individual assets and the cash generating units (CGUs). With the involvement of our internal specialist, we evaluated the key assumptions used to estimate the discounted cash flows of the CGU, which include the forecasted revenues, operating costs and discount rates, based on our understanding of the Company's business plan and compared these assumptions to the relevant market data, as applicable. We also assessed the current year's assumptions by comparing these assumptions with the assumptions made in prior years, as well as the actual results during the year.

Adoption of PFRS 9, Financial Instruments

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

The Group's adoption of the ECL model, specifically for receivable arising from real estate business, is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The application of the ECL model does not have significant impact on the Group's allowance for credit losses as of December 31, 2018. No provision for credit losses in 2018 using the ECL model has been recorded.

Audit Response

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) Checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs;

(e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We test computed the transition adjustments and evaluated the disclosures made in the financial statements on allowance for credit losses using the ECL model.

Other Information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

April 5, 2019

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱215,888**	₱136,859
Trade and other receivables (Notes 7 and 19)	**38,167**	191,815
Contract assets - current portion (Note 20)	**42,538**	–
Real estate properties for sale and development (Note 8)	**536,109**	565,307
Inventories (Note 9)	**70,980**	65,460
Other current assets (Note 10)	**374,014**	262,729
Total Current Assets	**1,277,696**	1,222,170
Noncurrent Assets		
Trade and other receivables - net of current portion (Note 7)	**127,216**	120,445
Contract assets - net of current portion (Note 20)	**103,924**	–
Investments in associates (Note 11)	**2,315,439**	2,288,523
Property, plant and equipment (Note 12):		
At cost model	**3,001,563**	3,063,502
At revaluation model	**773,495**	733,592
Investment properties (Note 13)	**5,280,033**	4,570,834
Deferred income tax assets - net (Note 24)	**68,090**	21,220
Other noncurrent assets (Note 10)	**136,549**	250,498
Total Noncurrent Assets	**11,806,309**	11,048,614
TOTAL ASSETS	**₱13,084,005**	₱12,270,784
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term borrowings (Note 14)	**₱1,311,000**	₱1,347,000
Current portion of long-term borrowings (Note 15)	**920,482**	594,165
Trade and other payables (Notes 16 and 19)	**664,679**	637,534
Contract liabilities (Note 20)	**111,447**	–
Total Current Liabilities	**3,007,608**	2,578,699
Noncurrent Liabilities		
Long-term borrowings - net of current portion (Note 15)	**1,806,420**	2,273,190
Retirement liability (Note 17)	**46,257**	32,297
Deferred income tax liabilities - net (Note 24)	**74,535**	31,217
Total Noncurrent Liabilities	**1,927,212**	2,336,704
Total Liabilities	**4,934,820**	4,915,403

(Forward)

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	December 31	
	2018	2017
Equity attributable to the Equity Holders of the Parent Company (Note 18)		
Capital stock	**₱3,411,886**	₱2,911,886
Additional paid-in capital	**1,655,974**	1,630,408
Other equity reserves	**477,904**	420,855
Retained earnings	**3,815,764**	3,578,111
Treasury stock	**(1,543,257)**	(1,587,296)
	7,818,271	6,953,964
Non-controlling interests (Note 11)	**330,914**	401,417
Total Equity	**8,149,185**	7,355,381
TOTAL LIABILITIES AND EQUITY	**₱13,084,005**	₱12,270,784

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Amounts in Thousands, except Basic/Diluted Loss per Share Data

	December 31		
	2018 (One Year)	2017 (One Year)	2016 (Three Months, Note 1)
REVENUE FROM (Notes 2 and 20):			
Hotel sales and services	**₱388,470**	₱185,850	₱19,080
Real estate	**106,787**	322,725	26,984
Sale of goods	**54,882**	–	–
	550,139	508,575	46,064
COST OF SALES AND SERVICES			
Cost of hotel sales and services (Note 21)	**(245,448)**	(101,640)	(3,239)
Cost of real estate sales (Note 8)	**(70,671)**	(176,900)	(21,071)
Cost of goods sold (Note 21)	**(46,845)**	–	–
	(362,964)	(278,540)	(24,310)
GROSS INCOME	**187,175**	230,035	21,754
OPERATING EXPENSES (Note 21)	**(534,779)**	(356,446)	(104,629)
OTHER INCOME (CHARGES)			
Unrealized fair value gain on investment properties (Note 13)	**709,199**	–	–
Interest expense (Notes 14 and 15)	**(237,921)**	(106,669)	(9,504)
Interest income (Notes 6 and 7)	**12,589**	10,366	1,696
Equity in net earnings (loss) of associates (Note 11)	**(7,508)**	23,155	(26,532)
Others - net (Note 23)	**46,257**	26,204	8,985
	522,616	(41,620)	(16,745)
INCOME (LOSS) BEFORE INCOME TAX	**175,012**	(173,355)	(108,230)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**5,433**	6,059	582
Deferred	**11,210**	(8,586)	(12,130)
	16,643	(2,527)	(11,548)
NET INCOME (LOSS)	**₱158,369**	(₱170,828)	(₱96,682)
Equity holders of the Parent Company	**₱240,693**	(₱147,153)	(₱89,987)
Non-controlling interests	**(82,324)**	(23,675)	(6,695)
	₱158,369	(₱170,828)	(₱96,682)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY (Note 4)	**₱0.12**	(₱0.07)	(₱0.05)

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands

	December 31		
	2018 (One Year)	2017 (One Year)	2016 (Three Months, Note 1)
NET INCOME (LOSS)	**₱158,369**	(₱170,828)	(₱96,682)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurement gain on retirement liability, net of tax (Note 17)	**6,514**	–	–
Appraisal increase on land of a subsidiary - net of tax (Note 12)	**27,932**	102,346	16,715
Share in remeasurement gain on retirement liability of an associate, net of tax (Note 11)	**18,843**	5,281	–
Share in appraisal increase on land of an associate, net of tax (Note 11)	**15,581**	26,863	–
TOTAL OTHER COMPREHENSIVE INCOME	**68,870**	134,490	16,715
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱227,239**	(₱36,338)	(₱79,967)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱297,742**	(₱56,850)	(₱81,473)
Non-controlling interests	**(70,503)**	20,512	1,506
	₱227,239	(₱36,338)	(₱79,967)

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 AND THREE MONTHS ENDED DECEMBER 31, 2016

Amounts in Thousands

	Equity Attributable to Equity Holders of the Parent Company (Note 18)									
	Capital Stock			Additional		Other Equity	Retained		Non-controlling	
	Common Stock	Preferred Stock	Total	Paid-in Capital	Treasury Stock	Reserves	Earnings	Total	Interests (Note 11)	Total Equity
Balances as at September 30, 2016	**₱2,911,886**	**₱–**	**₱2,911,886**	**₱1,627,905**	**(₱1,594,749)**	**₱322,038**	**₱3,815,251**	**₱7,082,331**	**₱379,399**	**₱7,461,730**
Net loss for the period	–	–	–	–	–	–	(89,987)	(89,987)	(6,695)	(96,682)
Other comprehensive income	–	–	–	–	–	8,514	–	8,514	8,201	16,715
Total comprehensive income	–	–	–	–	–	8,514	(89,987)	(81,473)	1,506	(79,967)
Issuances of treasury shares	–	–	–	6	118	–	–	124	–	124
Balances as at December 31, 2016	**2,911,886**	**–**	**2,911,886**	**1,627,911**	**(1,594,631)**	**330,552**	**3,725,264**	**7,000,982**	**380,905**	**7,381,887**
Net loss for the year	–	–	–	–	–	–	(147,153)	(147,153)	(23,675)	(170,828)
Other comprehensive income	–	–	–	–	–	90,303	–	90,303	44,187	134,490
Total comprehensive income	–	–	–	–	–	90,303	(147,153)	(56,850)	20,512	(36,338)
Issuances of treasury shares	–	–	–	2,497	7,335	–	–	9,832	–	9,832
Balances as at December 31, 2017	**2,911,886**	**–**	**2,911,886**	**1,630,408**	**(1,587,296)**	**420,855**	**3,578,111**	**6,953,964**	**401,417**	**7,355,381**
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	–	–	(3,040)	(3,040)	–	(3,040)
Balances as at January 1, 2018	**2,911,886**	**–**	**2,911,886**	**1,630,408**	**(1,587,296)**	**420,855**	**3,575,071**	**6,950,924**	**401,417**	**7,352,341**
Net income (loss) for the year							240,693	240,693	(82,324)	158,369
Other comprehensive income	–	–	–	–	–	57,049	–	57,049	11,821	68,870
Total comprehensive income	–	–	–	–	–	57,049	240,693	297,742	(70,503)	227,239
Issuance of preferred shares	–	500,000	500,000	(5,000)	–	–	–	495,000	–	495,000
Issuances of treasury shares	–	–	–	30,566	44,039	–	–	74,605	–	74,605
Balances as at December 31, 2018	**₱2,911,886**	**₱500,000**	**₱3,411,886**	**₱1,655,974**	**(₱1,543,257)**	**₱477,904**	**₱3,815,764**	**₱7,818,271**	**₱330,914**	**₱8,149,185**

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

	December 31		
	2018 (One Year)	2017 (One Year)	2016 (Three Months, Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax:	**₱175,012**	(₱173,355)	(₱108,230)
Adjustments for:			
Unrealized fair value gain on investment properties (Note 13)	**(709,199)**	–	–
Interest expense (Notes 14 and 15)	**237,921**	106,669	9,504
Depreciation and amortization (Note 12)	**107,992**	47,556	1,850
Movement in retirement benefits (Note 17)	**(13,960)**	12,643	1,631
Equity in net loss (earnings) of associates and a joint venture (Note 11)	**7,508**	(23,155)	26,532
Interest income (Notes 6 and 7)	**(12,589)**	(10,366)	(1,696)
Operating loss before working capital changes	**(207,315)**	(40,008)	(70,409)
Decrease (increase) in:			
Trade and other receivables	**153,648**	315,964	52,844
Real estate for sale and development	**29,198**	99,641	(52,640)
Inventories	**(5,520)**	–	–
Contract assets	**(146,462)**	–	–
Other current assets	**(103,039)**	(84,700)	(89,241)
Other noncurrent assets	**107,178**	(74,006)	32,333
Increase in trade and other payables	**129,438**	116,091	128,641
Net cash generated from (used in) operations	**(42,874)**	332,982	1,528
Interest received	**12,589**	10,366	1,696
Income taxes, paid including creditable withholding taxes	**(8,246)**	–	(2,257)
Net cash generated from (used in) operating activities	**(38,531)**	343,348	967
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 12)	**(46,321)**	(1,054,306)	(518,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of preferred shares, net of transaction cost (Note 18)	**495,000**	–	–
Availments of short-term borrowings	**148,000**	2,664,700	257,889
Availment of long-term borrowings (Note 15)	**9,152**	940,965	336,167
Issuance of treasury shares (Note 18)	**74,605**	9,832	–
Payments of:			
Interest (Note 15)	**(229,271)**	(103,629)	(26,289)
Dividends (Note 18)	**–**	–	(4,444)
Short-term borrowings (Note 14)	**(184,000)**	(2,727,926)	(85,963)
Long-term borrowings	**(149,605)**	–	–
Net cash generated from financing activities	**163,881**	783,942	477,360
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**79,029**	72,984	(40,240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**136,859**	63,875	104,115
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱215,888**	₱136,859	₱63,875

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Roxas and Company, Inc. (the Parent Company or RCI), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE) with a stock symbol RCI.

On September 24, 2018, the SEC approved the extension of the corporate term of RCI by another 50 years and the corresponding amendments in the Articles of Incorporation.

The purpose of RCI is to purchase, hold, pledge, transfer, sell or otherwise dispose of or deal in the shares of the capital stock, bonds, debentures, notes or other securities and evidence of indebtedness of any such securities. RCI is owned by various individual shareholders and domestic corporations, namely: SPCI Holdings, Inc. and Pesan Holdings, Inc., among others. As at December 31, 2018 and 2017, RCI has 3,340 and 3,350 shareholders, respectively.

The principal and registered office of RCI is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Change in Accounting Period
On December 18, 2015, the Board of Directors (BOD) approved the amendment of the by-laws of the Parent Company and Roxaco Land Corporation (RLC), a wholly owned subsidiary of the former, changing the accounting period of the Parent Company and RLC from fiscal year ending September 30 to calendar year ending December 31 of each year. The change in accounting period of the Parent Company and RLC was approved by the SEC on May 26, 2016 and March 15, 2016, respectively.

The amounts presented for the period October 1, 2016 to December 31, 2016 in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the related notes to consolidated financial statements are for three months, and accordingly, are not comparable with those in the statements for the years ended December 31, 2018 and 2017.

Approval of the Consolidated Financial Statements
The consolidated financial statements of RCI and its subsidiaries (collectively referred to as the Group) as at December 31, 2018 and 2017 and years ended December 31, 2018 and 2017 and three months ended December 31, 2016 have been approved and authorized for issue by the Board of Directors (BOD) on April 5, 2019.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land properties under property, plant and equipment and investment properties that are stated at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Group. All balances and transactions are rounded to the nearest thousands, unless otherwise indicated.

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

3. **Summary of Changes in Accounting Policies and Disclosures**

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial periods, except for the new accounting pronouncements, adopted by the Group starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group financial position or performance unless otherwise indicated. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Effective beginning or after January 1, 2018
- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

  (a) Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria:

  a. the Group's business model for managing the assets;
  b. whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group.

Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 measurement category		
PAS 39 measurement category	**Amounts**	**FVTPL**	**Amortized cost**	**FVTOCI**
Loans and Receivables				
Cash and cash equivalents	₱136,859	₱–	₱136,859	₱–
Trade and other receivables	312,260	–	312,260	–
Refundable deposits	2,949	–	2,949	–
	₱452,068	₱–	₱452,068	₱–

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original Effective Interest Rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contract receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of installment contract receivables and contract assets pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on inflation and interest rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers installment contract receivables in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate EIR, usually being the original EIR or an approximation thereof. For other financial assets such accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

Further, upon adoption of PFRS 9, the Group assessed that its financial assets are fully recoverable. Thus, no additional allowance for impairment losses is recognized.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under PFRSs.

  In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group has adopted the necessary changes on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property, plant and equipment and intangible assets), when that disposal is not in the ordinary course of business.

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred until December 31, 2020. The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any reliefs. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the Philippine SEC will later prescribe.

The Group availed of the deferral of adoption of the specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

a. The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
b. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 as at January 1, 2018 on trade receivables and contract balances, were as follows (in thousands):

	December 31, 2017	Transition Adjustments	January 1, 2018
Contract assets	₱–	₱120,445	₱120,445
Contract liabilities	–	57,740	57,740

The adjustments as at January 1, 2018 represents the Group's recording as contract asset (instead of sales contract receivables) any excess of progress of work over the right to an amount of consideration that is unconditional. Meanwhile, the excess of collection over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contract receivables while contract liabilities are presented as customers' deposit. The above resulted in recording of contract assets of ₱120.4 million and contract liabilities of ₱57.7 million as of January 1, 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15 after considering the deferrals availed. The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	(Decrease)
ASSETS			
Current Assets			
Trade and other receivables			
(Notes 7 and 19)	₱38,167	₱80,705	(₱42,538)
Contract assets - current portion (Note 20)	42,538	–	42,538
Total Current Assets	80,705	80,705	–

(Forward)

	Amounts prepared under PFRS 15	Previous PFRS	Increase (Decrease)
Noncurrent Assets			
Trade and other receivables - net of current portion (Note 7)	₱127,216	₱231,140	(₱103,924)
Contract assets - net of current portion (Note 20)	103,924	–	103,924
Total Noncurrent Assets	231,140	231,140	–
TOTAL ASSETS	₱311,845	₱311,845	₱–
LIABILITIES			
Current Liabilities			
Trade and other payables (Notes 16 and 19)	₱664,679	₱776,126	(₱111,447)
Contract liabilities (Note 20)	111,447	–	111,447
TOTAL LIABILITIES	₱776,126	₱776,126	₱–

The Group's contract asset as at December 31, 2018 (instead of installment contract receivables) represents excess of progress of work over the right to an amount of consideration that is unconditional. Meanwhile, the excess of collection over progress of work is recorded as contract liability.

Consolidated statement of income for the year ended December 31, 2018:

	Reference	Amounts prepared under PFRS 15	Previous PFRS	Increase/ (Decrease)
Revenue	(a)	₱543,685	₱559,308	(₱15,623)
Cost of Sales and Services	(a)	(362,964)	(352,381)	10,583
Gross Profit		180,721	206,927	(26,206)
Operating Expenses	(b)	(534,779)	(539,784)	5,005
Equity in Share in Net Loss of Associate	(c)	(7,508)	(3,922)	(3,586)
Other Income (Charges)		536,578	536,578	–
Income Before Income Tax		175,012	199,799	(26,787)
Provision for Income Tax		(16,643)	(16,643)	–
Net Income		₱158,369	₱183,156	(₱26,787)
Earnings Per Share:				
Basic, Profit for the Year Attributable to Ordinary Equity Holders of the Parent		₱0.12	₱0.13	₱–
Diluted, Profit for the Year Attributable to Ordinary Equity Holders of the Parent		0.12	0.13	–

Consolidated statement of financial position as of December 31, 2018:

	References	Amounts prepared under PFRS 15	Previous PFRS	Increase/ (Decrease)
Assets	(b)	₱13,084,005	₱13,098,305	(₱14,300)
Liabilities	(a)	4,934,820	4,923,320	11,500
Stockholders' Equity	(a) (b) (c)	8,149,185	8,174,985	(25,800)

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of income for the year ended December 31, 2018 are described below:

a. Treatment for contracts without signed contract to sell (CTS). Before the adoption of PFRS 15, the Company recognizes revenue for all sales with 10% collection as of period end whether a signed CTS is obtained or not.

   Under PFRS 15, a contract with customer exists when "the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and committed to perform their respective obligations". Thus, the Company recognized revenue only if the CTS is signed by both parties - the buyer and the Company as the seller.

   Sale of real estate for the year ended December 31, 2018 and beginning retained earnings decreased by ₱15.6 million and ₱10.1 million, respectively. Cost of real estate sales for the year ended December 31, 2018 and beginning retained earnings increased by ₱10.6 million and ₱7.1 million, respectively. Total collections made for the sales without CTS amounting to ₱11.5 million are accounted for as "Contract Liabilities". Related receivables as of December 31, 2018 amounting to ₱19.3 million are derecognized from the books.

b. The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive sales commission equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract. As at December 31, 2018, PFRS 15 increased prepaid commission by ₱5.0 million from operating expenses.

c. The adoption of PFRS 15 affected the revenue recognition policy of Roxas Holdings Inc. (RHI), the significant associate of the Group, specifically its sugar business. This required RHI to recognize revenue on allocated transaction price for the milling of sugarcane based on the noncash consideration received. The adoption of this standard resulted to reduction of net income of RHI by ₱15.56 million, with a corresponding reduction on the equity share of the Group amounting to ₱3.59 million in 2018.

- PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification
  The Group adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer and PIC Q&A 2018-15, PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current starting January 1, 2018. There is no significant impact on the adoption of the PIC Q&A in the consolidated statement of financial position.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and retirement plan assets are classified as noncurrent assets while deferred income tax liabilities and accrued retirement benefits are classified as noncurrent liabilities.

Basis of Consolidation
The consolidated financial statements of the Group include the financial statements of the Parent Company and the following subsidiaries (all incorporated and domiciled in the Philippines) as of December 31, 2018 and 2017:

	Percentage of Ownership		Noncontrolling Interests		
	2018	2017	**2018**	2017	Description of Business
RLC*	**100.00**	100.00	–	–	Real estate
Roxaco-Asia Hospitality Corporation (RAHC)**	**51.00**	51.00	**49.00**	49.00	Hotel and leisure
United Ventures Corporation (UVC)	**100.00**	100.00	–	–	Warehouse leasing
SAMG Memorial Management & Services Inc. SMMSI)	**100.00**	100.00	–	–	Funeral and related services
Roxas Green Energy Corporation (RGEC)	**100.00**	100.00	–	–	Generation and distribution of energy
Roxas Sigma Agriventures, Inc. (RSAI)***	**88.81**	81.13	**11.19**	18.87	Manufacturing

** On April 16, 2018, its BOD and stockholders authorized the Company to merge with Anya Hotels and Resorts Corporation (AHRC), with RLC as the surviving entity. On December 6, 2018, the Philippines SEC approved the merger of RLC and AHRC.*
On July 23, 2018, the Company's BOD and stockholders authorized RLC to merge with Anya Hospitality Corporation (AHC), with RLC as the surviving entity. On February 18, 2019, the Philippine SEC approved the merger of AHC into RLC with RLC being the surviving corporation.
*** On May 21, 2018, its BOD approved to change its corporate name from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC) and amended the Articles of Incorporation. The Philippine SEC approved the amendment on October 19, 2018.*

**** On December 7, 2018, an additional subscription amounting to ₱200.0 million equivalent to 2.0 million shares, equivalent to 41% of the increase in capital stock, have been fully paid by the Parent Company through the conversion of a portion from its advances to RSAI*

The Parent Company or its subsidiaries controls an investee if, and only if, the following criteria are met:

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

When the Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, the Parent Company or its subsidiaries consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company or its subsidiaries voting rights and potential voting rights

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date control is lost.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

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

Non-controlling interest represents the interest in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separate from the equity attributable to the parent company.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Common Control Transactions

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e. controlling shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Comparative balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

The goodwill on investments in associates is included in the carrying amount of the related investments and is not tested for impairment separately.

Financial Instruments

Accounting Policies Effective Starting January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group has no financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

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

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits.

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

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

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

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

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

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Company uses the ratings published by a reputable rating agency.

Initial recognition and measurement of financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

As of December 31, 2018, the Group's financial liabilities include accounts payable and other current liabilities and short-term and long-term borrowings.

Subsequent measurement - other financial liabilities
This category pertains to financial liabilities that are neither held for trading nor designated as at FVTPL upon the inception of the liability. After the initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized costs using the effective interest method, taking into account the impact of any issue costs and discount or premium. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

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

Accounting Policies Effective Prior to January 1, 2018

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments measured at FVTPL, the initial measurement of all financial instruments includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Company also classifies its financial liabilities into FVTPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each financial year-end.

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

As of December 31, 2017, the Group has no financial assets and financial liabilities at FVTPL, HTM investments and AFS investments.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a "day 1" difference) in consolidated statement of income unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a "day 1" difference amount.

Loans and Receivables

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in consolidated statement of income using EIR method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in profit or loss. Gains or losses are recognized in consolidated statement of income when loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the cash and cash equivalents, trade and other receivables and refundable deposits as at December 31, 2017.

Other financial liabilities
Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVTPL upon the inception of the liability. These include liabilities arising from operating (e.g., trade and other payables) and financing (e.g., short and long-term borrowings) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the EIR method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statement of income over the term of the borrowings using the EIR method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting year.

Trade and other payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, which is normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

Classified as other financial liabilities are trade and other payables (excluding statutory payables and deferred income) and short-term and long-term borrowings as at December 31, 2017.

Impairment of financial assets
The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is 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. 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, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. 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, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Accounting policies applicable to both periods presented

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

- the rights to receive cash flows from the asset have expired;
- the Group 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 rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

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

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to the consolidated financial statements:

- Significant Judgments, Accounting Estimates and Assumptions
- Fair Value Measurement

Real Estate Properties for Sale and Development
Real estate properties for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and net realizable value (NRV). Costs include costs incurred for development and improvement of the properties and qualifying borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Repossessed Inventories
Repossessed inventories represent the acquisition costs of real estate properties sold but subsequently reacquired by the Company due to buyer's default on payment of monthly amortization. These are measured at cost at the time of repossession.

Inventories
Inventories are valued at the lower of cost or net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

a. Raw materials - Purchase cost and directly attributable costs determined using the moving average method.
b. Finished Goods and Work in Process - Cost includes raw materials, direct labor, other direct costs and related manufacturing overhead using the weighted average method.
c. Packaging Materials and Other Supplies - Purchase cost and directly attributable costs determined using the moving average method.

Net realizable value of finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials, packaging materials and other supplies is the current replacement cost.

Other Current Assets
This account consists of creditable withholding taxes (CWT), input value-added tax (VAT) and prepaid expenses. Other current assets are carried at face value.

CWT represents the total accumulated tax credits for current and prior year's excess credits that will be applied against any income tax due.

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expenses as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified as current asset when the cost of goods or services related to the prepaid expenses is expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Investments in Associates

Investments in associates are recognized initially at cost and subsequently accounted for using the equity method.

An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policy decisions of the investee. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of the entity.

The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates are prepared for the same reporting year of the Parent Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The Group determines, at the end of each reporting year, whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Joint Arrangements

Investment in a joint operation

RLC has investments in a joint operation, which pertains to agreements with joint venture partners, VJ Properties, Inc. (VJPI) and Marilo Realty Development Corporation and Landco Pacific Corporation (LPC), for the development of Anya Resorts and Residences in Tagaytay, Cavite (the "Project"). A joint operation is when a joint arrangement is not structured through a separate vehicle whereby parties have rights to the assets and obligations for the liabilities related to the joint arrangement. Assets, liabilities, revenues and expenses are recognized in relation to its interest in the joint operation.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land, which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

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

Construction in progress, which represents properties under construction, is stated at cost and depreciated only from such time as the relevant assets are completed and put into intended operational use. Upon completion, these properties are reclassified to the appropriate property, plant and equipment account.

The net appraisal increment resulting from the revaluation of land is presented as "Revaluation increment on land" under "other equity reserves account" in the consolidated statement of financial position and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of land are recognized in the consolidated statement of comprehensive income and credited to other equity reserves in the consolidated statement of changes in equity, net of related deferred tax effect. Any resulting decrease is directly charged against the related revaluation increment on land to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently to ensure that the fair value of land does not differ significantly from its carrying amount.

The portion of appraisal increase on land, net of related deferred tax effect, realized upon disposal of the property is transferred to unrestricted retained earnings.

Depreciation and amortization on depreciable property, plant and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Asset Category	Number of Years
Buildings*	40
Building improvements	5
Machinery and equipment	5-25
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

**including the coconut processing plant*

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the asset is derecognized.

Major renovations that qualified for capitalization are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Fully depreciated property, plant and equipment are retained in the books until these are no longer in use.

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its retirement or disposal, the cost and accumulated depreciation, amortization and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss in the year it was derecognized.

Investment Properties

Investment properties comprise land that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss in the year in which these arise.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property should reflect market conditions at the end of the reporting year.

Transfers are made to investment property when, and only when, there is change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in profit or loss in the period of derecognition.

Impairment of Nonfinancial Assets
The carrying amounts of investments in associates, property, plant and equipment carried at cost and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss. Impairment losses recognized in prior years 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, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful lives.

Equity
Capital stock
Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

Additional paid-in capital
Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Treasury stock
Where any entity of the Group purchases the Parent Company's capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental

transactions costs and the related income tax effect, is included in equity attributable to the Parent Company's equity holders.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated or restricted retained earnings represent portion which is not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent portion which can be declared as dividends to shareholders.

Dividend distribution
Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as event after the reporting year.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These include revaluation increment on land and remeasurement loss on retirement liability, which are presented as part of "Other equity reserves" account in the consolidated statement of financial position.

Revenue and Cost Recognition

Accounting policies effective January 1, 2018

Revenue from contracts with customer is recognized when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

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

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer. The Group availed of the deferral of adoption of the specific provisions of PIC Q&As No. 2018-12 as the Group continues to include land and uninstalled materials in the determination of POC.

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

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the “contract asset” account in the asset section of the consolidated statement of financial position.

In determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. The Group does not adjust the transaction price for the effects of the significant financing component as it availed the relief provided by the Philippine SEC.

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

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

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

Hotel and resorts revenue
The Group recognizes revenue from hotel operations at a point in time (i.e., when the related service and goods are rendered or served). Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Sale of goods
Sale of goods is recognized at a point in time, i.e.,when the control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Cost of goods sold
Cost from sale of goods is recognized when goods are delivered to and accepted by the customers.

Management fees
Revenue from management services is recognized over time because the customer simultaneously receives the benefits as the Company performs the services. The Company uses the input method to measure the progress, which is a time-based measure that results in a straight-line recognition of revenue. Payment is due within 30 days.

Contract balances
Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

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

Other performance obligations
The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

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

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

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

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

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

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

Revenue and Cost Recognition

Accounting policies prior to January 1, 2018

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's operations. Revenue is shown net of output VAT, returns and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Sale of real estate
The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the 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. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue is recognized when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 10% or more of the total contract price.

Revenue from sales of raw land is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deferred income" account presented under "Trade and other payables" account in the consolidated statement of financial position.

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. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account presented under "Trade and other payables" account in the consolidated statement of financial position.

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

Hotel revenue
Hotel revenue from room rentals and other ancillary services are recognized when the services are rendered and revenue from food and beverage sales is recognized when orders are served. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services.

Sale of goods
Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally recognized upon delivery of the goods and acceptance by the buyer.

Revenue Recognition

Accounting policies applicable to both periods presented

Rent income
Rent income from operating lease is recognized using the straight-line method over the term of the lease.

Interest income
Interest income is recognized on a time proportion basis using the EIR method.

Other income
Other income is recognized when earned.

Expense Recognition
Selling, general and administrative expenses
Selling expenses are costs incurred to sell or distribute goods. General and administrative expenses are costs of administering the business such as salaries and wages of administrative department, professional fees and rental and utilities and general office expenses. These costs are expensed when incurred.

Employee Benefits
Short-term employee benefits
The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. A liability is also recognized for the amount expected to be paid under short-term cash bonus 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 benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses.

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

Retirement benefits
The Parent Company, and RLC have an individual and separate defined benefit retirement plans. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

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 non routine 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 in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation 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.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as expense when incurred.

Capitalization of borrowing costs is suspended during extended periods in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

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

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Foreign Currency-denominated Transactions

Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

Income Taxes

Current Tax

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

Deferred Tax

Deferred tax is provided on all temporary differences at the end of the reporting year 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, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" account or "Trade and other payables" account, respectively, in the consolidated statement of financial position.

Related Parties Relationship and Transactions
Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

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. This includes: (a) individuals who, by 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 Group that gives them significant influence over the Group 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 legal form.

Earnings (Loss) per Share Attributable to the Equity Holders of the Parent Company
Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Share-based Payments
A certain employee and directors of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognized in employee benefits expense and director's remuneration fee, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Segment Reporting
Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be

allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. Reportable operating segments primarily consist of the real estate business, hotel, manufacturing and other segments, which are not reported separately.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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

Events after the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently quantifying the impact of adopting PFRS 16.

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

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

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

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

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management exercised judgment on the following items, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition method and measure of progress - effective January 1, 2018
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. The Group availed of the deferral of adoption of the specific provisions of PIC Q&A 2018-12 specifically on the exclusion of land and uninstalled materials in computing the percentage of completion.

Revenue and cost recognition on real estate sales - prior to January 1, 2018
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- *Buyer's continuing commitment to the sales agreement*
  Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor the obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. In determining whether the sales prices are collectible, the Group considers that the initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
  The Group commences the recognition of revenue from sale of uncompleted projects when the construction is beyond the preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), as determined by the project engineers.

Definition of default and credit-impaired financial assets - effective January 1, 2018
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

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

Qualitative criteria - The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty.

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

Incorporation of forward-looking information - effective January 1, 2018
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

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

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

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

Determination of operating segments
Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Classification of investment properties
Management determines the classification of a property depending on its eventual realization of the asset. The significant portion of the Group's parcels of land have been subjected to the revised Notice of Coverage (NOC) issued by Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Law (CARL). On October 25, 2017, Court of Appeals (CA) has partially granted the

Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards (CLOAs) by DAR in favor of the farmer-beneficiaries (see Note 26).

On August 13, 2018, the Company received the Court of Appeals Resolution, which dismissed the Parent Company and DAR's Motions for Partial Reconsideration. The Company subsequently filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court to assail the Court of Appeals' Decision and Resolution before the Supreme Court. In the meantime, DAR, through Office of the Solicitor General (OSG), filed its own Petition for Review on Certiorari.

On November 19, 2018, the Company filed a Comment/Opposition Ad Cautelam to DAR's said petition. The petitions filed by the Company and DAR were consolidated and are now pending before the Supreme Court (see Note 26).

The Group has determined that still has the legal title over the land properties under CARL. Since there is still no final decision by the courts, the land properties can still be classified under investment properties.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost.

The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Sales of real estate properties amounted to ₱106.8 million and ₱322.7 million for the years ended December 31, 2018 and 2017, respectively and ₱27.0 million for the three months ended December 31, 2016. Cost of real estate sales amounted to ₱70.7 million and ₱176.9 million for the years ended December 31, 2018 and 2017, respectively, and ₱21.1 million for the three months ended December 31, 2016.

Determination of fair value of the investment properties and land properties under property, plant and equipment
The Group accounts for its investment properties at fair value and its land properties under property, plant and equipment at revalued amount. The fair value of the investment properties and land under property, plant and equipment were determined by professional qualified independent appraisers. Investment properties are valued using generally acceptable valuation techniques and methods and estimates based on local market conditions. The land properties under property, plant and equipment are carried at revalued amount, which approximates its fair value at the date of the revaluation. The fair value was arrived at using the Sales Comparison Approach for land using gathered available market evidences. This considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Investment properties, including land properties that are subjected to the CARL with total land area of approximately 2,300.6 hectares and total cost of ₱4,316.3 million as at December 31, 2018 and 2017, are stated at fair value amounting to ₱5,280.0 million and ₱4,570.8 million as at December 31, 2018 and 2017, respectively (see Note 13). For the year ended December 31, 2018, determination of the fair value of the investment properties is based on the latest appraisal report made on November 26, 2018.

Land carried at revalued amounts as at December 31, 2018 and 2017 amounted to ₱773.5 million and ₱733.6 million, respectively (see Note 12). The resulting increase in the valuation of these assets is presented under "Appraisal increase on land of a subsidiary" in the consolidated statement of comprehensive income and recorded under "Other Equity Reserves" in the consolidated statement of changes in equity.

Estimation of useful lives of property, plant and equipment
The estimated useful life of each of the Group's items of property, plant and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors in the foregoing. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets.

The carrying value of the depreciable property, plant and equipment as at December 31, 2018 and 2017 amounted to ₱3,001.6 million and ₱3,063.5 million, respectively (see Note 12).

Estimation of allowance for ECL - Effective Starting January 1, 2018
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

As at December 31, 2018, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and contract assets) amounted to ₱311.8 million (see Notes 7 and 19). Allowance for ECL of receivables amounted to ₱14.6 million as at December 31, 2018 (see Note 7).

Estimation of impairment losses of receivables - Effective Prior to January 1, 2018
Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the past collection experience and other factors that may affect collectability and the fact that title is not yet transferred until contract price is fully paid. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

As at December 31, 2017, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables) amounted to ₱312.3 million (see Notes 7 and 20). Allowance for impairment losses of receivables amounted to ₱45.9 million as at December 31, 2017 (see Note 7).

Determination of NRV of real estate properties for sale and development
The NRV of real estate properties for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate properties for sale and development are expected to be realized and/or sold. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting year to the extent that such events confirm conditions at the end of the reporting year. A new assessment of NRV is made in each subsequent period. When the circumstances that previously caused real estate properties for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amount of real estate properties for sale and development amounted to ₱536.1 million and ₱565.3 million as at December 31, 2018 and 2017, respectively (see Note 8). No allowance for impairment losses on real estate properties for sale and development is necessary as of December 31, 2018 and 2017 (see Note 8).

Assessment of impairment of nonfinancial assets
The Group assesses at the end of each reporting period whether there is any indicator that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of nonfinancial assets which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators) as of December 31 are as follows:

	2018	2017
Investments in associates (Note 11)	**₱2,315,439**	₱2,288,523
Property, plant and equipment, excluding land carried at revalued amount (Note 12)	**3,001,563**	3,063,502

The fair value of RHI's shares listed in the PSE is lower than its carrying amount as of December 31, 2018. Management assessed that this is an indicator that the investment may be impaired. Based on management's value-in-use calculation, no impairment loss needs to be recognized on the investment as the recoverable amount is higher than carrying value.

As at December 31, 2018, the Group's coconut processing plant with carrying amount of ₱913.4 million was underutilized. Management assessed this as an indicator of impairment and evaluated the recoverable amount of the property, plant and equipment based on its value in use. No impairment loss was recognized on the Group's property, plant and equipment as the recoverable amount of the assets are higher than the carrying values.

Determination of retirement liability
The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 17 and include, among others, discount rates and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability as at December 31, 2018 and 2017 amounted to ₱46.3 million and ₱32.3 million, respectively. Retirement benefits amounted to ₱23.8 million and ₱6.5 million for the years ended December 31, 2018 and 2017, respectively, and ₱1.6 million for the three months ended December 31, 2016 (see Note 17).

Assessment of realizability of deferred tax assets
The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Total deferred tax assets amounted to ₱86.6 million and ₱82.1 million as of December 31, 2018 and 2017 (see Note 24).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT with income tax effect amounting to ₱190.53 million and ₱69.92 million as at December 31, 2018 and 2017, respectively (see Note 24). Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

Determination of provisions and evaluation of contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When 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. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable (see Note 26). No provision for probable losses arising from lawsuit and claims was recognized in the consolidated financial statements as of December 31, 2018 and 2017.

6. **Cash and Cash Equivalents**

This account consists of:

	2018	2017
Cash on hand	**₱2,043**	₱1,741
Cash in banks	**48,509**	135,118
Cash equivalents	**165,336**	–
	₱215,888	₱136,859

Cash in banks earn and average interest of 0.13% to 2.25% for the years ended December 31, 2018 and 2017, and three months ended December 31, 2016.

Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn an average interest of 0.45% to 1.25% for the years ended December 31, 2018 and 2017, respectively, and 0.63% for the three months ended December 31, 2016.

Total interest income earned from cash in banks and cash equivalents amounted to ₱2.3 million and ₱1.1 million for the years ended December 31, 2018 and 2017, respectively, and ₱0.1 million for the three months ended December 31, 2016.

7. Trade and Other Receivables

This account consists of:

	2018	2017
Trade	**₱94,999**	₱223,163
Due from:		
Related parties (Note 19)	**73,581**	120,455
Employees	**4,698**	4,702
Others	**6,715**	9,804
	179,993	358,124
Allowance for impairment losses	**(14,610)**	(45,864)
	₱165,383	₱312,260

Breakdown as to current and noncurrent portion follows:

	2018	2017
Current	**₱38,167**	₱191,815
Noncurrent	**127,216**	120,445
	₱165,383	₱312,260

Trade receivable - current represent the following:

a. Customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract amounting to ₱4.3 million and ₱150.1 million as of December 31, 2018 and 2017, respectively.

b. Outstanding individual, corporate and travel agency accounts earned from the hotel operation amounting to ₱27.8 million and ₱36.4 million as of December 31, 2018 and 2017, respectively, which generally have a 30-day term.

c. Sales arising from the premium coconut products amounting to ₱3.5 million and nil as of December 31, 2018 and December 31, 2017.

d. Fees earned from hotel management amounting to ₱2.5 million and ₱5.3 million as of December 31, 2018 and December 31, 2017.

Total interest income on trade and other receivables amounted to ₱10.3 million and ₱9.3 million for the years ended December 31, 2018 and 2017, and ₱1.6 million for the three months ended December 31, 2016.

Due from officers and employees pertains to noninterest-bearing salary and educational loans that are collected from the employees through salary deduction and advances for business purposes subject to liquidation.

Other receivables, which are normally settled within one year, pertains to nontrade receivables.

Movements of allowance for impairment losses of receivables follow:

	Trade	Due from Related Parties	Others	Total
Balance as at December 31, 2016	₱6,105	₱8,505	₱31,254	₱45,864
Provisions for the year (Note 19)	–	–	–	–
Balance as at December 31, 2017	6,105	8,505	31,254	45,864
Reversals for the year	–	–	(31,254)	(31,254)
Balance as at December 31, 2018	**₱6,105**	**₱8,505**	**₱–**	**₱14,610**

8. **Real Estate Properties for Sale and Development**

This account consists of:

	2018	2017
Real estate properties for sale	**₱343,904**	₱373,127
Raw land and land improvements for development	**192,205**	192,180
	₱536,109	₱565,307

Movements of allowance for impairment loss are nil in both years 2018 and 2017.

The movements in real estate properties for sale follows:

	2018	2017
Balances at beginning of the year	**₱373,127**	₱428,460
Disposals (cost of real estate sales)	**(70,671)**	(176,900)
Construction/development costs incurred	**22,839**	155,577
Effect of transition adjustment	**₱16,684**	₱–
Borrowing costs capitalized (Note 14)	**1,925**	2,133
Transferred to property, plant and equipment	–	(36,143)
Balances at end of the year	**₱343,904**	₱373,127

Cost of real estate sales amounted to ₱70.7 million and ₱176.9 million for the years ended December 31, 2018 and 2017, respectively, and ₱21.1 million for the three months ended December 31, 2016.

Certain properties for sale and development owned by RLC amounting to ₱180.9 million as at December 31, 2018 and 2017 are being used as collateral for the loans availed by RLC (see Note 15).

In 2017, the parcels of land recorded as part of inventory was reclassified to property, plant and equipment at revalued amount. These properties with a size of 11,266 square meters and cost amounting to ₱36.1 million pertain to the land where the AHRC hotel core is located. It was carried at fair value amounting to ₱46.3 million based on the appraisal report as of December 31, 2017. Appraisal increase on this land amounting to ₱7.1 million, net of tax effect, (see Note 12) was recognized in the consolidated statement of comprehensive income in 2017.

9. Inventories

Inventories account consists of:

	2018	2017
At cost:		
Finished goods	**₱41,131**	₱51,049
Packaging materials	**5,783**	6,708
Supplies	**952**	7,639
Work in process	**75**	64
	47,941	65,460
At NRV - finished goods, net of provision for inventory write-down amounting to ₱1.3 million as of December 31, 2018 (nil as of December 31, 2017)	**23,039**	–
	₱70,980	₱65,460

Cost of inventories carried at NRV amounted to ₱24.3 million as of December 31, 2018 (nil as of December 31, 2017).

Cost of inventories charged to cost of goods sold amounted to ₱34.5 million in 2018 (nil in 2017 and 2016) (see Note 21).

10. Other Current and Noncurrent Assets

Other current assets account consists of:

	2018	2017
Current portion of input VAT	**₱244,812**	₱160,184
Creditable withholding taxes	**88,002**	80,682
Prepaid expenses	**28,184**	7,712
Refundable deposits	**3,430**	2,949
Advances to suppliers	**101**	101
Others	**9,485**	11,101
	₱374,014	₱262,729

Input VAT mainly arises from construction of real estate for sale, construction of the hotel and plant buildings and purchases of goods and services for operations.

As at December 31, 2018 and 2017, allowance for impairment loss on creditable withholding taxes amounted to nil and ₱3.5 million, respectively.

Prepaid expenses pertain to prepaid rent, insurance and taxes.

Others consist of advance payments for outside services and other expenses which are normally utilized within one year.

Other noncurrent assets account consists of:

	2018	2017
Deferred input VAT	**₱80,518**	₱190,155
Franchise fee	**8,876**	9,983
Utility deposits	**4,698**	5,580
Advances:		
Contractors	**4,342**	34,432
Supplier	**38,115**	10,348
	₱136,549	₱250,498

Franchise fee pertains to RAHC's franchise fee to a third-party hotel chain company for the non-exclusive, non-assignable right to use the proprietary marks and system in connection with the establishment and operation of GoHotels. The agreement is for 10 years beginning the opening day of the hotels. Amortization expense amounted to ₱0.8 million for the years ended December 31, 2018 and 2017 (nil for the three months ended December 31, 2016).

11. Interests in Other Entities

a. Investment in associates

The carrying amounts of investments in associates are as follow:

	2018	2017
Associates		
RHI and subsidiaries	**₱2,187,673**	₱2,160,757
FLC	**88,883**	88,883
CPFI	**16,110**	16,110
FDC	**14,345**	14,345
RADC	**8,428**	8,428
	₱2,315,439	₱2,288,523

Movements in investments in associates follow:

	2018	2017
Associates		
Acquisition cost:		
Balance at beginning of the year	**₱2,167,054**	₱2,167,054
Accumulated equity in net earnings (loss):		
Balance at beginning of the year	**128,688**	105,533
Equity in net earnings (loss)	**(7,508)**	23,155
Balance at end of the year	**121,180**	128,688
Unrealized loss on transfer of land -		
Balance at beginning and end of the year	**(59,030)**	(59,030)

(Forward)

	2018	2017
Other comprehensive income:		
Balance at beginning of the year	**₱67,044**	₱34,900
Share in appraisal increase in land, net of tax	**15,581**	26,863
Share in remeasurement gain on retirement liability, net of tax	**18,843**	5,281
Balance at end of the year	**101,468**	67,044
	2,330,672	2,303,756
Allowance for impairment loss	**(15,233)**	(15,233)
	₱2,315,439	₱2,288,523

The following Philippine-incorporated and domiciled companies are the associates of the Group:

	Percentage of Ownership		
	2018	2017	Description of Business
RHI and subsidiaries**	**23.05**	23.05	Production and selling of sugar and related products
Roxaco-ACM Development Corporation (RADC)*	**50.00**	50.00	Real estate
Fuego Land Corporation (FLC)*	**30.00**	30.00	Real estate
Fuego Development Corporation (FDC)*	**30.00**	30.00	Real estate
Club Punta Fuego, Inc. (CPFI)*	**25.00**	25.00	Social recreational and athletic activities

* *Effective ownership through RLC.*
***Accounting period ends September 30 of every year due to seasonality of its business. For purposes of the Group's consolidation, RHI and subsidiaries ,report its financial statements from January 1 to December 31.*

Investments in CPFI, RADC and FLC were provided with allowance for impairment loss amounting to ₱7.9 million, ₱3.7 million and ₱3.6 million, respectively, as at December 31, 2018 and 2017.

<u>RHI and subsidiaries</u>
In November 2013, RCI sold 31% of its equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company but still remained the single biggest shareholder with 36% equity interest in RHI until January, 2015.

In February, 2015, RCI's equity interest in RHI was diluted from 36% to 31 % as a result of the acquisition of RHI's 241.8 million treasury shares by First Agri Holdings Corporation, a subsidiary of First Pacific.

RCI's equity interest in RHI was further diluted from 31% to 23% as a result of its non-participation in the exercise of Stock Rights Option (SRO) in May 2016 and the conversion of RHI's debt securities into 125 million common shares in July 2017.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of RCI and RLC amounting ₱560.0 million as at December 31, 2017. RCI fully paid its term loan as of December 31, 2018. The shares of stock of RHI remain only as collateral for RLC's long term loan balance of P446.7 million as of December 2018 (see Note 14).

RHI is a Philippine corporation with its shares listed on the PSE. The fair value based on quoted share price of RHI's shares held directly by the Parent Company amounted to ₱951.8 million and ₱1,447.5 million as of December 31, 2018 and 2017, respectively.

Reconciliation of proportionate share in net assets of RHI and subsidiaries and investment carried at equity method:

	2018	2017
Proportionate share on the net assets of the associate	**₱2,435,376**	₱2,405,049
Fair value adjustments	**(247,703)**	(244,292)
Carrying value of investment at equity method	**₱2,187,673**	₱2,160,757

In accordance with the Group's accounting policies, the retained interest in RHI was remeasured at its fair value upon lost of control and changes in the Group's ownership interest as discussed above.

The RHI Group has several pending claims and assessments. The ultimate outcome of which, based on management's and legal counsel's opinion, will not have a material impact on the consolidated statements of financial position and the consolidated statement of comprehensive income, except for certain disputed claims.

Outstanding provision for losses for disputed claims and assessments amounted to ₱42.8 million and nil as of December 31, 2018 and 2017, respectively.

The following are the subsidiaries of RHI:

	2018	2017	Description of Business
Central Azucarera Don Pedro, Inc. (CADPI)	**100.00**	100.00	Production and selling of raw and refined sugar, molasses and related products
Central Azucarera de la Carlota, Inc. (CACI)	**100.00**	100.00	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI)	**100.00**	100.00	Insurance agency
Roxol Bioenergy Corp. (RBC)	**100.00**	100.00	Production and selling of bioethanol fuel and trading of goods such as sugar and related products
CADP Port Services, Inc. (CPSI)	**100.00**	100.00	Providing ancillary services
RHI Agri-Business Development Corporation (RABDC)	**100.00**	100.00	Agricultural business
Roxas Pacific Bioenergy Corporation (RPBC)	**100.00**	100.00	Holding company for bioethanol investments
RHI Pacific Commercial Corp. (RHIPCC)	**100.00**	100.00	Selling arm of products of RHI Group
San Carlos Bioenergy, Inc. (SCBI)	**93.35**	93.35	Production and selling of bioethanol fuel
Najalin Agri Ventures, Inc. (NAVI)	**86.91**	86.91	Agricultural and industrial development
Roxas Power Corporation (RPC)	**50.00**	50.00	Sale of electricity

The accumulated equity in net earnings of associates amounting to ₱121.2 million and ₱128.7 million as at December 31, 2018 and 2017, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates are as follows:

	Associates			
	RHI and Subsidiaries*		CPFI, FLC, FDC and RADC**	
	2018	2017	**2018**	2017
Current assets	**₱13,598,925**	₱5,623,800	**₱457,764**	₱457,764
Noncurrent assets	**11,857,494**	17,613,445	**595,106**	595,106
Current liabilities	**14,452,255**	6,793,660	**271,726**	271,726
Noncurrent liabilities	**438,540**	6,009,533	**4,488**	4,488
Net assets	**10,565,624**	10,434,052	**776,657**	776,657
Revenue	**7,055,902**	11,531,002	**202,430**	202,430
Net income (loss)	**(32,574)**	117,803	**(33,641)**	(33,641)
Other comprehensive income (loss)	**149,345**	64,142	**1,554**	1,554
Total comprehensive income (loss)	**147,223**	28,639	**(32,097)**	(32,097)

** Material associate*
*** Individually immaterial associates*

There are no significant restrictions on the ability of the associates to transfer funds to the Parent Company in the form of cash dividends and repayment of loans, among others.

b. Subsidiaries

Acquisition of RSAI
On April 8, 2016, the Parent Company subscribed to 2,150,000 shares of RSAI representing 81.13% ownership interest from RSAI's increase in capital stock and paid a total consideration of ₱101.0 million. As a result, the Parent Company gained control over RSAI.

RSAI is an existing entity incorporated in February 16, 2015, which started its commercial operations in December 2017.

The non-controlling interest in RSAI amounted to ₱31.3 million, which was measured based on proportionate value of net assets of RSAI as at the date of acquisition.

During 2017, RCI and the non-controlling interest made additional investments amounting to ₱21.5 million and ₱2.0 million, respectively, maintaining the same equity interest in RSAI.

In December 2018, RCI made an additional ₱200 million capital contribution in RSAI thereby increasing its equity ownership to 88.81%.

Step Up Acquisition of RAHC
On April 13, 2016 (date of acquisition), RLC made an additional investment of ₱61.0 million that increased the equity interest of the Group in RAHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RAHC from two to three directors out of the five directors to obtain control over RAHC. Consequently, RAHC became a subsidiary from said date, resulting to a gain from step up acquisition amounting to ₱6.9 million. RAHC's principal place of business is located at 7F Cacho Gonzales Bldg., 101 Aguirre Street, Legazpi Village, Makati City.

The non-controlling interest in RAHC amounted to ₱270.9 million, which was measured based on proportionate fair value of net assets of RAHC as at the date of acquisition.

Subsequently, on May 25, 2016 and September 1, 2016, the Company made additional investments amounting to ₱51.0 million and ₱41.0 million, respectively, maintaining the same equity interest in RAHC.

Subsidiary with Material Non-controlling Interest
On December 3, 2013, RLC entered into a Shareholders Agreement with VH Select Investments (Phil) Pte. Ltd (VH Select) to form a joint venture company, Roxaco-Vanguard Hotel Corporation (RVHC) primarily to build and manage a minimum of five budget hotels under the “Go Hotels” brand through a franchise agreement with Robinsons Land. In April 2016, RLC increased its equity interest in RVHC to 51% to obtain control over RVHC and become its subsidiary.

In October 2016, the first Go Hotel at the Manila Airport Road started commercial operations. Thereafter, North EDSA, Cubao, Ermita, and Timog sites opened for operations in February, April, June and October 2017, respectively.

In April 2018, VH Select Investments sold its shares in RVHC to Asia Hospitality Private Capital Ltd. Singapore to become RLC’s new JV partner. Consequently, the corporate name was changed from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC) and was approved by the SEC in October 2018. In August 2018, RAHC appointed Anya Hospitality Group, the hotel management arm of RLC to manage the five Go Hotels.

As at December 31, 2018 and 2017, total costs incurred on the Projects amounted to nil and ₱2,435.0 million, respectively, recorded under “Property, plant and equipment” carried at cost in the consolidated statements of financial position.

Summarized balance sheets of RAHC are as follows:

	2018	2017
Total assets	**₱2,651,322**	₱2,696,319
Total liabilities	**1,980,434**	1,943,426
Equity	**670,887**	752,893
Attributable to non-controlling interests	**342,152**	368,198

Summarized statements of income are as follows:

	2018 (One year)	2017 (One year)	2016 (Three months)
Revenue	**₱249,976**	₱145,952	₱11,224
Expenses	**248,477**	74,711	20,372
Benefit from income tax	**32,049**	(16,482)	(3,063)
Net loss	**(126,635)**	(36,591)	(6,085)
Net loss attributable to non-controlling interests	**(64,584)**	(17,930)	(2,982)

Summarized statements of comprehensive income are as follows:

	2018 (One year)	2017 (One year)	2016 (Three months)
Total comprehensive loss	**(₱102,880)**	(₱36,591)	(₱6,085)
Attributable to non-controlling interests	**(52,469)**	(17,930)	(2,982)

The ability of pay dividends or make other distributions or payments to its shareholders (including the Parent Company) is subject to applicable laws and other restrictions contained in financing agreements that prohibit or limit the payment of dividends or other transfers of funds (see Note 14).

12. **Property, Plant and Equipment**

Details and movements of the property, plant and equipment carried at cost follows:

	December 31, 2018					
	Buildings and Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱2,273,830**	**₱642,136**	**₱17,564**	**₱97,905**	**₱118,404**	**₱3,149,839**
Additions	**594**	**8,950**	**2,050**	**16,050**	**18,677**	**46,321**
Reclassifications	**(57,066)**	**(63,604)**	**(80)**	**146,994**	**(26,244)**	**–**
Disposals	**(90)**	**(44)**	**–**	**–**	**–**	**(134)**
Balance at end of year	**2,217,268**	**587,438**	**19,534**	**260,949**	**110,837**	**3,196,026**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**40,421**	**8,311**	**12,180**	**25,425**	**–**	**86,337**
Depreciation and amortization	**44,181**	**14,207**	**10,556**	**39,048**	**–**	**107,992**
Reclassifications	**5,000**	**(8,355)**	**(10,000)**	**13,355**	**–**	**–**
Disposals	**90**	**44**	**–**	**–**	**–**	**134**
Balance at end of year	**89,692**	**14,207**	**12,736**	**77,828**	**–**	**194,463**
Net Book Value	**₱2,127,576**	**₱573,231**	**₱6,798**	**₱183,121**	**₱110,837**	**₱3,001,563**

	December 31, 2017					
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱20,324	₱248,102	₱14,649	₱62,471	₱1,749,987	₱2,095,533
Additions	3,431	394,034	2,915	35,434	618,492	1,054,306
Reclassifications	2,250,075	–	–	–	(2,250,075)	–
Balance at end of year	2,273,830	642,136	17,564	97,905	118,404	3,149,839
Accumulated Depreciation and Amortization						
Balance at beginning of year	14,694	–	10,524	13,563	–	38,781
Depreciation and amortization	25,727	8,311	1,656	11,862	–	47,556
Balance at end of year	40,421	8,311	12,180	25,425	–	86,337
Net Book Value	₱2,233,409	₱633,825	₱5,384	₱72,480	₱118,404	₱3,063,502

Construction in progress pertains to the RGEC's solar power project.

Fully depreciated property, plant and equipment with an aggregate cost of ₱14.5 million as at December 31, 2018 and 2017, respectively, are still being used in the operations.

Land at appraised values and had it been carried at cost are as follows:

	2018	2017
At appraised values:		
Balance at beginning of year	**₱733,592**	₱551,240
Reclassification from real estate properties for sale and development to property, plant and equipment (Note 8)	**–**	36,143
Appraisal increase	**39,903**	146,209
Balance at end of year	**₱773,495**	₱733,592
At cost	**₱558,862**	₱558,862

Certain assets were mortgaged and used as collateral to secure the loan obligations of the RSAI and RAHC with the local banks as at December 31, 2018 and 2017 (see Note 15).

13. **Investment Properties**

This account consists of land properties of the Parent Company located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation amounting to ₱5,280.0 million and ₱4,570.8 million as of December 31, 2018 and 2017, respectively.

The Parent Company's investment properties include land properties that are subjected to the CARL with total land area of 2,300.6 hectares (see Note 26). Unrealized fair value gain recognized on these investment properties amounted to ₱709.2 million and nil for the years ended December 31, 2018 and 2017, respectively.

As at December 31, 2018 and 2017, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at November 24, 2018 as determined by a professional qualified independent and SEC-accredited appraiser. The fair value measurement for investment properties has been categorized under Level 3, which was determined by using the Sales Comparison Approach that disregards all existing liens and encumbrances, and appraises the properties as though free and with clean titles. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape (see Note 28).

The Philippine SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc., the parent company of CADPGC, which was absorbed and liquidated (see Note 18). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

14. **Short-term Borrowings**

This account represents unsecured short-term loans obtained from various local banks for the Group's working capital requirements amounting to ₱1.3 billion as of December 31, 2018 and 2017, payable within 30 to 180 days. These loans bear an annual interest ranging from 4.50% to 7.50% for the years ended December 31, 2018 and 2017, respectively, and 2.75% to 5.00% for the three months ended December 31, 2016.

Interest expense arising from short-term borrowings amounted to ₱77.3 million and ₱99.9 million for the years ended December 31, 2018 and 2017, respectively, and ₱5.3 million for the three months ended December 31, 2016 (see Note 15). Capitalized borrowing cost from short-term borrowings amounted to ₱1.9 million and ₱2.1 million for the years ended December 31, 2018 and 2017, respectively, and ₱3.7 million during the three months ended December 31, 2016.

15. **Long-term Borrowings**

Long-term borrowings consist of loans from:

	2018	2017
Bank of the Philippine Islands (BPI)	**₱1,504,810**	₱1,648,000
United Coconut Planters Bank (UCPB)	**501,473**	500,000
Banco de Oro Unibank, Inc. (BDO)	**385,000**	389,355
Robinsons Bank Corporation	**330,000**	330,000
Asia United Bank (AUB)	**5,619**	–
	2,726,902	2,867,355
Current portion	**(920,482)**	(594,165)
Noncurrent portion	**₱1,806,420**	₱2,273,190

	2018	2017
RAHC	**₱1,773,095**	₱1,803,000
RSAI	**507,092**	500,000
RLC	**446,715**	504,355
Parent	**–**	60,000
	₱2,726,902	₱2,867,355

Loans of RAHC
The bank loans are classified as follows:

	2018	2017
Current portion	**₱751,122**	₱59,810
Noncurrent portion	**1,021,973**	1,743,190
	₱1,773,095	₱1,803,000

In September 2014, RAHC entered into a new term loan facility with BDO amounting to ₱220.0 million for the development of GoHotel Manila Airport Road. The loan bears interest rate of 3.75% and is repriced every quarter. Principal amount is payable quarterly after the three-year grace period for five years until 2022. The loan was fully paid in September 2017.

In October 2015, RAHC obtained another term loan facility from BDO amounting to ₱385.0 million for the development of GoHotel Malate that bears interest of 3.75% and is repriced every quarter. Principal amount is payable quarterly after the three-year grace period for eight years until 2023.

In September 2016, RAHC converted its short-term loan facility from BPI amounting to ₱628.0 million into term loan facility for the development of GoHotel North EDSA and Cubao. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2023.

In May 2017, RAHC converted another short-term loan facility from BPI amounting to ₱460.0 million into term loan facility for the development of GoHotel Timog. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2024.

In September 2017, RAHC entered into a term loan facility with Robinsons Bank Corporation amounting to ₱330.0 million to take out existing loan with BDO which funded the development of GoHotel Manila Airport Road and for general working capital purposes. The loan bears minimum interest rate of 3.75% for the first two years and indicative interest of 6% for the succeeding years until maturity. Principal amount is payable quarterly after the two-year grace period for eight years until 2027.

As at December 31, 2017, RAHC had drawn total loan of ₱1,088.0 million from BPI, ₱385.0 million from BDO and ₱330.0 million from Robinsons Bank to fund the construction and development of the five GoHotel sites.

The loan facilities are secured by RAHC's properties amounting to ₱2,222.5 million and ₱2,089.1 million as at December 31, 2018 and 2017, respectively.

Loan of RSAI

The bank loans are classified as follows:

	2018	2017
Current portion	**₱74,122**	₱35,000
Noncurrent portion	**432,970**	465,000
	₱507,092	₱500,000

The loan facility is secured by RSAI's coconut processing plant amounting to ₱913.4 million and ₱913.8 million as at December 31, 2018 and 2017 respectively (see Note 12).

Loan of RLC

The bank loan is classified as follows:

	2018	2017
Current portion	**₱95,238**	₱504,355
Noncurrent portion	**351,477**	–
	₱446,715	₱504,355

In 2013, RLC obtained a new term loan facility from BDO amounting to ₱130.0 million. The loans bear fixed interest of 4.25%, which is being repriced every 30 to 180 days. The loan was fully paid as of September 2018.

The loan facility is secured by RLC's real estate properties for sale and development amounting to ₱2.1 million as at December 31, 2018 and 2017.

On September 30, 2016, RLC obtained a new loan from BPI, with RCI as the co-mortgagor, amounting to ₱500.0 million. The loan bears variable interest rate and is repriced every quarter. Principal amount is payable quarterly for five years until 2023 with the first payment payable after two years from the release of the loan. As at December 31, 2018 and 2017, the loan from BPI is secured by RLC's real estate properties for sale and development amounting to ₱180.9 million and certain properties of the Parent Company (see Note 8).

As at December 31, 2018, the RLC loan is secured by real estate mortgages and pledge over RHI shares of stock owned by the Parent Company as follows:

	2018	2017
Shares of stock of RHI (99.6 million shares)	**₱322,265**	₱322,265
Real estate properties for sale and development of RLC (Note 8)	**180,900**	180,900
Investment properties (Note 13)	**6,838**	6,838
Property, plant and equipment (Note 12)	**797**	797
	₱510,800	₱510,800

Loan of the Parent Company
On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loan into a long-term loan of the Parent Company, which bears interest ranging from 4.50% to 5.50% and is payable quarterly in arrears. The principal is payable in 20 equal amortization starting January 20, 2015 until December 20, 2019. The long term loan, both current and noncurrent portion, amounting to ₱60.0 million was paid by the Company on November 15, 2018.

Interest Expense
Total interest expense incurred amounted to ₱237.9 million and ₱88.4 million for the years ended December 31, 2018 and 2017, respectively and ₱9.5 million for the three months ended December 31, 2016, and (see Notes 14 and 15). Details of interest expense, net of capitalized borrowing costs follow:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Long-term borrowings	**₱160,631**	₱6,776	₱4,250
Short-term borrowings	**77,290**	99,893	5,254
	₱237,921	₱106,669	₱9,504

Details of capitalized borrowing costs related to real estate projects of RLC and its subsidiaries are as follows:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Long-term borrowings	**₱–**	₱24,752	₱12,728
Short-term borrowings	**1,925**	2,794	3,725
	₱1,925	₱27,546	₱16,453

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱1.95 million and ₱2.1 million for the years ended December 31, 2018 and 2017, respectively, and ₱2.7 million for the three months ended December 31, 2016 were capitalized using a weighted average rate of 6.84% and 3.75% for the years ended December 31, 2018 and 2017, respectively, and 3.63% for the three months ended December 31, 2016 (see Note 15).

Capitalized borrowing costs in relation to the construction of GoHotels and coconut processing plant amounted to nil and ₱27.5 million for the years ended December 31, 2018 and 2017 and ₱11.9 million for the three months December 31, 2016, respectively, which were capitalized using weighted average rate of 3.74% to 3.75% in 2017 and 3.08% to 4.00% in 2016.

Loan Covenants

RLC

The long-term borrowings of the Parent Company and RLC are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.0:1.0 and 1.10:1.0, respectively, and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management; and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

RAHC

The significant covenants attached to the borrowings of RAHC include the following restrictions:

- maintenance of debt service coverage ratio (DSCR) of at least 1.0:1.0, and debt to equity ratio of not more than 3.00:1.00;
- Materially change the character of its business from that being carried on at a date of agreement;
- Materially change ownership or control of its business or its capital stock or its composition of top level management;
- Secure indebtedness by or to benefit of any lien, unless the benefit of such lien is at the same time extended equally and ratably to secure the payment of principal, interest, and other sums payable;
- Declare or pay dividends to its stockholders or partners upon the occurrence of an event of default;
- Sell, lease, transfer, or otherwise dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge with any other person or acquire all or substantially all of the properties or assets of any other persons;
- Extend loans, advances or subsidies to any corporation or entity owned or in which it may have equity other than advances in the ordinary course of business;
- Extend loans or advances to any of its directors, officers, or stockholders except duly approved employee benefit loans;
- Incur any long-term loan or increase its borrowings or re-avail of existing facilities with other bank or financial institutions, except for working capital requirement;
- Act as guarantor or surety for any obligation of any person unless in ordinary course of business; and
- Undertake nor incur any capital expenditure or purchase of capital equipment or other fixed assets outside ordinary course of business.

As of December 31, 2018, RAHC has not met the DSCR requirement on its term loan and accordingly, reclassified ₱598.1 million loan from BPI as a current liability. On January 21, 2019, RAHC subsequently obtained from BPI the suspension of the DSCR requirement effective from January 1, 2019 until December 31, 2019.

Maturities
The maturities of the long-term borrowings are as follow:

	2018	2017
Less than one year	**₱920,482**	₱594,165
Between one and two years	**205,869**	469,313
Between two and five years	**900,582**	1,547,893
Over five years	**699,969**	255,984
	₱2,726,902	₱2,867,355

Change in Liabilities Arising from Financing Activities

	Short-term borrowings (Note 14)		Long-term borrowings (Note 15)	
	2018	2017	**2018**	2017
Balance at the beginning of the year	**₱1,347,000**	₱1,410,226	**₱2,867,355**	₱1,899,355
Availments	**148,000**	2,664,700	**9,152**	855,000
Payments and reclassification from short-term to long-term	**(184,000)**	(2,727,926)	**(149,605)**	113,000
Balance at the end of the year	**₱1,311,000**	₱1,347,000	**₱2,726,902**	₱2,867,355

There are no non-cash changes in short-term borrowings, long-term borrowings and accrued interests.

16. Trade and Other Payables

This account consists of:

	2018	2017
Trade	**₱150,299**	₱57,385
Due to related parties (Note 19)	**150,084**	80,742
Accrued expenses	**117,885**	122,796
Retention payable	**110,902**	137,499
Payables to contractors	**57,283**	101,423
Interest	**17,743**	9,093
Payroll and other employee benefits	**15,938**	5,926
Statutory payables	**9,377**	21,631
Dividends (Note 18)	**1,202**	1,202
Deferred income	–	15,639
Customers' deposits	–	42,101
Others	**33,966**	42,097
	₱664,679	₱637,534

Trade payables are noninterest-bearing and are generally settled within 30 days.

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Group.

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion in 2017. This is reclassified to contract liabilities in 2018 (see Note 20).

Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue in 2017. This is reclassified to contract liabilities in 2018 (see Note 20).

Payables to contractors pertain to liabilities for the services rendered for the construction of the coconut plant facility.

Statutory payables and other payables are noninterest-bearing and are normally settled throughout the year.

Others pertain to titling payable, rental of office, utilities, sales commission and SL and VL conversion payable which are noninterest-bearing and are normally settled within one year.

17. **Retirement Benefits**

The Parent Company and RLC have an unfunded, noncontributory defined benefit retirement plan based on the minimum amount required by law, covering its permanent employees. Retirement benefits costs and contributions are determined in accordance with an actuarial study and are based on years of service and the employee's final covered compensation.

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

Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Current service cost	**₱21,868**	₱5,713	₱1,435
Net interest cost	**1,896**	808	196
	₱23,764	₱6,521	₱1,631

The cumulative remeasurement gain on retirement liability (shown as part of other equity reserve) recognized as other comprehensive income amounted to ₱32.56 million, net of tax, as of December 31, 2018 and 2017, respectively.

Retirement Liability
Retirement liability recognized in the consolidated statements of financial position follows:

	2018	2017
Present value of obligation	**₱56,535**	₱42,777
Fair value of plan assets	**(10,278)**	(10,480)
	₱46,257	₱32,297

Movements in the defined benefit obligation for the years ended December 31, 2018 and 2017 follow:

	2018	2017
Balance at beginning of the year	**₱42,777**	₱37,685
Current service cost	**21,868**	5,713
Interest cost	**2,352**	808
Benefits paid	**(500)**	(1,429)
Actuarial (gain) loss on DBO due from:		
Experience adjustments	**(1,488)**	–
Changes in financial assumptions	**(5,870)**	–
Changes in demographic assumptions	**(2,604)**	–
Balance at end of the year	**₱56,535**	₱42,777

Movements in the fair value of plan assets for the years ended December 31, 2018 and 2017 follow:

	2018	2017
Balance at beginning of the year	**₱10,480**	₱11,909
Interest income	**456**	–
Return on plan assets, excluding amounts included in interest income	**(658)**	(1,429)
Balance at end of the year	**₱10,278**	₱10,480

Plan assets of the Parent Company and RLC as at and December 31, 2018 and 2017 consist of:

Cash in banks and cash equivalents	15%
Government securities and other assets	85%
	100%

The Parent Company and RLC are expected to contribute a total of ₱4.1 million to its respective plans in 2019.

The latest actuarial valuation of the plan is as of December 27, 2018, which was used for the estimation of the retirement benefits as at December 31, 2018.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each period follows:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Discount rate	**7.40% to 7.50%**	4.34% to 4.42%	4.34% to 4.42%
Future salary increases	**7.00%**	5.00%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2018 are as follows:

	Change in assumption	Effect on Retirement Liability RLC	Parent
Discount Rate +100bps	8%	₱42,040	₱9,663
Discount Rate -100bps	-9%	49,442	10,806
Salary Rate +100bps	9%	49,419	10,803
Salary Rate -100bps	-8%	41,998	9,656
Turnover Rate = 0%	9%	49,441	11,321
Turnover Rate *125%	-2%	44,792	9,986
Turnover Rate *75%	2%	46,299	10,425

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The Group does not currently employ any asset-liability matching.

The maturity analysis of the undiscounted payments as of December 31, 2018 are as follows:

	Roxaco Land Corporation	Roxas and Company, Inc.
One year and less	₱4,430	₱61
More than one year to five years	10,216	16,737
More than five years to 10 years	50,135	1,060
More than 10 years to 15 years	51,560	10,057
More than 15 years to 20 years	41,199	9,976
More than 20 years	173,082	64,412

Weighted average duration of the defined benefit liability is 12.6 years and 13.7 years for the Parent Company and RLC, respectively.

18. **Equity**

a. Capital Stock

	December 31, 2018		December 31, 2017	
	Number of Shares	**Amount**	Number of Shares	Amount
"Class A" common stock - ₱1 par value				
Authorized	**3,375,000,000**	**₱3,375,000**	3,375,000,000	₱3,375,000
Balance at beginning and end of year	**2,911,885,870**	**₱2,911,886**	2,911,885,869	₱2,911,886
Treasury stock:				
Balance at beginning of the year	**(933,703,514)**	**(1,587,296)**	(938,018,483)	(1,594,631)
Issuances	**25,905,051**	**44,039**	4,314,969	7,335
Balance at end of the year	**(907,798,463)**	**(1,543,257)**	(933,703,514)	(1,587,296)
(Forward)				
Issued and outstanding	**2,004,087,407**	**₱1,368,629**	1,978,182,355	₱1,324,590
Preferred stock - ₱1 par value				
Authorized, 1,000,000,000				
Issued and outstanding	**500,000,000**	**₱500,000**	–	₱–

For the three months ended December 31, 2016, the Parent Company issued 69,184 treasury shares based on the market rate of ₱2.19 per share aggregating ₱0.2 million, resulting to an increase in additional paid-in capital amounting to ₱5,996, net of transaction costs of ₱27,904.

In 2017, the Parent Company issued 4,314,969 treasury shares based on the average market rate of ₱2.25 per share aggregating ₱9.8 million, resulting to an increase in additional paid-in capital amounting to ₱2.5 million, net of transaction costs of ₱120,719.

In 2018, the Parent Company issued 25,905,051 treasury shares based on the average market rate of ₱2.67 per share aggregating ₱74.6 million, resulting to an increase in additional paid-in capital amounting to ₱30.6 million, net of transaction costs of ₱0.97 million.

On November 13, 2018, the Company issued 500.0 million preferred shares (500,000,000 preferred shares offered at par value of 1 per share) with a fixed dividend rate of 7%, with a corresponding reduction to additional paid-in capital stock pertaining to transaction costs of ₱5.0 million. The preferred shares are cumulative, non-participating, non-voting, and redeemable at the option of the Parent Company, as determined by the BOD. Dividend in arrears on preferred shares amounted to ₱2.92 million as at December 31, 2018.

b. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

** Par value was subsequently reduced to ₱1.00*

c. Other equity reserves

Details of other equity reserves follow:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Revaluation Increment on Land			
Balance at end of period	**₱280,091**	₱280,091	₱280,091
Share in Revaluation Increment on Land of an Associate			
Balance at beginning of period	**72,360**	45,497	45,497
Share in revaluation increment on land, net of tax	**15,581**	26,863	–
Balance at end of period	**87,941**	72,360	45,497
Cumulative Share in Fair Value Reserve of an Associate			
Balance at beginning and end of period	**5,129**	5,129	5,129
Revaluation Increment on Land of a Subsidiary			
Balance at beginning of period	**70,439**	12,280	3,766
Share in appraisal increase, net of tax	**16,111**	58,159	8,514
Balance at end of period	**86,550**	70,439	12,280
Cumulative Remeasurement Gain (Loss) on Retirement Liability			
Balance at beginning of period	**3,281**	3,281	3,281
Remeasurement gain, net of tax	**6,514**	–	–
Balance at end of period	**9,795**	3,281	3,281
Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates			
Balance at beginning of period	**(10,445)**	(15,726)	(15,726)
Share in remeasurement loss, net of tax	**18,843**	5,281	–
Balance at end of period	**8,398**	(10,445)	(15,726)
	₱477,904	₱420,855	₱330,552

Restructuring on equity and revaluation increment on land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADPGC with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's equity interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the Philippine SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the Philippine SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased from ₱150.6 million to ₱280.0 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve", which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the debit balance in the "Other equity reserve" arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in "Other equity reserve" account arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the "Other equity reserve," consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the Philippine SEC had concurred with the adjustments made by the Parent Company (see Note 13).

d. Retained Earnings

Details of retained earnings follow:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Appropriated/Restricted			
Balance at beginning of period	**₱2,073,916**	₱2,081,251	₱2,081,369
Reversal for treasury stock and others	**(44,039)**	(7,335)	(118)
Balance at end of period	**2,029,877**	2,073,916	2,081,251
Unappropriated			
Balance at beginning of period	**1,504,195**	1,644,013	1,733,882
Effect of adoption of new accounting standards	**(3,040)**	–	–
Balance at beginning of period	**1,501,155**	1,644,013	1,733,882
Net income (loss) attributable to the Parent Company	**240,693**	(147,153)	(89,987)
Cash dividends	**–**	–	–
Reversal of appropriation for treasury stock	**44,039**	7,335	118
Balance at end of period	**1,785,887**	1,504,195	1,644,013
	₱3,815,764	₱3,578,111	₱3,725,264

Retained earnings that are not available for dividend declaration are as follows:

	2018	2017	2016
Restricted for treasury stock	**₱1,543,257**	₱1,587,296	₱1,594,631
Gain on change in fair value of investment properties, net of debit balance of Other Equity Reserves closed to retained earnings	**296,967**	296,967	296,967
Fair value gains on investment properties included in the retained earnings	**992,744**	283,545	283,545
Undistributed earnings of subsidiaries and equity in net earnings of the associates	**330,914**	101,421	169,430
	₱3,163,882	₱2,269,229	₱2,344,573

For purposes of dividend declaration, the retained earnings of the Parent Company should be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserves" account (see Note 13).

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,683.6 million for the cost of treasury shares acquired.

For the three months ended December 31, 2016, the Parent Company issued 0.1 million treasury shares and reversed the related appropriation amounting to ₱0.1 million. For the year ended December 31, 2017, the Parent Company issued 4.3 million treasury shares and reversed the related appropriation amounting to ₱7.3 million.

Dividend Declaration
Cash dividends declared by the Parent Company against the unappropriated retained earnings are as follows:

	Dividend		Stockholders of	
Date Approved	Per Share	Total Amount	Record Date	Payment Date
December 18, 2015	₱0.01	₱19,734	January 15, 2016	February 5, 2016
December 12, 2014	0.02	38,430	January 15, 2015	January 30, 2015
December 13, 2013	0.02	38,430	January 6, 2014	January 30, 2014

Dividends payable amounted to ₱1.2 million as at December 31, 2018 and 2017, respectively (see Note 16).

e. Share Prices

The principal market for the Parent Company's share of stock is the PSE. The high and low trading prices of the Parent Company's share for each quarter within the last three periods are as follows:

Quarter	High	Low
January through December 2018		
First	₱4.95	₱2.00
Second	2.85	1.82
Third	2.95	2.02
Fourth	2.65	1.76
January through December 2017		
First	2.37	2.00
Second	2.40	1.85
Third	2.34	1.92
Fourth	3.30	1.92
October 2016 through December 2016	2.34	2.20

19. Related Party Transactions and Balances

The transactions and related balances of the Group with other related parties are as follows:

Related Party	Nature of Transaction	Period	Transactions during the Period*	Trade and Other Receivables (see Note 7)	Amount Due to Related Parties (see Note 16)
Associates					
FDC	Interest-bearing advances	**December 31, 2018**	**₱–**	**₱40,362**	**₱2,388**
		December 31, 2017	₱–	₱40,362	₱2,388
	Interest-bearing advances	**December 31, 2018**	**–**	**–**	**10,822**
		December 31, 2017	–	–	10,822
FLC	Dividends receivable	**December 31, 2018**	**–**	**–**	**–**
		December 31, 2017	–	–	–
RADC	Noninterest-bearing advances	**December 31, 2018**	**–**	**–**	**10,966**
		December 31, 2017	–	–	10,966
CACI	Interest-bearing advances	**December 31, 2018**	**–**	**–**	**–**
		December 31, 2017	3,600	–	–
Joint Ventures					
VJPI	Noninterest-bearing advances	**December 31, 2018**	**–**	**1,021**	**119**
		December 31, 2017	–	1,021	119
Marilo Realty Development Corporation	Noninterest-bearing advances	**December 31, 2018**	**–**	**784**	**337**
		December 31, 2017	520	784	337
LPC	Defrayment of cost and expenses for restructuring	**December 31, 2018**	**–**	**3,112**	**10,413**
		December 31, 2017	354	3,112	10,413
Entities under common Control	Interest-bearing advances	**December 31, 2018**	**34**	**28,302**	**115,039**
		December 31, 2017	148	75,176	41,620
		December 31, 2018		**₱73,581**	**₱150,084**
		December 31, 2017		₱120,455	₱80,742

**Amounts represent transactions for the years ended December 31, 2018 and 2017.*

a. In the normal course of business, the Parent Company extends/avails of advances to/from its related parties under common control, with definite repayment terms. The advances to and from related parties are interest-bearing.

b. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC.

Outstanding balances at year end are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each reporting date. As at December 31, 2018 and 2017, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Revenue and income by	Expense by	Nature	**December 31, 2018 (One Year)**	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
RCI	RLC	Management fee	**₱18,000**	₱7,200	₱1,800
RCI	RSAI	Management fee	**6,000**	–	–

c. Compensation of key management personnel is as follows:

	December 31, 2017 (One Year)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
Salaries and short-term benefits	**₱42,828**	₱43,293	₱13,563
Retirement benefits	**17,614**	4,971	937
	₱60,442	₱48,264	₱14,500

Directors' Remuneration
The Parent Company settled director's remuneration through issuance of treasury shares for the regular board meetings held as follows:

Date of Meeting	Number of shares	Market Value per Share	Amount
May 19, 2016	67,266	₱2.28	₱153
August 12, 2016	56,305	2.21	124
December 16, 2016	68,184	2.19	149
April 6, 2017	75,000	2.02	152
May 12, 2017	62,190	2.01	125
June 19, 2017	86,632	2.02	175
November 10, 2017	91,147	1.92	175
April 6, 2018	68,496	2.19	150
May 11, 2018	73,170	2.05	150
August 10, 2018	66,794	2.62	175
December 10, 2018	93,583	1.87	175

The expense recognized on the foregoing amounted to ₱0.7 million and ₱1.9 million for the years ended December 31, 2018 and 2017, respectively, and ₱0.1 million for the three months ended December 31, 2016 and presented as part of "Salaries and employee benefits" account in the consolidated statements of comprehensive income.

20. **Revenue from Contracts with Customers**

a. Disaggregated revenue information

The Company presented below the disaggregation of revenue from contracts with customers which are based on type of contracts and timing of revenue recognition. This presentation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2018
Hotels and services:	
Hotel	₱364,425
Management fee	24,045
Real estate	106,787
Sale of goods	54,882
	₱550,139

Except for the revenues earned for the sale of real estate, all revenues were earned at the point in time.

i. Hotel sales and services

	2018
Room revenue	₱305,346
Food and beverage	50,979
Management fee	24,045
Spa	1,283
Others	6,817
	₱364,425

Management fee are services rendered by parent company and RLC for administration and property management of entities other than its subsidiaries for the year ended December 31, 2018.

ii. Real Estate

	December 31, 2018						
Segments	Anya	Palico Montana	Landing Townhomes	Landing Shophouses	Orchards	SAMG	Total
Sale of real estate	**₱14,511**	**₱72,617**	**₱12,744**	**₱3,099**	**₱–**	**₱3,816**	**₱106,787**
Geographical markets							
Tagaytay, Cavite	14,511	–	–	–	–	–	14,511
Nasugbu, Batangas	–	72,617	12,744	3,099	–	3,816	92,276
	₱14,511	**₱72,617**	**₱12,744**	**₱3,099**	**₱–**	**₱3,816**	**₱106,787**
Timing of revenue recognition							
Goods transferred over time	**₱14,511**	**₱72,617**	**₱12,744**	**₱3,099**	**₱–**	**₱3,816**	**₱106,787**

iii. Sale of goods

Sale of goods by product type

	2018
Coco milk/cream	₱23,741
Virgin coconut oil	16,823
Coco water concentrate	14,318
	₱54,882

Sale of goods by sales type

	2018
Domestic	₱7,680
Export	47,202
	₱54,882

b. Contract balances

The Company's contract balances as at December 31, 2018 and January 1, 2018 are as follows:

	December 31	January 1
Contract asset	**₱146,462**	₱120,445
Contract liabilities	**111,447**	57,740

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

Contract assets
Cash received from the sale of real estate properties, that does not meet the revenue recognition criteria set out in Note 4 are recognized in "Customers' deposits" account which is presented as part of "Contract liabilities and customer's deposits" account in the consolidated statements of financial position.

Breakdown as to current and noncurrent portion of the amount recorded under "Contract assets" account follows:

	2018
Contract assets - current	₱42,538
Contract assets - noncurrent	103,924
	₱146,462

Contract liabilities
As disclosed in Note 2, the Company adopted PFRS 15 and resulted to reclassification of the following to "Contract liabilities" amounting to ₱111.4 million:

a. Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

b. Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue

c. Guests' deposits amounting to ₱4.9 million pertain to the advance payments of guests for room reservations in the hotels.

c. Performance obligations (PO)

The following are the PO of the Company:

<u>Real Estate Sales</u>

(a) House and lot

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(b) Residential land

The developer performs significant activities of land development in accordance with the approved subdivision plan. This includes, but is not limited to, provision of drainage, sewerage, water and electricity system which integrates the common areas and saleable lots. These development activities, however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the residential lot.

The developer integrates the saleable lots with the land development to be able to transfer the "residential lot" promised in the CTS.

(c) Memorial lot

The Company performs significant activities of land development in accordance with the approved memorial garden plan. This includes grading and landscaping, construction of pathways and interment amenities, and installation of water source. These development activities however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the memorial lot.

Buyer can elect the payment means either as spot cash or in installment for a period ranging from one year to eight years. The Company determines that the payment of the consideration will not coincide with the percentage of completion of the real estate project and concluded that there is a significant financing component for these contracts.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31 in relation to real estate sales amounted to ₱106.3 million.

Hotel Revenues

(a) Hotel rooms

The Group also offers hotel room accommodations to customers through the five GoHotels of Roxaco Asia Hospitality Corporation and the resort of ANYA Hotels and Resorts Corporation.

(b) Food and beverage

For the sale of food and beverages, the performance obligation is satisfied when the goods are sold. Payment is generally due within 30 days as the customer receives the goods and services except for some customers with specific credit terms. The Company applies the practical expedient and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31 in relation to Hotel revenues amounted to ₱5.1 million.

Manufacturing

(a) Sale of coconut products

The Group is involved in manufacturing of some coconut products that are being sold either domestic or by export.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31 in relation to manufacturing revenues is nil.

d. Cost to obtain a contract

The balances below pertains to the cost to obtain contracts, i.e., commissions among others, included in the other current assets (see Note 10):

	2018
Balance at the beginning of year	₱–
Additions	6,874
Amortization	(1,868)
Balance at the end of year	₱5,006

21. **Cost and Expenses**

Cost of hotel sales and services consist of:

	2018 (One Year)	2017 (One Year)	2016 (Three months)
Depreciation and amortization (Note 12)	**₱103,330**	₱45,844	₱933
Salaries, wages and other employee benefits	**39,904**	14,743	387
Communication, light and water	**36,900**	16,877	–
Outside services	**29,667**	17,824	476
Food and beverage cost	**16,894**	–	–
Travel and transportation	**5,450**	192	–
Repairs and maintenance	**4,579**	1,201	–
Others	**8,724**	4,959	1,443
	₱245,448	₱101,640	₱3,239

Other cost of hotel sales and services are expensed as incurred which are incurred for the generation of revenue from ancillary services like laundry.

Cost of goods sold consist of:

	2018 (One Year)	2017 (One Year)	2016 (Three months)
Materials used and changes in inventory	**₱34,534**	₱–	₱–
Direct labor	**4,988**	–	–
Communication, light and water	**3,094**	–	–
Packaging materials	**2,580**	–	–
Indirect labor	**519**	–	–
Depreciation (see Note 12)	**388**	–	–
Factory supplies	**235**	–	–
Taxes and licenses	**168**	–	–
Rent expense	**83**	–	–
Repairs and maintenance	**76**	–	–
Others	**180**		
	₱46,845	₱–	₱–

Operating expenses consist of:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
General and administrative expenses	**₱487,882**	₱339,585	₱93,442
Selling expenses	**46,897**	16,861	11,187
	₱534,779	₱356,446	₱104,629

General and administrative expenses consist of:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Salaries, wages and other employee benefits (Note 22)	**₱185,161**	₱119,475	₱45,384
Outside services	**66,471**	44,062	6,858
Taxes and licenses	**58,221**	9,556	2,491
Depreciation and amortization (Note 12)	**44,757**	17,277	1,850
Yield guarantee to real estate buyers (Note 26)	**24,946**	14,898	–
Communication, light and water	**19,054**	27,383	2,817
Materials and consumables	**18,685**	1,713	710
Travel and transportation	**10,698**	5,317	1,457
Representation and entertainment	**10,088**	3,081	2,876
Rent	**7,314**	4,871	1,766
Repairs and maintenance	**4,245**	2,234	580
Insurance	**4,164**	1,097	1,665
Provision for impairment loss on receivables (Note 7)	–	–	17,298
Others	**34,078**	88,621	7,690
	₱487,882	₱339,585	₱93,442

Others include professional fees, training and development and other miscellaneous charges.

Selling Expenses
This account mainly pertains to marketing, commission on real estate sales and advertising and promotion expenses.

22. **Personnel Costs**

The components of employee benefits from continuing operations presented under "Cost of sales and services and general and administrative expenses" account in the consolidated statements of income are as follows.

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Salaries and wages (Note 21)	**₱230,053**	₱134,218	₱45,771
Retirement benefits (Note 17)	**24,220**	6,520	1,631
Allowances and other employee benefits	**22,935**	20,592	12,132
	₱277,208	₱161,330	₱59,534

23. **Other Income (Charges)**

Other income (charges) consists of:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Gain on collection of loans receivable	**₱28,897**	₱–	₱–
Condominium dues	**4,092**	–	–
Sale of furniture and fixtures	**3,160**	8,061	–
Titling and administration fees	**3,046**	3,639	–
Forfeited sale	**993**	–	–
Penalty from late payment	**779**	607	–
Rent income (Note 13)	**627**	3,441	–
Interment income	**613**	199	119
Sale of scrap	**146**	590	–
Others	**3,904**	9,667	8,866
	₱46,257	₱26,204	₱8,985

Others include other hotel charges such shuttle services, laundry services, early and late checkout fees, among others.

24. **Income Taxes**

a. Provision for (benefit from) income taxes comprise the following:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Current	**₱5,433**	₱6,059	₱582
Deferred	**11,210**	(8,586)	(12,130)
	₱16,643	(₱2,527)	(₱11,548)

b. The components of the recognized deferred tax assets and liabilities represent the tax effects of the following temporary differences:

	December 31, 2018		December 31, 2017	
	Net Deferred Income Tax Assets	**Net Deferred Income Tax Liabilities**	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred tax assets on:				
NOLCO	**₱22,903**	**₱–**	₱13,459	₱34,315
Customers' deposit	**24,746**	–	8,095	–
Allowance for:				
Impairment losses of receivables	**8,418**	–	8,418	–
Impairment losses on investments in associates	**4,544**	–	1,384	–
Retirement liability	**16,416**	–	6,459	1,343
Deferred income	**2,561**	–	1,348	–
Excess MCIT over RCIT	**6,371**	–	5,120	1,559
Various accruals	**634**	–	–	634
	86,593	–	44,283	37,851
Deferred tax liabilities on:				
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	**(10,612)**	–	(19,482)	–
Revaluation increment on land	**(5,701)**	**(54,806)**	(3,059)	(49,357)
Excess of fair value over carrying values of property, plant and equipment	**–**	**(19,720)**	–	(19,720)
Prepaid commissions	**(2,187)**	–	(488)	–
Borrowing costs	–	–	(32)	–
Net unrealized foreign exchange gain	**(3)**	**(9)**	(2)	(1)
	(18,503)	**(74,535)**	(23,063)	(69,078)
Net deferred tax assets (liabilities)	**₱68,090**	**(₱74,535)**	₱21,220	(₱31,217)

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Through profit or loss	**₱11,210**	(₱8,586)	(₱12,130)
Through other comprehensive income	**(14,762)**	43,859	7,164
	₱3,552	₱35,273	(₱4,966)

c. Deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized:

	2018	2017
NOLCO	**₱575,303**	₱335,335
Allowance for impairment losses on:		
Investments in associates	**1,384**	1,384
Receivables	**3,862**	3,862
AFS financial assets	**687**	687
Excess MCIT over RCIT	**9,991**	8,403

Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

NOLCO

Period Incurred	Balance at December 31, 2017	Additional	Expired	Balance at December 31, 2018	Tax Effect	Available Until
September 30, 2015	₱53,797	₱–	₱53,797	₱–	₱–	30-Sept-18
September 30, 2016	132,025	–	–	132,025	39,608	30-Sept-19
December 31, 2016	67,265	–	–	67,265	20,180	31-Dec-19
December 31, 2017	82,248	–	–	82,248	24,674	31-Dec-20
December 31, 2018	–	375,403	–	375,403	112,621	31-Dec-21
	₱335,335	₱375,403	₱53,797	₱656,941	₱197,083	

MCIT:

Period Incurred	Balance at December 31, 2017	Additional	Expired	Balance at December 31, 2018	Tax Effect	Available Until
September 30, 2016	₱1,343	₱–	₱–	₱1,343	₱1,343	30-Sept-19
December 31, 2016	582	–	–	582	582	31-Dec-19
December 31, 2017	9,344	–	–	9,344	9,344	31-Dec-20
December 31, 2018	–	5,094	–	5,093	5,093	31-Dec-21
	₱11,269	₱5,094	₱–	₱16,362	₱16,362	

d. The reconciliation between the income tax benefit computed at the applicable statutory tax rate and income tax benefit presented in the consolidated statements of income follows:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Income tax expense (benefit) at statutory rate	**₱52,503**	(₱52,007)	(₱32,470)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**105,857**	53,847	13,680
Tax effects of:			
Equity in loss (net earnings) of associates	**2,252**	(6,947)	7,960
Loss covered by ITH	**₱36,356**	₱–	₱–
Reversal of temporary differences	**30,115**	–	–

(Forward)

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Nondeductible interest expense	**₱203**	₱2,572	₱627
Interest income already subjected to final tax and dividend income exempt from tax	**690**	8	(12)
Nontaxable gain on change in fair value of investment properties	**(212,760)**	–	–
Others	**(1,427)**	–	(1,333)
Provision for (benefit from) income tax	**₱16,643**	(₱2,527)	(₱11,548)

25. **Earnings (Loss) Per Share**

Basic/diluted earnings (loss) per share are computed as follows:

	2018 (One Year)	2017 (One Year)	2016 (Three Months)
Net income (loss) attributable to the equity holders of the Parent Company	**₱240,693**	(₱147,153)	(₱89,987)
Less dividend on preferred shares	**2,917**	–	–
	237,776	(₱147,153)	(₱89,987)
Weighted average number of shares issued and outstanding:			
Issued and outstanding ordinary shares	**1,976,558,040**	1,973,809,482	1,973,798,202
Effect of issuance of treasury shares	**25,905,051**	2,748,558	11,280
	₱2,002,463,091	₱1,976,558,040	₱1,973,809,482
Basic/diluted earnings (loss) per share	**₱0.12**	(₱0.07)	(₱0.05)

There are no potential dilutive common shares as at December 31, 2018 and 2017.

26. **Contingencies and Commitments**

Contingencies

Land Properties Subjected to the CARL

The CARL provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the DAR issued Notices of Coverage, and subsequently, CLOA covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOA. On December 17, 1999, the Supreme Court promulgated its decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOA that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the exemption with the CARL of its three haciendas in Nasugbu, Batangas. The application for exemption was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu, Batangas as a Tourist Zone. The Parent Company likewise filed applications for exemption for certain smaller land areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Courtruled that the PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to the PP No. 1520, for possible exemption."

On February 8, 2011, the Supreme Court denied the Parent Company's Second Motion for Reconsideration (MR) and affirmed with finality its December 2009 decision.

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the landholdings of the Parent Company as tourism zones. To date, this application has remained unacted upon by the TIEZA.

In September 2011, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the NOC on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (Republic Act - RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a MR with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the CA. On May 7, 2016, the DAR denied the application for exemption filed by the Parent Company for the 285.9 hectares of land located in Nasugbu, Batangas. On June 27, 2016, the Parent Company filed an MR for the 285.9 hectares application, which the DAR denied. The Parent Company then filed an appeal with the Office of the President.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court. In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GR No. 169331.

On May 14, 2013, the BOD approved to authorize management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Parent Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

On October 26, 2017, CA has partially granted the Group's Petition for Certiorari pertaining to the NoC. Subsequently, the Group filed a MR over the issuance of CLOAs by DAR in favor of the farmer-beneficiaries.

On August 13, 2018, the Company received the Court of Appeals Resolution, which dismissed the Company and DAR's Motions for Partial Reconsideration. The Company subsequently filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court to assail the Court of Appeals' Decision and Resolution before the Supreme Court. In the meantime, DAR, through Office of the Solicitor General (OSG), filed its own Petition for Review on Certiorari.

On November 19, 2018, the Company filed a Comment/Opposition Ad Cautelam to DAR's said petition. The petitions filed by the Company and DAR were consolidated and are now pending before the Supreme Court.

Other Contingencies
In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses for the years ended December 31, 2018 and 2017 and for the three months ended December 31, 2016.

Joint Operations
On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite (the "Project"). RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

As at December 31, 2018 and 2017, the Project is fully sold. Outstanding balance due from VJPI amounted to ₱1.0 million as at December 31, 2018 and 2017 is included as part of due from related parties and presented in the consolidated statements of financial position.

Yield Guarantee to Real Estate Buyers
During the year ended September 30, 2014, RLC entered into a yield guarantee agreement with buyers of Anya Resort Suites. The said buyers will be entitled to a yield guaranteed along with the usage allowance for the first five years inclusive of fixtures, furniture and equipment and VAT. The hotel operator is RLC (previously by AHRC). Yield guarantee charged to operating expenses amounted to ₱24.9 million and ₱14.9 million in 2018 and 2017, respectively.

Lease Commitments
The Parent Company has an existing lease agreement for a portion of its investment property with a third party for a period of three crop years until December 20, 2016. Rent income recognized amounted to amounted to nil and ₱0.9 million for the years ended December 31, 2018 and 2017, respectively (see Note 13).

Future minimum lease receivable for less than one year amounted to nil and ₱0.9 million as at December 31, 2018 and 2017 respectively. Future minimum lease receivable after one year but not more than five years amounted to nil as at December 31, 2018 and 2017.

Unused Credit Lines
As at December 31, 2018 and 2017, the Group has unused lines of credit with local banks amounting to ₱178.0 million and ₱818.6 million, respectively (see Notes 14 and 15).

27. Financial Instruments

Risk Management, Objectives and Polices
The principal financial instruments comprise of cash in banks and cash equivalents, receivables and payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the financial instruments are liquidity risk, interest rate risk and credit risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 14 and 15).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets and contract assets used for liquidity management as at December 31, 2018 and 2017:

	December 31, 2018					
	On Demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings	**₱–**	**₱1,311,000**	**₱–**	**₱–**	**₱–**	**₱1,311,000**
Trade and other payables*	**–**	**491,233**	**–**	**–**	**–**	**491,233**
Due to related parties	**150,084**	**–**	**–**	**–**	**–**	**150,084**
Long-term borrowings	**–**	**938,225**	**205,869**	**900,582**	**699,969**	**2,744,645**
	₱150,084	**₱2,740,458**	**₱205,869**	**₱900,582**	**₱699,969**	**₱4,696,692**

(Forward)

	December 31, 2018					
	On Demand	**Less than One Year**	**One to Two Years**	**Two to Four Years**	**Over Five Years**	**Total**
Cash in banks and short-term placements	**₱215,888**	**₱–**	**₱–**	**₱–**	**₱–**	**₱215,888**
Trade receivables	**–**	**38,167**	**53,635**	**–**	**–**	**91,802**
Contract assets	**–**	**42,538**	**–**	**–**	**–**	**42,538**
Due from related parties	**73,581**	**–**	**–**	**–**	**–**	**73,581**
Advances to supplier	**101**	**42,457**	**–**	**–**	**–**	**42,558**
	₱289,570	**₱123,162**	**₱53,635**	**₱–**	**₱–**	**₱466,367**

**Excludes payable to government agencies amounting to ₱9.4 million.*

	December 31, 2017					
	On Demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings	₱–	₱1,347,000	₱–	₱–	₱–	₱1,347,000
Trade and other payables*	–	526,068	–	–	–	526,068
Due to related parties	80,742	–	–	–	–	80,742
Long-term borrowings**	–	603,258	469,313	1,547,893	255,984	2,876,448
	₱80,742	₱2,476,326	₱469,313	₱1,547,893	₱255,984	₱4,830,258
Cash in banks and short-term placements	₱136,859	₱–	₱–	₱–	₱–	₱136,859
Trade receivables***	–	96,613	64,984	34,086	21,375	217,058
Due from related parties	107,814	–	–	–	–	107,814
Advances to supplier	10,449	–	–	–	–	10,449
	₱255,122	₱96,613	₱64,984	₱34,086	₱ 21,375	₱472,180

**Excludes payable to government agencies amounting to ₱21.6 million.*
***Includes current portion of long-term borrowings amounting to ₱0.6 million.*
****Includes noncurrent portion of installment contract receivables ₱66.6 million.*

Credit risk
Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated because the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The following table shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	December 31, 2018	December 31, 2017
Cash in banks and cash equivalents	**₱215,888**	₱136,859
Trade and other receivables*	**165,383**	312,260
	₱381,271	₱449,119

** Net of allowance for impairment losses totaling ₱14.6 and ₱45.9 million as of December 31, 2018 and 2017, respectively.*

Collaterals and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Credit quality per class of financial assets
The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	December 31, 2018						
	Neither Past Due nor Impaired			**Past Due but not Impaired**		**Expected Credit Losses**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**	**Over 30 Days**	**Over 90 Days**		
Cash in banks and cash equivalents	**₱213,845**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱213,845**
Trade receivables	**99,697**	**–**	**–**	**–**	**–**	**14,610**	**85,087**
Due from:							
Related parties	**73,581**	**–**	**–**	**–**	**–**	**–**	**73,581**
Advances to supplier	**42,558**	**–**	**–**	**–**	**–**	**–**	**42,558**
Other receivables	**6,715**					**–**	**6,715**
Unquoted equity securities	**6,924**	**–**	**–**	**–**	**–**	**–**	**6,924**
	₱443,320	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,610**	**₱575,172**

	December 31, 2017						
	Neither Past Due nor Impaired			Past Due but not Impaired		Impaired Financial Assets	Total
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		
Cash in banks and cash equivalents*	₱135,118	₱–	₱–	₱–	₱–	₱–	₱135,118
Trade receivables	217,058	–	–	–	–	6,105	282,550
Due from:							
Related parties	107,814	–	–	–	–	12,641	120,455
Advances to supplier	10,449						10,449
Other receivables						27,118	27,118
Unquoted equity securities	7,534	–	–	–	–	688	8,222
	₱477,973	₱–	₱–	₱–	₱–	₱46,552	₱583,912

**Excluding cash on hand amounting to ₱2,043 and ₱1,741 as of December 31, 2018 and 2017, respectively.*

Impairment assessment
The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

The aging per class of financial assets and the expected credit loss as of December 31, 2018 follows:

	Financial Assets				
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Simplified Approach	Total
Amortized Cost					
Cash in banks and cash equivalents*	**₱213,845**	**₱–**	**₱–**	**₱–**	**₱213,845**
Receivables	**87,444**	**–**	**–**	**4,358**	**91,802**
Contract assets	**–**	**–**	**–**	**146,462**	**146,462**
Due from a related party	**73,581**	**–**	**–**	**–**	**73,581**
	₱374,870	**₱–**	**₱–**	**₱150,820**	**₱525,690**

**Excludes cash on hand.*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2018:

		Trade receivables						
		Days past due						
	Cash in banks and cash equivalents	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱213,845	₱85,087	₱–	₱–	₱–	₱–	₱14,610	₱99,697
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–	₱14,610	₱14,610

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectability.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity for the years ended December 31, 2018 and 2017. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at December 31, 2018 and 2017.

	Change in Basis Points (bps)	Effect on Income before Income Tax
December 31, 2018	**+/-50 bps**	**+/-₱14,143**
December 31, 2017	+/-50 bps	+/-₱14,143

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management

The primary objective of the capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and December 31, 2017 and three months ended December 31, 2016.

Management considers the total consolidated equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio.

The Group is required to maintain a maximum debt-to-equity ratio of 3:1. The Group has the following debt-to-equity ratio:

	December 31, 2018	December 31, 2017
Total liabilities	**₱4,934,820**	₱4,915,403
Total equity	**8,149,185**	7,355,381
Total liabilities and equity	**₱13,084,005**	₱12,270,784
Debt-to-equity ratio	**0.61:1.0**	0.67:1.0

28. **Fair Values**

The Group has assets that are measured at fair value on a no-recurring basis in the consolidated statements of financial position after initial recognition. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position in particular circumstance. These include investment properties stated at fair value and land under property, plant and equipment at revalued amount.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property, plant and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks, trade and other receivables, short-term borrowings, trades and other payables and dividends payable
The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Installment receivables
The fair values of installment receivables are calculated by discounting the expected future cash flows at the prevailing market rates. The discount rate used in 2017 is at 5.83%. The carrying value and fair value of the receivables amounted to ₱146.6 million and ₱138.9 million, respectively as of December 31, 2018.

Long-term borrowings
The carrying value of long-term borrowings as at December 31, 2018 and 2017 approximates its fair value as they carry interest rates of comparable instruments in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at December 31, 2018 and 2017.

Investment properties and Land under property, plant and equipment
The valuation technique used for the investment properties and land under property, plant and equipment is Sales Comparison Approach which is a process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison.

The table below summarizes the significant unobservable input valuation for investment properties and land under property, plant and equipment held by the Group.

Asset measured at fair value (Level 3)	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Investment properties		
December 31, 2018	Price per square meter; Estimates range from is about ₱150 per sqm to ₱1500 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2017	Price per square meter; Estimates range from is about ₱88 per sqm to ₱1500 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
Land under property, plant and equipment		
December 31, 2018	Price per square meter. Estimates range from is about ₱6,000 per sqm to ₱185,000 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2017	Price per square meter. Estimates range from is about ₱52,000 per sqm to ₱155,000 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)

There are no transfers to Level 1 and Level 2 fair value measurement.

29. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate
RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: AHC, SMMSI, and RAHC.

b. Hotel
RAHC, a subsidiary of RLC, is incorporated primarily to build and own a minimum of five GoHotelsin Metro Manila and in selected provincial destinations over the next two to three years. GoHotel Manila Airport Road, North EDSA, Cubao, Malate, and Timog started its commercial operations in October 2016, February 2017, April 2017, June 2017, and October 2017, respectively. RAHC offers 24/7 hotel services to all customers of its budget hotel brand "GoHotels".

   AHRC was formed to be the asset holding company that owns the Anya Hotel Core of Phase 2 of Anya Resort and Residences project in Tagaytay.

c. Manufacturing
RSAI is a subsidiary of the Parent Company and manufacturing arm of the Group. RSAI is incorporated primarily to manufacture coconut products.

d. Others
Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas, RGEC, an entity established primarily for renewable energy, and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRSs. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

   The Group's main revenue stream comes from the real estate and hotel operations. The real estate and hotel operations segment's customers are mainly direct.

b. Segment assets and liabilities

   Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepaid expenses and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

   Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

	December 31, 2018					
	Real Estate	**Hotel**	**Manufacturing**	**Others**	**Eliminations/ Adjustments**	**Consolidated Balances**
Sales	**₱106,787**	**₱364,425**	**₱54,882**	**₱51,679**	**(₱27,634)**	**₱550,139**
Cost of Sales and Services	**(70,671)**	**(221,364)**	**(46,845)**	**(24,084)**	**–**	**(362,964)**
Gross profit	**36,116**	**143,061**	**8,03**	**27,595**	**(27,634)**	**187,175**
Interest income	**9,371**	**3,151**	**10**	**10,944**	**(10,887)**	**12,589**
Interest expense	**(58,041)**	**(102,533)**	**(46,734)**	**(41,500)**	**10,887**	**(237,921)**
Others	**(113,608)**	**(225,717)**	**(138,597)**	**629,431**	**69,168**	**220,677**
Income (loss) before income tax	**(126,162)**	**(182,038)**	**(177,284)**	**626,470**	**41,534**	**182,520**
Income tax benefit (expense)	**(49,288)**	**47,588**	**–**	**18,343**	**–**	**16,643**
Segment Income (Loss)	**(76,874)**	**(229,626)**	**(177,284)**	**608,127**	**41,534**	**165,877**
Equity in net earnings of associates and a joint venture	**–**	**–**	**–**	**(7,508)**	**–**	**(7,508)**
Consolidated Net Income (Loss)	**(₱76,874)**	**(₱229,626)**	**(₱177,284)**	**₱600,619**	**₱41,534**	**₱158,369**
Assets and Liabilities						
Current assets	**₱1,295,313**	**₱374,559**	**₱144,923**	**₱279,636**	**(₱816,735)**	**₱1,277,696**
Noncurrent assets	**749,434**	**2,803,217**	**967,411**	**8,110,836**	**(824,589)**	**11,806,309**
Total Assets	**₱2,044,747**	**₱3,177,776**	**1,112,334**	**₱8,390,472**	**(1,641,324)**	**₱13,084,005**
Current liabilities	**₱961,653**	**₱1,545,051**	**₱393,678**	**₱745,947**	**(638,721)**	**3,007,608**
Noncurrent liabilities	**387,700**	**1,615,728**	**438,529**	**430,900**	**(945,645)**	**1,927,212**
Total Liabilities	**₱1,349,353**	**₱3,160,779**	**₱832,207**	**₱1,176,847**	**(₱1,584,366)**	**₱4,934,820**

	December 31, 2017				
	Real Estate	Hotel	Others	Eliminations/ Adjustments	Consolidated Balances
Sales	₱322,725	₱180,526	₱–	₱–	₱503,251
Cost of Sales and Services	(176,900)	(101,640)	–	–	(278,540)
Interest income	9,389	815	607	(445)	10,366
Interest expense	(23,434)	(56,887)	(26,793)	445	(106,669)
Others	(77,138)	(142,550)	(95,034)	(10,196)	(324,918)
Loss before income tax	54,642	(119,736)	(121,220)	(10,196)	(196,510)
Income tax benefit (expense)	(16,500)	15,269	699	3,059	(2,527)
Segment Income (Loss)	38,142	(104,467)	(120,521)	(7,137)	(193,983)
Equity in net earnings of associates and a joint venture	(5,025)	–	–	28,180	23,155
Consolidated Net Income (Loss)	₱33,117	(₱104,467)	(₱120,521)	₱21,043	(₱170,828)
Assets and Liabilities					
Current assets	₱1,299,101	₱265,430	₱309,851	(₱652,212)	₱1,222,170
Noncurrent assets	305,849	2,944,384	8,208,412	(410,031)	11,048,614
Total Assets	₱1,604,950	₱3,209,814	₱8,518,263	(₱1,062,243)	₱12,270,784
Current liabilities	₱1,314,749	₱322,835	₱1,585,698	(₱644,583)	₱2,578,699
Noncurrent liabilities	21,530	1,777,606	548,099	(10,531)	2,336,704
Total Liabilities	₱1,336,279	₱2,100,441	₱2,133,797	(₱655,114)	₱4,915,403

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legazpi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and subsidiaries as at and for the year ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated April 5, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

April 5, 2018

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended December 31, 2018

SCHEDULE B

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, RELATED PARTIES, OFFICERS , EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

AMOUNTS IN THOUSANDS

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/ advances)	₱4,702,000	₱–	(₱4,000)	₱–	₱4,698	₱–	₱4,698,000

SCHEDULE E

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK

DECEMBER 31, 2018

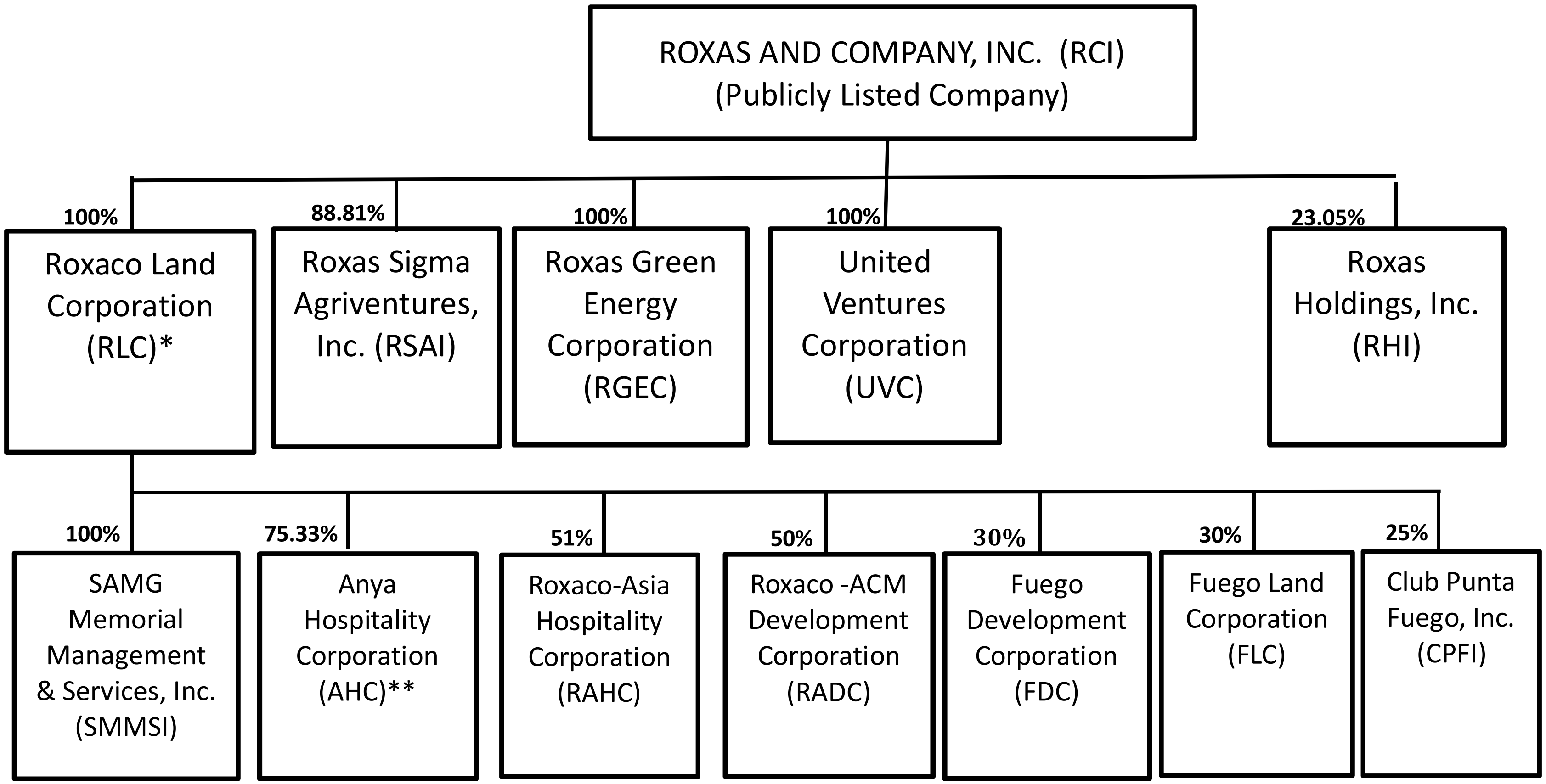
AMOUNTS IN THOUSANDS

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common stock - "Class A" at ₱1 par value	3,375,000	2,004,087	–	–	9,650	1,968,532
Preferred stock at ₱1 par value	1,000,000	500,000	–	–	–	500,000

SCHEDULE II
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2018

	December 31, 2018	December31,2017
Liquidity ratio		
Current ratio	**0.42:1**	0.47:1
Solvency ratio		
Debt to equity ratio	**0.61:1**	0.67:1
Asset to Equity ratio	**1.61:1**	1.67:1
Interest Rate Coverage ratio	**0.65:1**	(1.63:1)
Profitability ratios		
Return on Assets	**1.21%**	(1.39%)
Return on Equity	**2.04%**	(2.32%)

SCHEDULE III
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CORPORATE STRUCTURE
DECEMBER 31, 2018



** On April 16, 2018, its BOD and stockholders authorized the Company to merge with Anya Hotels and Resorts and Corporation (AHRC), with RLC as surviving entity. On December 6, 2018, the Philippines SEC approved the merger of RLC and AHRC.*
***On July 23, 2018, the Company's BOD and stockholders authorized RLC to merge with Anya Hospitality Corporation (AHC), with RLC as the surviving entity. On February 18, 2019, the Philippine SEC approved the merger of AHC into RLC with RLC being the surviving corporation*

SCHEDULE IV
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2018
IN THOUSANDS

Unappropriated retained earnings at beginning of year	₱715,090
Cumulative unrealized fair value gain on investment properties as January 1, 2018	(283,545)
Deferred tax assets as at end of January 1, 2018	(277)
Unappropriated retained earnings at beginning of period as adjusted	431,268
Net income during the year closed to retained earnings	610,393
Add (deduct) unrealized income (charges):	
Unrealized fair value gain on investment properties	(709,199)
Reversal of deferred tax assets	1,414
Reversal of appropriation for the period	44,039
	(53,353)
Unappropriated retained earnings available for dividend declaration at end of year	₱377,915

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, *Transfers of Investment Property*	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration		✓	
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases - Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓