COVER SHEET

1 6 3 6 7 1

SEC Registration Number

PRIME ORION PHILIPPINES, INC.

(Company's Full Name)

3RD FLOOR GLORIETTA 5
AYALA CENTER MAKATI CITY

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

RHODORA ESTRELLA B. REVILLA

(Contact Person)

884-1106

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

SEC Form

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. Commission Identification Number **163671**

3. BIR Tax Identification No. **000-804-342-000**

4. Exact name of issuer as specified in its charter **PRIME ORION PHILIPPINES, INC.**

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office and postal code
3rd Floor Glorietta 5, Ayala Center, Makati City 1223

8. Issuer's telephone number, including area code **(632) 884-1106**

9. Former name, former address and former fiscal year, if changed since last report:
Unit 1014 Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226

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

(As of 31 March 2018)

Title of each Class	Number of shares of common stock outstanding
Common shares	**4,923,084,883**

Amount of Debt Outstanding	
Outstanding Loans (consolidated)	**-0-**

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

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Consolidated Results of Operations

For the 1st quarter ended 31 March 2018, Prime Orion Philippines, Inc. ("POPI" or "the Group") reported a consolidated net income of P5.7 million almost at par with last year's net income of P5.6 million.

Consolidated revenues registered at P180.1 million, higher than same period last year's revenue of P156.7 million. The increase in revenues was due to better occupancy of Tutuban Center and Lepanto warehouse and rental revenue contribution from Southpark.

Total Cost and Expenses increased by 6.9% on account of operating expenses of Southpark which was tempered by lower underwriting costs of FLT Prime Insurance Corporation due to non-renewal of policies. Depreciation and amortization expenses decreased due to the write-off of certain plant property and equipment.

Tutuban Properties, Inc. (TPI)

TPI registered a net income of P26.1 million during the first three months of 2018, higher by 52% compared to net income of P17.1 million for the same quarter last year. Revenues in the amount of P123.1 million improved by 15% as against last year's revenue of P104.5 million, on account of better occupancy from regular retail, higher parking income and contribution from night market operations.

Lepanto Ceramics, Inc. (LCI)

Lepanto warehouse's rental revenues for 1st quarter of 2018 posted at P19.3 million, 40% higher than last year's revenue of P11.4 million on account of improved occupancy. For year-to-date March 2018, Net income registered at P14.0 million compared to the net loss of P0.8 million in 2017 due to higher rental revenue and common areas recovery.

FLT Prime Insurance Corporation (FPIC)

During the quarter, FPIC reported a net loss of P9.6 million compared to the net loss of P12.1 million for the same period last year as result of non-renewal of policies. Expenses registered at P13.3 million was lower than last year's P45.6 million on account of lower claims and losses and lower personnel expenses.

Financial Condition

Total Assets of the Group registered at P8.91 billion as of 31 March 2018, same level as of 31 December 2017 of P8.92 million. Total Liabilities remained at P1.65 billion, slightly lower than P1.67 billion as of 31 December 2017.

Total Equity registered at P7.27 billion, was almost same level as the previous year's P7.26 billion.

Financing Through Loans

As of 31 March 2018, the Group has no outstanding loans from any financial institution.

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

Ratio	Formula	31-Mar-18	31-Mar-17	31-Dec-17
Current Ratio	Current Assets Current Liabilities	2.95: 1 2,353,470/ 797,873	5.47:1 4,373,251/ 799,818	2.91: 1 2,373,733/ 816,981
Debt to Equity Ratio	Total Liabilities Equity	0.23: 1 1,646,601/ 7,237,003	0.36:1 1,588,916/ 4,407,532	0.23: 1 1,666,689/ 7,218,381
Capital Adequacy Ratio	Equity Total Assets	0.81: 1 7,237,003 / 8,919,263	0.73:1 4,407,532/ 6,048,242	0.81: 1 7,218,381/ 8,923,545
Book Value per Share	Equity Total # of Shares	1.47 7,237,003/ 4,923,085	0.90 4,407,532/ 4,896,455	1.47 7,218,381/ 4,896,455
Income per Share	Net Income Total # of Shares	0.001 5,705/ 4,923,085	0.001 5,621/ 4,896,455	0.004 18,551/ 4,896,455

Current ratio shows the Group's ability to meet its short term financial obligation. As of 31 March 2018, the Group has P2.95 worth of current assets for every peso of current liabilities as compared to P2.91 as of 31 Dec. 2017. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 31 December 2017, debt-to-equity ratio was unchanged.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 31 March 2018, the Group's Capital Adequacy Ratio is 0.81 compared to same period last year's 0.73. Increase was attributable to the subscription of Ayala Land, Inc. during the period.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As of 31 March 2018, the Group's book value per share of P1.47 was same as of 31 December 2017.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As of 31 March 2018, the Group reported a P0.001 income per share which was the same as in March of last year.

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

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

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

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

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

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

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

The Group has not entered into any new commitments for capital expenditures.

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

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

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

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

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

Causes of any material changes from period to period of FS is included in the Financial Condition.

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

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

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

Parent Company (Holding Co.)	-121.39
Real estate and property development	388.55
Financial services	-168.16
Others	1.00
	100.00%

SIGNATURES

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

Issuer:
PRIME ORION PHILIPPINES, INC.
By:

RHODORA ESTRELLA B. REVILLA
Chief Finance Officer/Compliance Officer

Date: 8 May 2018

Prime Orion Philippines, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
March 31, 2018 and December 31, 2017

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

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

	UNAUDITED March 31, 2018	AUDITED December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	**₱232,508**	₱254,969
Receivables (Notes 5 and 27)	**300,160**	381,545
Inventories (Note 6)	**7,082**	7,380
Real estate held for sale and development (Note 7)	**264,464**	264,464
Available-for-sale (AFS) financial assets (Notes 8, 19 and 27)	**714,017**	710,454
Amounts owed by related parties (Note 18)	**470,827**	392,319
Financial assets at fair value through profit or loss (Notes 9 and 27)	**2,535**	2,643
Other current assets (Note 10)	**361,877**	359,959
Total Current Assets	**2,353,470**	2,373,733
Noncurrent Assets		
Investment in an associate (Note 11)	**1,888**	1,888
Investment properties (Note 12)	**5,996,786**	5,996,405
Property and equipment (Note 13)	**39,087**	37,249
Software costs (Note 14)	**4,348**	4,906
Net pension assets (Note 21)	**20,667**	20,667
Other noncurrent assets (Note 15)	**503,017**	488,697
Total Noncurrent Assets	**6,565,793**	6,549,812
TOTAL ASSETS	**₱8,919,263**	₱8,923,545
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 16)	**₱561,934**	₱593,228
Current portion of rental and other deposits (Note 17)	**193,829**	185,397
Current portion of deferred rent income (Note 25)	**17,998**	18,929
Amounts owed to related parties (Note 18)	**24,112**	19,427
Total Current Liabilities	**797,873**	816,981
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Note 17)	**138,299**	138,150
Deferred rent income - net of current portion (Note 25)	**22,116**	21,715
Deferred income tax liabilities - net	**206,638**	208,168
Subscriptions payable (Note 19)	**481,675**	481,675
Total Noncurrent Liabilities	**848,728**	849,708
Total Liabilities	**₱1,646,601**	₱1,666,689

(Forward)

	UNAUDITED March 31, 2018	AUDITED December 31, 2017
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 1)		
Authorized - 7.5 billion shares		
Issued and subscribed - 4,892,889,993 shares and 4,892,888,884 shares as at March 31, 2018 and December 31, 2017, respectively (net of subscriptions receivable of ₱239,561 and ₱240,621, respectively)	**₱4,653,329**	₱4,652,268
Additional paid-in capital	**3,942,404**	3,942,404
Equity reserves (Notes 3)	**60,810**	60,810
Shares held by a subsidiary (Note 23)	**(1,279,026)**	(1,279,026)
Revaluation increment (Note 12)	**224,326**	225,595
Unrealized gain on AFS financial assets (Note 8)	**28,552**	17,748
Loss on remeasurement of retirement benefits (Note 21)	**(46,259)**	(46,259)
Deficit	**(347,134)**	(355,159)
	7,237,003	7,218,381
Non-controlling Interests	**35,659**	38,475
Total Equity	**7,272,662**	7,256,856
TOTAL LIABILITIES AND EQUITY	**₱8,919,263**	₱8,923,545

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	THREE MONTHS ENDED MARCH 31	
	2018	2017
REVENUES		
Rental	**174,934**	116,302
Insurance premiums and commissions	**2,867**	31,434
Gain on sale of AFS investments (Note 8)	**1,219**	5,242
Interest income on investments	**1,029**	3,259
Dividend income	**66**	419
	180,115	156,656
COST AND EXPENSES		
Cost of goods sold and services	**129,264**	75,486
Operating expenses (Note 20)	**25,994**	46,760
Insurance underwriting deductions	**10,587**	32,904
	165,845	155,150
OTHER INCOME (CHARGES)		
Others - net	**4,624**	3,587
Interest and others - net	**3,175**	10,476
Gain on sale of assets	**3**	125
Reversal of provision for probable losses	**1,042**	27
Loss on sale of AFS financial assets	**(2,461)**	-
Equity in net loss of an associate	**-**	(13)
Unrealized loss on FVPL	**(108)**	(143)
	6,275	14,059
INCOME BEFORE INCOME TAX	**20,545**	15,565
PROVISION FOR INCOME TAX	**14,840**	9,944
NET INCOME	**5,705**	5,621
ATTRIBUTABLE TO:		
Equity holders of the company	**7,744**	9,250
Noncontrolling interests	**(2,039)**	(3,629)
	5,705	5,621
EARNINGS PER SHARE (Note 22)		
Basic, for income for the period attributable to ordinary equity holders of the parent	**0.002**	0.002

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	THREE MONTHS ENDED MARCH 31	
	2018	2017
NET INCOME FOR THE PERIOD	**5,705**	5,621
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified		
to profit or loss in subsequent period:		
Unrealized valuation gain (loss) on AFS investments	**9,120**	(5,789)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**14,825**	(168)
Total comprehensive income (loss) attributable to:		
Equity holders of the company	**21,242**	3,460
Noncontrolling interests	**(6,417)**	(3,628)
	14,825	(168)

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary	Revaluation Increment (Note 12)	Equity Reserves	Unrealized Valuation Gains (Losses) on AFS Financial Assets	Losses on Remeasurement of Retirement Benefits Plan	Retained Earnings (Deficit)	Equity attributable to Equity Holders of Parent Company	Non-Controlling Interests	Total
Balances at December 31, 2016	2,765,589	1,598,654	(21,916)	233,206	27,469	168,445	(51,859)	(341,752)	4,377,835	52,773	4,430,608
Net income (loss) for the period	-	-		-	-	-	-	9,250	9,250	(3,628)	5,621
Other comprehensive income (loss):											
Unrealized valuation gain (loss) on AFS financial assets	-	-	-	-	-	(5,789)	-	-	(5,789)	-	(5,789)
Total comprehensive income (loss) for the period	-	-	-	-	-	(5,789)	-	9,250	3,460	(3,628)	(168)
Balances at March 31, 2017	**2,765,589**	**1,598,654**	**(21,916)**	**233,206**	**27,469**	**162,656**	**(51,859)**	**(332,502)**	**4,381,296**	**49,145**	**4,430,441**
Balances at December 31, 2017	4,652,268	3,942,404	(1,279,026)	225,595	60,810	17,748	(46,259)	(355,159)	7,218,381	38,475	7,256,856
Net income (loss) for the period	-	-		-	-	-		7,744	7,744	(2,039)	5,705
Other comprehensive income (loss) for the period											
Unrealized valuation gain (loss) on AFS financial assets	-	-		-	-	9,121	-	-	9,121	-	9,121
Total comprehensive income (loss) for the period	-	-	-	-	-	9,121	-	7,744	16,864	(2,039)	14,825
Collection of subscription receivables	1,061	-	-	-	-	-	-	-	1,061	-	1,061
Transfer of realized revaluation increment on property, plant and equipment	-	-	-	(1,268)	-	-	-	1,268	-		-
Unrealized gain transferred from equity to consolidated statement of income	-	-		-	-	1,684	-	(988)	696	(777)	(80)
Balances at March 31, 2018	**4,653,329**	**3,942,404**	**(1,279,026)**	**224,326**	**60,810**	**28,552**	**(46,259)**	**(347,134)**	**7,237,003**	**35,659**	**7,272,662**

See accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	THREE MONTHS ENDED MARCH 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**20,545**	15,565
Adjustments for:		
Loss (Gain) on sale of:		
AFS financial assets (Note 8)	**1,242**	(5,242)
Property, plant and equipment	**(3)**	(125)
FVPL investment	**108**	143
Reversal of impairment losses on:		
Other current assets	**-**	(27)
Reversal of accrued provision for losses	**(1,042)**	-
Equity in net loss of an associate	**-**	13
Movement of retirement liability	**-**	(1,643)
Depreciation and amortization (Notes 12, 13, 14 and 20)	**51,642**	21,816
Interest income	**(4,206)**	(13,747)
Dividend income (Note 8)	**(66)**	(419)
Interest expense and bank charges	**2**	12
Operating income before working capital changes	**68,222**	16,346
Decrease (increase) in:		
Receivables	**81,384**	(62,828)
Inventories	**299**	663
Other current assets	**(16,758)**	(16,255)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(31,967)**	15,755
Rental and other deposits	**7,651**	5,755
Net cash flows generated from (used in) operations	**108,831**	(40,564)
Interest received	**4,206**	13,747
Interest paid	**(2)**	(12)
Net cash flows generated from (used in) operating activities	**113,035**	(26,829)

(Forward)

	THREE MONTHS ENDED MARCH 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS financial assets	**4,819**	10,208
Property, plant and equipment	**3**	-
Acquisitions of:		
Investment properties (Note 12)	**(48,815)**	(50,045)
Property, plant and equipment (Note 13)	**(4,487)**	(21,510)
Decrease (increase) in:		
Other noncurrent assets	**(14,320)**	(8,864)
Amounts owed by related parties	**(78,508)**	(649,605)
Dividends received (Note 8)	**66**	419
Net cash flows used in investing activities	**(141,242)**	(719,397)
CASH FLOWS FROM FINANCING ACTIVITY		
Collection of subscriptions receivable	**1,061**	-
Increase in amounts owed to related parties	**4,685**	13,230
Net cash flows from financing activities	**5,746**	13,230
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,461)**	(732,996)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**254,969**	864,973
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**232,508**	131,977

See Accompanying Notes to Consolidated Financial Statements

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Prime Orion Philippines, Inc. (POPI; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company's primary purpose is to acquire by purchase, exchange, assign, donate or otherwise, and to hold, own and use, for investment or otherwise and to sell, assign, transfer, exchange, lease, develop, mortgage, pledge, traffic, deal in and with, and otherwise operate, enjoy and dispose of any and all properties of every kind and description and wherever situated, as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities and obligations, created, negotiated or issued by any corporation, association, or other entity, domestic or foreign. The Parent Company's registered office address is Unit 1014, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

Prime Orion Philippines, Inc. and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, real estate and property development and financial services (see Note 24).

Status of Operations

In September 2012, certain property and equipment and investment properties of Tutuban Properties, Inc. (TPI; a wholly-owned subsidiary) were destroyed in fire. FLT Prime Insurance Corporation (FPIC), the insurance policy provider and also a majority-owned subsidiary of POPI, recognized the incident as a fire loss event. The insurance policy was substantially ceded by FPIC to third party reinsurers.

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) (now the Department of Transportation or DOTr) and Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans of the North-South Railway Project (NSRP) within a period of six (6) months. The NSRP involves construction of the North Line (Bulacan to Tutuban) and South Line (Tutuban to Albay) with the transfer station located at Tutuban Center. As at March 31, 2018, discussions on the implementation of the NSRP among DOTr, PNR and TPI are on-going.

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

In connection with the foregoing, on August 13, 2015, the Board of Directors (BOD) approved the amendment of POPI's Articles of Incorporation, specifically: (i) Article Sixth - to increase the number of its directors from seven (7) to nine (9); and (ii) Article Seventh - to increase its authorized capital stock from ₱2.40 billion (divided into 2.40 billion common shares at ₱1 par value) to ₱7.50 billion (divided into 7.50 billion common shares at ₱1 par value). On February 24, 2016, the Deed of Subscription was executed. POPI's increase in authorized capital stock was approved by the SEC on July 4, 2016.

As at June 30, 2016, the amount received for the ALI subscription of ₱1,406.25 million was recorded as deposit for future stock subscription in the June 30, 2016 statements of financial position. With the subsequent approval of the SEC, the deposit was applied against the subscription as of December 31, 2016. On November 21, 2017, ALI paid the remaining 75% of its subscription amounting to ₱4,218.75 million.

ALI's parent company is Ayala Corporation (AC). AC is 47.74%-owned by Mermac, Inc., 10.15%-owned by Mitsubishi Corporation and the rest by the public. Both ALI and AC are publicly-listed companies incorporated in the Philippines.

With the entry of ALI, the Group will be able to benefit from the expertise and resources of ALI and optimize the development of its property assets, especially the Tutuban Center, a commercial complex operated by TPI and located in Manila City. The Tutuban Center, which sits on a 20-hectare property, will be the location of the NSRP Transfer Station which will interconnect with the LRT 2 West Station.

In September 2016, the BOD of Lepanto Ceramics, Inc. (LCI) approved the amendment of LCI's Articles of Incorporation (AOI), specifically, to change its name to Lepanto Development Corporation and to change its primary purpose to state that it may purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation. As at March 31, 2018, the application for the amendment has yet to be filed with the SEC.

In March 2017, FPIC surrendered its Certificate of Authority as it was no longer compliant with the net worth requirement of ₱ 550.0 million of the Insurance Commission (IC) as of December 31, 2016.

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

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

On October 20, 2017, the BOD of Orion I Holdings Philippines, Inc. (OIHPI), OE Holdings, Inc. (OEHI), ZHI Holdings, Inc. (ZHIHI), Orion Beverage, Inc. (OBI), Luck Hock Venture Holdings, Inc. (LHVHI) and TPI Holdings Corporation (TPIHC) approved and authorized the dissolution and liquidation of these companies by shortening their corporate term up to December 31, 2017.

On November 29, 2017, POPI's wholly-owned subsidiary, Orion Land Inc. (OLI), acquired a commercial building composed of a 5-storey shopping center and a 6-storey business processing outsourcing office with a total gross leasable area of about 60,000 square meters located along National Road, Alabang, Muntinlupa City, from ALI, for a total consideration of ₱4,798.0 million.

On May 8, 2018, the Audit and Risk Committee approved and authorized the release of the accompanying unaudited interim consolidated financial statements of Prime Orion Philippines, Inc. and Subsidiaries as at March 31, 2018.

2. **Basis of Preparation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for the quoted available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL) that are carried at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest thousand (₱1,000), except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31, 2018 and December 31, 2017:

Subsidiaries	Nature of Business	Effective Percentage of Ownership
Real Estate, Property Development and Others:		
OLI and Subsidiaries:		
OLI	Real Estate and Investment Holding Company	100%
TPI and Subsidiary:		
TPI	Real Estate, Mall Operations	100%
TPIHC*	Investment Holding Company	100%
OPDI and Subsidiaries:		
OPDI	Real Estate Development	100%
OBI*	Manufacturing	100%
LCI	Manufacturing and Distribution	100%
LHVHI*	Other Business Activities	60%
Financial Services and Others:		
OEHI and Subsidiaries:		
OEHI*	Wholesale and Trading	100%
OMI*	Marketing and Administrative Services	100%
ZHIHI*	Financial Holding Company	100%
OIHPI*	Financial Holding Company	100%
FPIC (Note 1)	Non-Life Insurance Company	78.77%
OSI*	Management Information Technology Consultancy Services	100%

** Inactive companies approved by the BOD for liquidation (Note 1)*

All of the companies are incorporated and domiciled in the Philippines.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

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

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the parent.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2018. Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

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

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

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. The amendments are effective beginning on or after January 1, 2018 but early application is permitted. The Group will perform an assessment of the impact of the amendments to its share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the standard on the required effective date and will not restate comparative information. The Group's detailed impact assessment of the three aspects of PFRS 9: classification and measurement, impairment, and hedge accounting is still ongoing.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group as it no longer issues insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

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

  The Group plans to adopt the standard on the required effective date using the modified retrospective method. The Group's detailed assessment of the changes in the new revenue standard is ongoing.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRS, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

  The amendments should be applied retrospectively and is effective on January 1, 2018, with earlier application permitted.

  The amendments are not applicable to the Group as the Group does not include an entity that is considered as a venture capital organization or other qualifying entity under the amendments.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. Effective for annual periods beginning on or after January 1, 2018.

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

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

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

The interpretation is not expected to have any significant impact on the consolidated financial statements.

Future Changes in Accounting Policies

The Group will consider the effects on the Group's consolidated financial statements of the following future changes in accounting policies as these become effective and applicable in the future.

Effective beginning on or after January 1, 2019

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application of these amendments is permitted.

  The amendments are not expected to have any significant impact on the consolidated financial statements.

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. 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 will perform an assessment of the impact of PFRS 16.

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application of these amendments is permitted.

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

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

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group will perform an assessment of the interpretation's impact on the Group's consolidated financial statements.

Interpretation with Deferred Effective Date

- 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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

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

As at March 31, 2018 and December 31, 2017, the Group's financial assets are in the nature of loans and receivables, financial assets at FVPL and AFS financial assets. The Group has no financial assets classified as HTM investments as at March 31, 2018 and December 31, 2017.

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

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

As at March 31, 2018 and December 31, 2017, the Group's financial liabilities are in the nature of other financial liabilities.

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

Financial Instruments - Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

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

The Group's loans and receivables include cash and cash equivalents, receivables, amounts owed by related parties and refundable deposits (included under "Other noncurrent assets"; see Notes 4, 5, 15 and 18).

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

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

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

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

The Group's listed and nonlisted equity securities and quoted debt securities are classified under this category (see Note 8).

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for

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

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

The Group's investment in redeemable preference shares are classified under this category (see Note 9).

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

The Group's financial liabilities include accounts payable and accrued expenses, rental and other deposits, amounts owed to related parties and subscriptions payable (see Notes 16, 17, 18 and 19).

<u>Fair Value Measurement</u>
The Group measures financial instruments, such as financial assets at FVPL and quoted AFS financial assets, at fair value at each end of the reporting period. Also, fair values of financial instruments of financial instruments measured are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, the most advantageous market for the asset or liability.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based on the original EIR. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

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

<u>Derecognition of Financial Instruments</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained all the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle, on a net basis, or to realize the asset and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in an associate pertains to the 20% percentage of ownership in investment in BIB Aurora Insurance Brokers, Inc. (BAIBI) (Note 11).

Investment Properties

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

Investment properties utilized in its mall operations are stated at their revalued amount as deemed cost as allowed under PFRS, less accumulated depreciation and amortization and any accumulated impairment losses. The revalued amounts were determined by an independent firm of appraisers. The excess of appraised values over the acquisition costs of the properties is shown under the "Revaluation increment" account in the consolidated statement of financial position and in the consolidated statement of changes in equity. An amount corresponding to the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost is transferred annually from "Revaluation increment" to "Deficit" account in the consolidated statement of financial position.

Condominium unit and commercial building are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any impairment in value.

The initial cost of investment properties include the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Leasehold improvements under investment properties (including buildings and structures) on the leased land are carried at cost less accumulated amortization and any impairment in value.

The estimated useful lives of investment properties follow:

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

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

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

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

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

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

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

Software Costs

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

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

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

Other Noncurrent Assets

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

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

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

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

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

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

Investment Properties, Property and Equipment and Software Costs
The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

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

Recognition and Measurement

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

b) Insurance Contract Liabilities
   Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

   Reserve for Unearned Premiums
   The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods is deferred as reserve for unearned premiums using the 24th method. The change in the reserve for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

   Claims Provision and Incurred but not Reported (IBNR) losses
   Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can

be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. Provision for IBNR losses is calculated based on standard actuarial projection techniques.

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

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

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

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

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

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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

Short-term Insurance Contracts
These contracts include the following:

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

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

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

Capital Stock
Common shares are classified as equity.

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

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

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

Share-based Payments
The Group has equity-settled, share-based compensation plan with its employees. The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Group's shares

at a discounted price. The Group recognizes stock compensation expense at the date of grant. These are accounted for as limited-recourse loan-type share plans. Dividends paid on the awards are treated as installment payment against the exercise price of the options. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in "Equity reserves" in equity, in "Personnel expense" account.

Other Comprehensive Income (Loss)

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

Revenue and Income Recognition

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

Rent and Other Charges

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Other charges pertain to rebilled utility charges to tenants in relation to the operating lease on properties.

Insurance Premiums and Commissions - net

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

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

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

Merchandise Sales and Real Estate Sales

Revenue from sale of these assets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Gain on Sale of AFS Financial Assets

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

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

Service Fees
Service fees are recognized based on agreed rates upon rendering of the service.

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

Cost and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities that result in decrease in equity. Expenses are recognized in the consolidated statement of income in the period these are incurred. Cost and expenses are generally recognized when services or goods used or the expense arises in the appropriate financial reporting period and measured in the amount paid of payable.

Cost of Goods Sold and Services
Cost of sales and services are direct costs incurred in the normal course of the business, are recognized when incurred and generally measured in the amount paid or payable. These comprise cost of goods sold, services, merchandise and handling services.

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

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

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

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

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

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

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

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

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

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

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

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

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

Retirement Benefits Costs

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Restructuring provisions are recognized when the Group has a constructive obligation (the Group has committed to settle), which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Segment Reporting
The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

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

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

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

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

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

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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

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

Assessing Operating Lease Commitments - Group as Lessor
The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

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

Estimating Allowance for Impairment Losses on Receivables
The Group reviews its receivables from third parties and amounts owed by related parties at each end of the reporting period to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance

required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations and considers cumulative assessment for the risk of the collectability of past due accounts. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of allowance that will be provided. The allowances are evaluated and adjusted as additional information is received.

For the amounts owed by related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing allowance against the recorded receivable amounts.

Provision for impairment losses on receivables amounted to nil and ₱3.54 million the period ended March 31, 2018 and 2017, respectively. The carrying values of the receivables amounted to ₱300.16 million and ₱381.55 million as at March 31, 2018 and December 31, 2017, respectively, net of allowance for impairment losses amounting to ₱299.73 million (see Note 5).

Estimating Allowance for Inventory Losses
The level of allowance for inventory losses is evaluated by management on the basis of factors that affect the recoverability of the inventory. These factors include, but are not limited to, the physical condition and location of inventories on hand, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the inventory item is held.

There was no provision for inventory losses recognized for the period ended March 31, 2018 and 2017. The carrying values of inventories amounted to ₱7.08 million and ₱7.38 million as at March 31, 2018 and December 31, 2017, respectively, net of allowance for inventory losses amounting to ₱34.72 million (see Note 6).

Estimating Allowance for Impairment Losses on Real Estate Held for Sale and Development
The Group maintains an allowance for impairment losses on real estate held for sale and development. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the real estate held for sale and development. These factors include, but are not limited to, the physical condition and location of real estate held for sale and development, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the real estate held for sale and development item is held.

There was no provision for impairment losses on real estate held for sale and development recognized for the period ended March 31, 2018 and 2017. The carrying values of real estate held for sale and development amounted to ₱264.46 million as at March 31, 2018 and December 31, 2017 (see Note 7).

Estimating Allowance for Impairment Losses of AFS Financial Assets
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. For equity instruments, when determining whether the decline in value is

significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). For debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on the AFS financial assets previously recognized in the consolidated statement of income.

There was no provision for impairment losses on AFS financial assets recognized for the period ended March 31, 2018 and 2017. The fair values of AFS financial assets amounted to ₱714.02 million and ₱710.45 million as at March 31, 2018 and December 31, 2017 respectively, net of allowance for impairment losses amounting to ₱538.40 million as at March 31, 2018 and December 31, 2017 (see Note 8).

Assessing and Estimating Allowance for Impairment Losses on Investment in an Associate, Property and Equipment, and Investment Properties
PFRS requires that an impairment review be performed when certain impairment indicators are present. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Estimating the recoverable value of those assets entails the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requiring the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group's estimate to change or to conclude that these assets may not be fully recoverable. Any resulting impairment loss could have a material adverse impact on financial position and results of operations of the Group.

There was no provision for impairment losses on investment in an associate recognized for the period ended March 31, 2018 and 2017. The carrying values of the investment in an associate amounted to ₱1.89 million as at March 31, 2018 and December 31, 2017 (see Note 11).

There was no provision for impairment losses on property and equipment recognized for the period ended March 31, 2018 and 2017.

There was no provision for impairment losses on investment properties recognized for the period ended March 31, 2018 and 2017.

Estimating Useful Lives of Depreciable Investment Properties and Property and Equipment
The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties and property and equipment were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are

reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decreases the carrying value of investment properties and property and equipment.

The carrying value of property and equipment amounted to ₱39.09 million and ₱37.25 million as at March 31, 2018 and December 31, 2017, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱539.63 million and ₱536.98 million as at March 31, 2018 and December 31, 2017, respectively (see Note 13).

The carrying value of investment properties amounted to ₱5,996.79 million and ₱5,996.41 million as at March 31, 2018 and December 31, 2017, respectively (see Note 12).

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

Assessing and Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets
The Group provides allowance for losses on nonfinancial other current and noncurrent assets whenever they can no longer be realized in full or partially. Considerations include future obligations or payments against which these assets can be used or applied. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease nonfinancial other current and noncurrent assets.

There was no provisions for impairment losses on nonfinancial other current assets recognized for the period ended March 31, 2018 and 2017. As at March 31, 2018 and December 31, 2017, the carrying values of nonfinancial other current assets amounted to ₱361.88 million and ₱359.96 million, respectively (see Note 10).

There was no provision for impairment losses on nonfinancial other noncurrent assets recognized for the period ended March 31, 2018 and 2017. As at March 31, 2018 and December 31, 2017, the carrying values of nonfinancial other noncurrent assets amounted to ₱466.03 million and ₱451.33 million, respectively (amounts exclude refundable deposit, see Note 15).

Claims Liability Arising from Insurance Contracts
Estimates have to be made both for the expected ultimate cost of claims reported at the financial reporting date and for the expected ultimate cost of the IBNR claims as of financial reporting date. It can take significant period of time before the ultimate claim costs can be established with certainty. Management estimates the cost of reported and IBNR claims using past claims settlement trends to predict future claims settlement trends. The determination of the Group's claims liability arising from insurance contracts is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. These assumptions include among others, loss development factors, claims inflation and premium rate changes.

At each financial reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to current year provision.

The carrying values of claims payable under “Accounts payable and accrued expenses” amounted to ₱50.17 million and ₱50.94 million as at March 31, 2018 and December 31, 2017, respectively (see Note 16).

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

Current service costs amounted to nil for the period ended March 31, 2018 and 2017. As at March 31, 2018 and December 31, 2017, net pension assets of the Group amounted to ₱20.67 million.

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

4. Cash and Cash Equivalents

	March 31, 2018	December 31, 2017
	(In Thousands)	
Cash on hand and in banks	**₱66,291**	₱79,033
Short-term investments	**166,217**	175,936
	₱232,508	₱254,969

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the rate of 1.5% per annum on short-term investments.

5. Receivables

	March 31, 2018	December 31, 2017
	(In Thousands)	
Trade debtors	**₱286,343**	₱350,265
Insurance receivables	**119,481**	128,550
Others	**194,070**	202,464
	599,894	681,279
Less allowance for impairment losses	**299,734**	299,734
	₱300,160	₱381,545

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

Insurance receivables consist of premiums receivable, due from ceding companies, reinsurance recoverable on paid and unpaid losses - facultative, funds held by ceding companies and reinsurance accounts receivables and are generally on 90 to 360 days' term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at March 31, 2018 and December 31, 2017. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

Allowance for impairment pertains to specific and collective assessment. There was no movement of allowance for impairment losses on receivables as at March 31, 2018.

6. Inventories

	March 31, 2018	December 31, 2017
	(In Thousands)	
At NRV:		
Finished goods	**₱7,082**	₱7,380
Factory supplies and spare parts	–	–
	₱7,082	₱7,380

Movements in the allowance for inventory losses are as follows:

	March 31, 2018	December 31, 2017
	(In Thousands)	
Beginning balances	**₱34,719**	₱67,921
Write off	–	(33,440)
Provision	–	1,009
Recovery	–	(771)
	₱34,719	₱34,719

7. Real Estate Held for Sale and Development

	March 31, 2018	December 31, 2017
	(In Thousands)	
Land for development	**₱237,973**	₱237,973
Held for sale	**42,533**	42,533
	280,506	280,506
Allowance for impairment losses (Note 20)	**16,042**	16,042
	₱264,464	₱264,464

Land for development pertains to parcels of land located in Calamba, Laguna, Sto. Tomas, Batangas and San Vicente, Palawan. The composition of cost as at March 31, 2018 and December 31, 2017 are as follows:

Land cost	₱212,558
Construction overhead and other related costs	22,898
Taxes	2,517
	₱237,973

There are no movements in the real estate held for sale and development account as at March 31, 2018 and December 31, 2017.

8. AFS Financial Assets

	March 31, 2018	December 31, 2017
	(In Thousands)	
Listed equity securities	**₱1,180,575**	₱1,171,142
Nonlisted equity securities	**6,526**	6,526
Quoted debt securities	**65,319**	71,189
	1,252,420	1,248,857
Allowance for impairment losses	**538,403**	538,403
	₱714,017	₱710,454

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

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

There are no movements in the allowance for impairment losses both as at March 31, 2018 and December 31, 2017.

The Group sold certain listed equity securities and recognized a gain on sale of ₱1.22 million and ₱5.24 million, for the period ended March 31, 2018 and 2017, respectively.

9. Financial Assets at FVPL

Fair value of financial assets at FVPL as at March 31, 2018 and December 31, 2017 amounted to ₱2.54 million and ₱2.64 million, respectively, resulting to an unrealized loss of ₱0.11 million and ₱0.14 million for the period ended March 31, 2018 and 2017, respectively.

10. **Other Current Assets**

	March 31, 2018	December 31, 2017
	(In Thousands)	
CWTs	**₱195,043**	₱207,583
Input VAT	**148,441**	145,508
Prepayments	**26,719**	15,194
	370,203	368,285
Less allowance for impairment losses	**8,326**	8,326
	₱361,877	₱359,959

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

Movements in the allowance for impairment losses are as follows:

	March 31, 2018	December 31, 2017
	(In Thousands)	
Balances at beginning of year	**₱8,326**	₱2,636
Provisions	–	6,896
Recovery	–	(418)
Write-off	–	(788)
Balances at end of year	**₱8,326**	₱8,326

11. **Investments in Associate**

	March 31, 2018	December 31, 2017
	(In Thousands)	
Acquisition costs:		
Balances at end of the period	**₱5,959**	₱5,959
Accumulated equity in net losses		
Balances at beginning of year	**(3,461)**	(3,418)
Equity in net loss	–	(43)
Balances at end of the period	**(3,461)**	(3,461)
	2,498	2,498
Allowance for impairment loss	**(610)**	(610)
	₱1,888	₱1,888

12. **Investment Properties**

	March 31, 2018		
	Buildings and Improvements	**Land and Improvements**	**Total**
		(In Thousands)	
Cost			
At beginning of year	**₱7,872,770**	**₱345,627**	**₱8,218,397**
Additions	**47,390**	**1,425**	**48,815**
At end of the period	**7,920,160**	**347,052**	**8,267,212**
Accumulated Depreciation and Amortization			
At beginning of year	**2,190,613**	**21,889**	**2,212,502**
Depreciation and amortization	**48,207**	**227**	**48,434**
At end of the period	**2,238,820**	**22,116**	**2,260,936**
Balance before impairment	**5,681,340**	**324,936**	**6,006,276**
Less: Allowance for impairment losses	**9,490**	**–**	**9,490**
Net book values	**₱5,671,850**	**₱324,936**	**₱5,996,786**

	December 31, 2017		
	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
Cost			
At beginning of year	₱3,296,028	₱345,627	₱3,641,655
Additions	4,575,003	–	4,575,003
Disposals	(20,890)	–	(20,890)
Reclassification (Note 13)	22,629	–	22,629
At end of year	7,872,770	345,627	8,218,397
Accumulated Depreciation and Amortization			
At beginning of year	2,115,347	21,175	2,136,522
Depreciation and amortization	84,580	714	85,294
Disposals	(14,147)	–	(14,147)
Reclassification (Note 13)	4,833	–	4,833
At end of year	₱2,190,613	₱21,889	₱2,212,502
Balance before impairment	5,682,157	323,738	6,005,895
Less: Allowance for impairment losses	9,490	–	9,490
Net book values	₱5,672,667	₱323,738	₱5,996,405

Based on the latest appraisal reports in 2016, as determined by an independent firm of appraisers, the appraised values of the investment properties amounted to ₱9.1 billion.

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

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

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

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

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

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

13. Property, Plant and Equipment

	March 31, 2018				
	Leasehold Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Total**
Cost					
At beginning of year	**₱5,762**	**₱516,344**	**₱2,847**	**₱49,274**	**₱574,227**
Additions	**–**	**4,487**	**–**	**–**	**4,487**
At end of the period	**5,762**	**520,831**	**2,847**	**49,274**	**578,714**
Accumulated Depreciation and Amortization					
At beginning of year	**3,675**	**488,613**	**2,044**	**42,646**	**536,978**
Depreciation and amortization (Notes 20)	**128**	**1,174**	**78**	**1,269**	**2,649**
At end of the period	**3,803**	**489,787**	**2,122**	**43,915**	**539,627**
Net Book Values	**₱1,959**	**₱31,044**	**₱725**	**₱5,359**	**₱39,087**

	December 31, 2017					
	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
			(In Thousands)			
Cost						
At beginning of year	₱7,227	₱2,032,920	₱19,483	₱83,662	₱8,588	₱2,151,880
Additions	2,201	24,990	–	2,199	–	29,390
Disposals	–	(1,294,134)	(13,665)	(12,201)	(8,588)	(1,328,588)
Retirements	(3,666)	(239,466)	(2,971)	(24,386)	–	(270,489)
Reclassification (Note 12)	–	(7,966)	–	–	–	(7,966)
At end of year	5,762	516,344	2,847	49,274	–	574,227
Accumulated Depreciation and Amortization						
At beginning of year	7,024	2,009,975	17,361	61,592	7,734	2,103,686
Depreciation and amortization	317	5,043	499	6,240	240	12,339
Disposals	–	(1,282,106)	(12,842)	(803)	(7,974)	(1,303,725)
Retirements	(3,666)	(239,466)	(2,974)	(24,383)	–	(270,489)
Reclassifications (Note 12)	–	(4,833)	–	–	–	(4,833)
At end of year	3,675	488,613	2,044	42,646	–	536,978
Net Book Values	₱2,087	₱27,731	₱803	₱6,628	₱–	₱37,249

14. Software Costs

	March 31, 2018	December 31, 2017
	(In Thousands)	
At cost:		
Beginning balances	**₱30,857**	₱40,589
Additions	–	591
Retirements	–	(10,323)
Ending balances	**30,857**	30,857
Accumulated amortization:		
Beginning balances	**25,950**	32,956
Amortization (Note 20)	**559**	3,317
Retirements	–	(10,323)
Ending balances	**26,509**	25,950
Net book values at cost	**₱4,348**	₱4,906

15. Other Noncurrent Assets

	March 31, 2018	December 31, 2017
	(In Thousands)	
Deferred input VAT	**₱439,587**	₱437,959
Refundable deposits (Note 25)	**36,987**	37,369
Advances to suppliers and contractors	**24,371**	10,000
Spare parts and supplies	**1,966**	1,966
Deferred acquisition cost	**(67)**	580
Prepaid rent and other expenses	**134**	228
Others	**39**	595
	₱503,017	₱488,697

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

Deferred acquisition cost pertains to the unamortized acquisition costs incurred during the period that are related to securing new insurance contracts and or renewing existing insurance contracts.

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

Spare parts and supplies pertain to supplies, materials and spare parts for office and building maintenance of TPI.

Prepaid expenses comprise of advances to insurance companies for personal accident, term life and fire, advance rental and deposits to lessors which shall be applied in the future.

Others consist mainly of various assets that are individually immaterial.

16. Accounts Payable and Accrued Expenses

	March 31, 2018	December 31, 2017
	(In Thousands)	
Accrued expenses	**₱370,908**	₱404,448
Trade payables	**80,539**	76,311
Claims payables (Note 2)	**50,167**	50,936
Nontrade payables	**47,599**	42,319
Due to reinsurers and ceding companies	**9,202**	11,121
Reserves for unearned premiums	**–**	2,088
Others	**3,519**	6,005
	₱561,934	₱593,228

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

Reserves for unearned premiums are portion of the premiums that relates to unexpired periods.

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

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

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

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

17. Rental and Other Deposits

	March 31, 2018			December 31, 2017		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Rental deposits	**₱48,933**	**₱27,889**	**₱76,822**	₱48,725	₱27,889	₱76,614
Security deposits	**109,225**	**92,570**	**201,795**	103,681	92,570	196,251
Customer deposits	**14,097**	**3,304**	**17,401**	14,097	3,304	17,401
Construction bond	**18,103**	**5,591**	**23,694**	18,103	5,442	23,545
Other deposits	**3,471**	**8,945**	**12,416**	791	8,945	9,736
	₱193,829	**₱138,299**	**₱332,128**	₱185,397	₱138,150	₱323,547

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

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

18. Related Party Transactions

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

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

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

As at and for the period ended March 31, 2018

Category	Amount of transactions	Outstanding Balance	Terms	Conditions
Amounts owed by related parties				
Affiliates				
North Eastern Commercial				
Principal	**₱6,000**	**₱6,000**	**To be settled in cash, 30-day; 2.90%**	**Unsecured, not impaired, and unguaranteed**
Amaia Land Corporation				
Principal	**(7,777)**	**29,000**	**To be settled in cash, 30-day; 2.87%**	**Unsecured, not impaired, and unguaranteed**
Interest		**130**		
Avida Land Corporation				
Principal	**131,008**	**224,800**	**To be settled in cash, 30-day; 2.68%**	**Unsecured, not impaired, and unguaranteed**
Interest		**71**		
Arvo Commercial Corporation				
Principal	**(47,,998)**	**54,000**	**To be settled in cash, 30-day; 2.87%**	**Unsecured, not impaired, and unguaranteed**
Interest		**2**		
Summethill Commercial				
Principal	**(10,352)**	**109,000**	**To be settled in cash, 30-day; 2.87%**	**Unsecured, not impaired, and unguaranteed**
Interest		**172**		
Accendo Commercial Corpooration			**To be settled in cash, 30-day; 2.87%**	**Unsecured, not impaired, and unguaranteed**
Principal	**-**	**10,000**		
Southgateway Development Corp.				
Principal	**(14,000)**	**36,000**	**To be settled in cash, 30-day; 2.87%**	**Unsecured, not impaired, and unguaranteed**
Interest		**6**		
Cebu Property Ventures Dev't. Corporation				
Principal	**(8,696)**	**–**	**To be settled in cash and collectible on demand**	**Unsecured, not impaired, and unguaranteed**
Interest		**4**		
Ayala Land Metro North, Inc.				
Principal	**(34,969)**	**–**	**To be settled in cash and collectible on demand**	**Unsecured, not impaired, and unguaranteed**
Interest		**35**		
Ten Knots Philippines, Inc.				
Principal	**(29,334)**	**-**	**To be settled in cash and collectible on demand**	**Unsecured, not impaired, and unguaranteed**
Interest		**20**		
North Triangle Hotel Ventures, Inc.	**-**	**49**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired and unguaranteed**
Airswift Transport, Inc.	**(944)**	**902**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired and unguaranteed**
Ayala Land, Inc.	**(423)**	**582**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired and unguaranteed**
ALI Commercial Center	**-**	**4**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired and unguaranteed**
Guoman Philippines, Inc.	**-**	**1,675**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired and unguaranteed**
Total		**472,452**		
Allowance for impairment losses		**(1,625)**		
Net		**₱470,827**		

As at and for the year ended December 31, 2017

Category	Amount of transactions	Outstanding Balance	Terms	Conditions
Amounts owed by related parties				
Affiliates				
Airswift Transport, Inc.				
Principal	**₱1,846**	**₱–**	To be settled in cash,	Unsecured, not impaired,
Interest		**1,846**	42-day; 2.55%	and unguaranteed
North Triangle Hotel Ventures, Inc.				
Principal	**49**	**–**	To be settled in cash,	Unsecured, not impaired,
Interest		**49**	42-day; 2.55%	and unguaranteed
Cebu Property Ventures Dev't. Corporation				
Principal	**8,700**	**8,700**	To be settled in cash,	Unsecured, not impaired,
Interest			22-day; 2.55%	and unguaranteed
Amaia Land Corporation				
Principal	**36,907**	**36,800**	To be settled in cash,	Unsecured, not impaired,
Interest		**107**	30-day; 2.55%	and unguaranteed
Ayala Land Metro North, Inc.				
Principal	**35,005**	**35,000**	To be settled in cash,	Unsecured, not impaired,
Interest		**5**	30-day; 2.65%	and unguaranteed
Avida Land Corporation				
Principal	**93,863**	**93,800**	To be settled in cash,	Unsecured, not impaired,
Interest		**63**	30-day; 2.55%	and unguaranteed
Arvo ommercial Corporation				
Principal	**6,004**	**6,000**	To be settled in cash,	Unsecured, not impaired,
Interest		**4**	30-day; 2.55%	and unguaranteed
Summerhill Commercial				
Principal	**119,524**	**119,000**	To be settled in cash,	Unsecured, not impaired,
Interest		**524**	30-day; 2.55%	and unguaranteed
Ten Knots Philippines, Inc.			To be settled in cash,	Unsecured, not impaired,
Principal	**29,354**	**29,000**	30-day; 2.55%	and unguaranteed
Interest		**354**		
Accendo Commercial Corpooration			To be settled in cash,	Unsecured, not impaired,
Principal	**10,000**	**10,000**	30-day; 2.55%	and unguaranteed
Southgateway Development Corp.			To be settled in cash,	Unsecured, not impaired
Principal	**50,006**	**50,000**	30-day; 2.55%	and unguaranteed
Interest		**6**		
Ayala Land, Inc.	**1,005**	**1,005**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Guoman Philippines, Inc.	**1,675**	**1,675**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center	**4**	**4**		
Associate				
BAIBI	**-**	**2**	To be settled in cash and collectible on demand	Unsecured, non-interest bearing, not impaired, and unguaranteed
Total		**393,944**		
Allowance for impairment losses		**(1,625)**		
Net		**₱392,319**		

There are no movements in allowance for impairment losses on amounts owed by related parties as at March 31, 2018 and December 31, 2017.

Other transactions with related parties include the following:

a. OLI's acquisition of commercial building from ALI (see Note 1).
b. On June 27, 2017, OLI acquired 512,480,671 shares of POPI for a total consideration of ₱1.26 billion. This is presented as "Shares held by subsidiary" in the consolidated statement of financial position.

On November 14, 2016, LCI and Laguna Technopark Inc. (LTI) entered into a marketing and operations management agreement, whereby LTI shall be in-charge of the marketing and operations management of LCI. LTI shall receive a management fee equivalent to five percent (5%) of the monthly gross revenues. Likewise, for every new lessee, LCI shall pay LTI a commission equivalent to one month's rent of the lessee.

The Parent Company entered into a service agreement with Ayalaland Malls, Inc., and Ayalaland Malls Northeast, Inc. to provide specialized jobs/services/work to the Group. The term of the agreement shall be 3 years starting November 1, 2016 until October 31, 2019 and January 1, 2017 until December 31, 2018, respectively.

19. **Subscription Payable**

Cyber Bay and Central Bay

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

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

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

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

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

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

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

As at March 31, 2018 and December 31, 2017, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as “Subscriptions Payable” in the consolidated statements of financial position.

The movement in investment in Cyber Bay under “AFS financial assets” is as follows:

	March 31, 2018	December 31, 2017
	(In Thousands)	
Beginning balance	**₱1,152,124**	₱1,304,815
Changes in fair value	**13,881**	(152,691)
	1,166,005	1,152,124
Allowance for impairment losses	**527,478**	527,478
	₱638,527	₱624,646

20. Operating Expenses

	March 31, 2018	March 31, 2017
Janitorial and security services	**₱5,697**	₱6,336
Personnel expenses	**5,537**	13,765
Systems costs	**3,336**	2,186
Depreciation and amortization (Notes 13 and 14)	**3,454**	5,195
Taxes and licenses	**2,354**	2,269
Professional and legal fees	**1,756**	2,983
Rental	**1,655**	5,340
Communication and transportation	**747**	1,209
Supplies and repairs	**460**	934
Membership, fees and dues	**148**	614
Insurance	**98**	669
Marketing expenses	**34**	10
Representations	**8**	106
Provision for impairment losses	**–**	3,543
Others	**710**	1,601
	₱25,994	₱46,760

Others consist mainly of various charges that are individually immaterial.

21. Retirement Plan

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

The latest independent actuarial valuation dated November 28, 2017 was determined using the projected unit credit method in accordance with PAS 19.

22. Earnings Per Share

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

	March 31, 2018	March 31, 2017
a. Net income attributable to equity holders of the Parent	**₱7,744**	₱9,250
b. Weighted average number of shares	**4,923,085**	4,896,455
Basic earnings per share (a/b)	**₱0.002**	₱0.002

23. Shares Held by a Subsidiary

On June 27, 2017, Orion Land Inc., a wholly owned subsidiary of POPI, acquired 512,480,671 shares of POPI with a cost of P1.26 billion. This is presented as Shares held by subsidiary in the consolidated statement of financial position as at March 31, 2018 and December 31, 2017.

24. Segment Information

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

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

- Holding company
- Real estate - property development and leasing
- Financial services - insurance and related brokerage

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

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

March 31, 2018

	Holding Company	**Real Estate and Property Development**	**Financial Services**	**Others**	**Total**	**Elimination**	**Total**
Revenue and income	**₱33**	**₱176,185**	**₱3,897**	**₱–**	**₱180,115**	**₱–**	**₱180,115**
Cost and expenses	**(8,102)**	**(144,437)**	**(13,283)**	**(23)**	**(165,845)**	**–**	**(165,845)**
Other income (charges)	**1,144**	**5,051**	**–**	**80**	**6,275**	**–**	**6,275**
Income (loss) before income tax	**(6,925)**	**36,799**	**(9,386)**	**57**	**20,545**	**–**	**20,545**
Provision for income tax	**–**	**14,632**	**208**	**–**	**14,840**	**–**	**14,840**
Net income (loss)	**(6,925)**	**22,167**	**(9,594)**	**57**	**5,705**	**–**	**5,705**
Segment assets	**8,962,615**	**9,769,040**	**214,233**	**45,575**	**18,991,463**	**(10,072,200)**	**8,919,263**
Segment liabilities	**1,171,419**	**1,346,109**	**85,165**	**196,251**	**2,798,944**	**(1,152,343)**	**1,646,601**

March 31, 2017

	Holding Company	Real Estate and Property Development	Financial Services	Others	Total	Elimination	Total
Revenue	₱5,605	₱117,373	₱33,981	₱–	₱156,959	(₱303)	₱156,656
Cost and expenses	(10,776)	(98,389)	(45,612)	(676)	(155,453)	303	(155,150)
Other income (charges)	7,756	5,953	(20)	370	14,059	–	14,059
Income (Loss) before income tax	2,585	24,937	(11,651)	(306)	15,565	–	15,565
Provision for income tax	2,353	7,112	479	-	9,944	–	9,944
Net income (loss)	232	17,825	(12,130)	(306)	5,621	–	5,621

December 31, 2017

Segment assets	8,461,509	9,103,886	235,514	47,300	17,848,209	(8,924,664)	8,923,545
Segment liabilities	678,330	1,351,102	90,715	198,121	2,318,268	(651,579)	1,666,689

Geographical Segments

The Group does not have geographical segments.

25. **Long-term Lease**

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

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

As at March 31, 2018 and December 31, 2017, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows:

	March 31, 2018	December 31, 2017
	(In Thousands)	
Less than one (1) year	**₱105,397**	₱140,529
More than (one) 1 year but not more than (five) 5 years	**702,647**	702,647
More than (five) 5 years	**2,201,626**	2,201,626
	₱3,009,670	₱3,044,802

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

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

26. **Contingencies**

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

27. **Financial Risk Management Objectives, Policies and Capital Management**

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

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

Credit Risk
The Group's credit risk originates from the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group's gross maximum exposure to credit risk of its financial assets, which mainly comprise of cash, excluding cash on hand, receivables, amounts owed by related parties, AFS investments and HTM investments arises from default of the counterparty which has a maximum exposure equal to the carrying amount of these instruments at reporting date.

Credit quality of neither past due nor impaired financial asset
The credit quality of financial assets is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible; (b) Standard grade financial assets need to be consistently followed up but are still collectible.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system:

March 31, 2018

	Neither past due nor impaired		Past due or	
	High grade	**Standard grade**	**individually impaired**	**Total**
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	**₱232,420**	**₱–**	**₱–**	**₱232,420**
Receivables:				
Trade debtors	**99,990**	**72**	**186,281**	**286,343**
Insurance receivables	**–**	**–**	**119,482**	**119,482**
Others	**1,892**	**1,438**	**190,740**	**194,070**
Amounts owed by related parties	**470,827**	**–**	**1,625**	**472,452**
Deposits (under "Other noncurrent assets")	**36,579**	**–**	**408**	**36,987**
AFS Financial Assets:				
Quoted debt securities	**65,319**	**–**	**–**	**65,319**
	₱907,027	**₱1,510**	**₱498,536**	**₱1,407,073**

December 31, 2017

	Neither past due nor impaired		Past due or individually impaired	Total
	High grade	Standard grade		
		(In Thousands)		
Loans and Receivables:				
Cash and cash equivalents	₱254,881	₱–	₱–	₱254,881
Receivables:				
Trade debtors	263,694	91	86,480	350,265
Insurance receivables	–	–	128,550	128,550
Others	10,063	1,659	190,741	202,463
Amounts owed by related parties	392,319	–	1,625	393,944
Deposits (under “Other noncurrent assets”)	36,961	–	408	37,369
AFS Financial Assets:				
Quoted debt securities	71,189	–	–	71,189
	₱1,029,107	₱1,750	₱407,804	₱1,438,661

The tables below show the aging analyses of financial assets per class that the Group held as at March 31, 2018 and December 31, 2017. A financial asset is past due when a counterparty has failed to make payment when contractually due.

March 31, 2018

	Neither past due nor impaired	**Past due but not impaired**				**Individually impaired**	**Total**
		Less than 30 days	**31 to 60 days**	**61 to 90 days**	**Over 90 days**		
				(In Thousands)			
Loans and Receivables:							
Cash and cash equivalents	**₱232,420**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱232,420**
Receivables:							
Trade debtors	**100,061**	**12,513**	**9,956**	**9,729**	**99,836**	**54,248**	**286,343**
Insurance receivables	**–**	**–**	**–**	**–**	**64,722**	**54,760**	**119,482**
Others	**3,329**	**–**	**–**	**–**	**15**	**190,726**	**194,070**
Amounts owed by related parties	**470,827**					**1,625**	**472,452**
Deposits (under "Other noncurrent assets")	**36,579**	**–**	**–**	**–**	**–**	**408**	**36,987**
AFS Financial Assets							
Quoted debt securities	**65,319**	**–**	**–**	**–**	**–**	**–**	**65,3199**
	₱908,535	**₱12,513**	**₱9,956**	**₱9,729**	**₱164,573**	**₱301,767**	**₱1,407,073**

December 31, 2017

	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
				(In Thousands)			
Loans and Receivables:							
Cash and cash equivalents	₱254,881	₱–	₱–	₱–	₱–	₱–	₱254,881
Receivables:							
Trade debtors	263,785	6,906	4,207	6,158	14,961	54,248	350,265
Insurance receivables	–	–	–	–	73,790	54,760	128,550
Others	11,722	–	–	–	15	190,726	202,463
Amounts owed by related parties	392,319					1,625	393,944
Deposits (under "Other noncurrent assets")	36,961	–	–	–	–	408	37,369
AFS Financial Assets							
Quoted debt securities	71,189	–	–	–	–	–	71,189
	₱1,030,857	₱6,906	₱4,207	₱6,158	₱88,766	₱301,767	₱1,438,661

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2018 and December 31, 2017 based on contractual undiscounted payments:

March 31, 2018

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(In Thousands)			
Loans and Receivables:						
Cash and cash equivalents	**₱232,420**	**–**	**–**	**–**	**–**	**₱232,420**
Trade debtors	**100,061**	**32,198**	**99,835**	**–**	**54,249**	**286,343**
Insurance receivables	**–**	**–**	**64,722**	**–**	**54,760**	**119,482**
Others	**3,330**	**–**	**15**	**–**	**190,725**	**194,070**
Amounts owed by related parties	**470,827**	**–**	**–**	**–**	**1,625**	**472,452**
Deposits (under "Other noncurrent assets")	**36,579**	**–**	**–**	**–**	**408**	**36,987**
AFS Financial Assets						
Quoted debt securities	**65,319**	**–**	**–**	**–**	**–**	**65,319**
	₱908,536	**₱32,198**	**₱164,572**	**₱–**	**₱301,767**	**₱1,407,073**
Accounts payable and accrued expenses	**₱354,690**	**₱68,319**	**₱29,816**	**₱73,483**	**₱–**	**₱526,308**
Subscription payable	**481,675**	**–**	**–**	**–**	**–**	**481,675**
Rental and other deposits	**190,040**	**10,908**	**8,985**	**8,320**	**113,875**	**332,128**
	₱1,026,405	**₱79,227**	**₱38,801**	**₱81,803**	**₱113,875**	**₱1,340,111**

December 31, 2017

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(In Thousands)			
Loans and Receivables:						
Cash and cash equivalents	₱254,881	–	–	–	–	₱254,881
Trade debtors	266,231	17,271	14,961	–	54,249	352,711
Insurance receivables	–	–	73,790	–	54,760	128,550
Others	11,687	–	15	–	190,725	202,427
Amounts owed by related parties	392,319	–	–	–	1,625	393,944
Deposits (under "Other noncurrent assets")	172	–	–	–	480	580
AFS Financial Assets						
Quoted debt securities	71,189	–	–	–	–	71,189
Unquoted debt securities	–	–	–	–	–	–
	₱996,479	₱17,271	₱88,766	₱–	₱301,839	₱1,404,282
Accounts payable and accrued expenses	₱367,452	₱74,219	₱31,256	₱74,212	₱8,345	₱555,484
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	169,161	10,908	8,985	8,320	155,461	352,836
	₱1,018,288	₱85,126	₱40,242	₱82,533	₱163,806	₱1,389,995

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

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

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

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

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to quoted debt instruments.

The Group regularly monitors the market interest rate movements to assess exposure impact.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2018 and December 31, 2017.

As at March 31, 2018 and December 31, 2017, the Group considers the following accounts as capital:

	March 31, 2018	December 31, 2017
Capital stock	**₱4,653,329**	₱4,652,268
Additional paid-in capital	**3,942,404**	3,942,404
	₱8,595,733	₱8,594,672

The Group is not subject to externally imposed capital requirements.

28. **Financial Instruments**

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at March 31, 2018 and December 31, 2017 are set out below:

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

Receivables, Accounts Payable and Accrued Expenses and Amounts owed by Related Parties
The carrying amounts receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

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

AFS Financial Assets
AFS equity financial assets that are listed are based on their bid prices as at March 31, 2018 and December 31, 2017. AFS debt financial assets that are quoted are based on market prices. Unquoted debt and nonlisted AFS financial assets are based on latest available transaction price at the end of the reporting period.

Financial Assets at FVPL
Listed equity securities designated as financial assets at FVPL are based on their bid prices.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at March 31, 2018

	AMOUNT
Current	100,725
1 to 30 days	12,513
31 to 60 days	9,956
61 to 90 days	9,729
Over 90 days	154,084
Total receivable-trade	**287,006**
Advances to Employees	4,498
Insurance receivable	119,482
Others	188,908
Total non-trade receivable	**312,888**
Total receivable	**599,894**
Allowance for doubtful accounts	**(299,734)**
	300,160