COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS094-8752

COMPANY NAME

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

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

Ever Gotesco Corporate Center, 1958 Claro M. Recto Avenue, Manila

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
egrhi@evermalls.com.ph	735 - 6901	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,629	08/29	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cynthia T. Dizon	ctdizon@evermalls.com.ph	735-6901	N/A

CONTACT PERSON's ADDRESS

Manila Real Residences, 1129 Natividad Almeda Lopez Street, Ermita, Manila

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

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

EVER GOTESCO RESOURCES AND HOLDINGS, INC AND SUBSIDIARY
1958 C.M. Recto Avenue, Quiapo, Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **EVER GOTESCO RESOURCES AND HOLDINGS, INC AND SUBBSIDIARY**, is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JOSE C. GO Chairman	JOEL T. GO President
EVELYN C. GO Treasurer	CYNTHIA T. DIZON AVP- Controller

Signed this ______ day of ______

SUBSCRIBED AND SWORN TO
BEFORE ME This 10 APR 2019
AT THE CITY OF MANILA

DOC. NO: 639
PAGE NO: 92
BOOK NO: XI
SERIES OF: 2019

ATTY. JOSE FRANCISCO S. ORDUNA
NOTARY PUBLIC
PTR NO. 5877458 01-03-19 MANILA
IBP NO. 1051157 / 11-04-17 12-31-19
TIN NO. 185-3575855 / ROLL NO. 45[illegible]
MCLE V - 0000540 1-10-19

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Ever Gotesco Resources and Holdings, Inc.
Ever Gotesco Corporate Center
1958 Claro M. Recto Avenue, Manila

Opinion

We have audited the consolidated financial statements of Ever Gotesco Resources and Holdings, Inc. (the Company) and its subsidiary (collectively, the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group was impleaded to the civil case between the *Bangko Sentral ng Pilipinas* (BSP) for the collection of its advances to the now defunct Orient Commercial Banking Corporation, an affiliate, where a notice of garnishment of mall lease payments had been issued in 2010 against the Group and certain affiliates, officers, and employees. In 2017 and 2016, the Group ceased its mall operations and is currently without commercial operations. Further, the Group continued to have deficit amounting to ₱3.6 billion and ₱3.2 billion as at December 31, 2018 and 2017, respectively, and its total current liabilities exceeded its total current assets by ₱171.6 million as of December 31, 2018. These events or conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Expected Credit Loss (ECL) on Receivable from Related Parties

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

As of December 31, 2018, the carrying value of receivables from related parties amounted to ₱3.0 billion, net of allowance for ECL of ₱1.7 billion, which constitutes 99% of the consolidated total assets and is material to our audit. These related party receivables are unsecured in nature, fully matured and demandable, which are considered in default and credit-impaired. The Group's adoption of the ECL model, as it applies to receivables from related parties, is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include determining assumptions to be used in the ECL model such as timing and amount of expected net recoveries from defaulted accounts.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policies and discussion of significant judgments, and Notes 4 and 17 for the detailed disclosures on related party receivables.

Audit response

We obtained an understanding of the Group's processes and controls in evaluating the collectability and determining the amount to be provided as allowance for ECL with respect to its related party receivables. We evaluated management's estimate of the allowance for ECL by considering the related parties' financial position, results of operations, and cash flows based on their latest financial statements. We tested the related party accounts specifically identified to be doubtful of collection where we focused on the related parties' equity position, ability to generate cash flows and availability of assets to settle their obligations.

Provisions and Contingencies

As discussed in Notes 1 and 10 to the consolidated financial statements, the Group is involved in certain legal, contractual and regulatory proceedings and other possible claims. This matter is significant to our audit because the estimation of the potential liability resulting from these claims involves inherent uncertainties and requires significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of laws and regulations. As of December 31, 2018, total provisions recognized by the Group amounted to ₱129.0 million.

The disclosures on management judgment on assessment of contingent liabilities and estimation of provisions and amounts recognized are included in Notes 3 and 10, respectively, to the consolidated financial statements.

Audit response

We inquired with management the status of the claims, and obtained correspondences with the relevant authorities and opinions of the external legal counsel. We involved our internal specialist in the evaluation of management's assessment on whether any provision for these contingencies should be recognized, and the estimation of such amount. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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

April 30, 2019

EVER GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash	**₱1,201,283**	₱1,211,374
Receivables - current (Notes 1, 4 and 17)	**1,512,058,347**	3,052,500,857
Other current assets	**427,535**	5,146,197
Total Current Assets	**1,513,687,164**	3,058,858,428
Noncurrent Assets		
Receivables - noncurrent (Notes 1, 4 and 17)	**841,919,815**	–
Creditable withholding taxes (Note 5)	–	17,751,088
Other noncurrent assets (Note 8)	–	16,814,295
Total Noncurrent Assets	**814,919,815**	34,565,383
TOTAL ASSETS	**₱2,355,606,979**	₱3,093,423,811
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loan (Notes 1 and 9)	**₱50,000,000**	₱50,000,000
Accounts payable and other current liabilities (Notes 9, 10 and 17)	**1,294,359,955**	1,283,434,107
Total Liabilities	**1,344,359,955**	1,333,434,107
Equity		
Capital stock - ₱1 par value (Note 19)		
Authorized and issued - 5,000,000,000 shares (held by 5,629 and 5,642 equity holders in 2018 and 2017, respectively)	**5,000,000,000**	5,000,000,000
Deficit	**(3,988,752,976)**	(3,240,010,296)
Total Equity	**1,011,247,024**	1,759,989,704
TOTAL LIABILITIES AND EQUITY	**₱2,355,606,979**	₱3,093,423,811

See accompanying Notes to Consolidated Financial Statements.

EVER GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Mall rental income (Notes 7, 16 and 17)	**₱–**	₱87,352,663	₱313,907,631
DIRECT COSTS AND EXPENSES (Notes 7 and 11)	–	(62,271,152)	(127,263,119)
GROSS PROFIT	–	25,081,511	186,644,512
General and administrative expenses (Note 12)	**(7,194,719)**	(34,744,349)	(35,266,689)
Interest expense (Note 9)	**(12,000,000)**	(12,000,000)	(13,558,333)
Impairment loss (Note 7)	–	–	(56,581,260)
Other income (charges) - net (Note 13)	**(729,547,961)**	(811,815,956)	648,916
INCOME (LOSS) BEFORE INCOME TAX	**(748,742,680)**	(833,478,794)	81,887,146
PROVISION FOR INCOME TAX (Note 15)			
Current	–	11,722,991	51,830,514
Deferred	–	903,287	(2,188,396)
	–	12,626,278	49,642,118
NET INCOME (LOSS)	**(748,742,680)**	(846,105,072)	32,245,028
OTHER COMPREHENSIVE INCOME			
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on retirement benefits (Note 14)	–	–	2,337,816
Income tax effect	–	–	(701,345)
	–	–	1,636,471
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱748,742,680)**	(₱846,105,072)	₱33,881,499
Basic /Diluted Earnings (Loss) Per Share (Note 18)	**(₱0.154)**	(₱0.169)	₱0.006

See accompanying Notes to Consolidated Financial Statements.

EVER GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital Stock	Remeasurement Gain (Loss) on Retirement Benefits - Net (Note 14)	Deficit (Note 2)	Total
BALANCES AT JANUARY 1, 2016	**₱5,000,000,000**	**(₱788,720)**	**(₱2,426,998,003)**	**₱2,572,213,277**
Net income	–	–	32,245,028	32,245,028
Other comprehensive income	–	1,636,471	–	1,636,471
Total comprehensive income	–	1,636,471	32,245,028	33,881,499
BALANCES AT DECEMBER 31, 2016	**5,000,000,000**	**847,751**	**(2,394,752,975)**	**2,606,094,776**
Net loss / total comprehensive loss	–	–	(846,105,072)	(846,105,072)
Transfer of remeasurement gain on retirement benefits to deficit (Note 14)	–	(847,751)	847,751	–
BALANCES AT DECEMBER 31, 2017	**5,000,000,000**	**–**	**(3,240,010,296)**	**1,759,989,704**
Net loss / total comprehensive loss	–	–	(748,742,680)	(748,742,680)
BALANCES AT DECEMBER 31, 2018	**₱5,000,000,000**	**₱–**	**(₱3,988,752,976)**	**₱1,011,247,024**

See accompanying Notes to Consolidated Financial Statements.

EVER GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱748,742,680)**	(₱833,478,794)	₱81,887,146
Adjustments for:			
Interest expense (Notes 9 and 10)	**12,000,000**	12,000,000	13,558,333
Loss on write-off of various assets (Note 8)	**11,879,253**	–	–
Depreciation and amortization (Notes 6 and 7)	**–**	51,389,617	114,134,184
Loss on write-off of cost of land (Note 7)	**–**	13,995,554	–
Loss on write-off of leasehold rights (Note 8)	**–**	2,806,154	–
Reversal of provisions (Note 10)	**–**	(68,637,835)	–
Movement of retirement benefits liability (Note 14)	**–**	178,800	1,126,433
Impairment loss on investment properties (Note 7)	**–**	–	56,581,260
Operating income (loss) before working capital changes	**(724,863,427)**	(821,746,504)	267,287,356
Decrease (increase) in:			
Receivables	**698,522,696**	826,426,773	(279,053,496)
Other current assets	**15,442,890**	3,103,895	(1,671,448)
Utilities deposits, garnished collections and advances to contractors	**11,961,902**	53,572	(90,187)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(1,074,152)**	83,541,693	82,621,158
Operating lease payable	**–**	(5,941,100)	(6,377,501)
Customers' deposits	**–**	(81,850,825)	–
Cash generated from (used in) operations	**(10,091)**	3,587,504	62,715,882
Income taxes paid, including creditable taxes withheld and final taxes	**–**	(3,730,662)	(18,740,936)
Net cash from (used in) operating activities	**(10,091)**	(143,158)	43,974,946
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisitions of property and equipment	**–**	–	(64,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to banks (Note 9)	**–**	–	(42,500,000)
Interest paid	**–**	–	(1,558,333)
Cash used in financing activities	**–**	–	(44,058,333)
NET DECREASE IN CASH	**(10,091)**	(143,158)	(148,298)
CASH AT BEGINNING OF YEAR	**1,211,374**	1,354,532	1,502,830
CASH AT END OF YEAR	**₱1,201,283**	₱1,211,374	₱1,354,532

See accompanying Notes to Consolidated Financial Statements.

EVER GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information, Authorization for Issue of the Consolidated Financial Statements, and Status of Operations**

   Corporate Information
   Ever Gotesco Resources and Holdings, Inc. (the Company) and its wholly owned subsidiary, Gotesco Tyan Ming Development, Inc. (GTMDI), (together referred to hereafter as the "Group") were incorporated in the Philippines primarily to engage in the business of building shopping malls and leasing out to commercial tenants. The Company and GTMDI were registered in the Philippine Securities and Exchange Commission (SEC) on September 27, 1994 and September 21, 1994, respectively. The corporate life of the Parent Company is 50 years.

   The registered office address of the Company is Ever Gotesco Corporate Center, 1958 Claro M. Recto Avenue, Manila, while GTMDI's registered office address is Ever Gotesco Ortigas Complex, Ortigas Avenue, Pasig City.

   Authorization for Issue of the Consolidated Financial Statements
   The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on April 30, 2019.

   Status of Operations
   The Group is faced with significant risks arising from an unresolved legal case and cessation of its mall operations.

   In 2000, the Group was impleaded to the civil case between the Bangko Sentral ng Pilipinas (BSP), as plaintiff, and the now defunct Orient Commercial Banking Corporation (Orient Bank) and some of its officers and employees, as defendants. In 2003, the parties to the civil case entered into a compromise agreement, which was approved by the Regional Trial Court of Manila (RTC-Manila). Under the terms of the compromise agreement, the rentals and all other income and revenue of the malls, which include those of the companies that are owned and operated by the defendants, shall continue to guarantee the stipulated amortizations due from the defendants. The Group along with the other defendants submitted an amortization schedule to BSP which the latter rejected. BSP sought to impose upon the defendants its own amortization schedule which the Group believes is way beyond the defendants' financial capacity. Despite several entreaties to come up with a compromise amortization schedule, no agreement has been reached. Thus, a deadlock in the negotiation ensued. RTC-Manila issued a Writ of Garnishment on lease rental receivables to the defendants.

   In July 2010, a Notice of Garnishment on lease rental receivables was issued by the RTC-Manila against the Company, its subsidiary, officers, employees and certain affiliates. The Notice of Garnishment directed the various tenants that all lease payments to the defendants or funds in the possession of various mall tenants payable to the defendants are henceforth considered in the Custody of the Court and the various mall tenants should not deliver, pay or transfer, or otherwise dispose or encumber such rental or lease payments to the defendants or to any other person except to the Ex-Officio Sheriff of Manila or his/her Deputy under penalty of the law.

   The Company and its subsidiary, along with the other defendants assailed the Order of RTC-Manila granting the Writ of Execution before the Court of Appeals via a Petition for Certiorari. After the submission of the pertinent pleadings by the parties, the petition was submitted for resolution which is still pending as of April 30, 2019.

The Notice of Garnishment impaired collection effort on lease rental receivables and added to the Company's and its subsidiary's cash flow problems. The Garnishment Notice exempted the Company's and its subsidiary's collections of tenants' utility dues and other assessments.

As of December 31, 2018 and 2017, lease receivables from an affiliate amounted to ₱1.2 billion. Collections on lease receivables under the custody of the Court classified as "Other noncurrent assets" in the consolidated balance sheets amounted to ₱42.6 million which were fully provided with allowance as of December 31, 2018 and 2017, respectively (see Note 8).

The Company was the previous owner and mall operator of Ever Gotesco Commonwealth Center (EGCC), a commercial complex. On March 31, 2017, the absolute ownership of EGCC was transferred to the lessor of the land where the said commercial complex of the Company is located without the need of any further act on the part of the Company after the expiration of the lease contract (see Note 16). Moreover, the lease agreement between the Company and the lessor of the land where the EGCC was located expired on March 31, 2017. Because of the transfer of ownership of EGCC on expiration of the lease agreement, the Company ceased its mall operations, resulting to transfer of its administrative function and employees to another affiliate (see Note 17). The Group's accumulated deficit amounted to ₱3.6 billion and ₱3.2 billion as of December 31, 2018 and 2017, respectively.

To address these uncertainties, management plans to resolve the civil case with BSP and to explore other business opportunities outside of mall operations once the case is resolved. The Group will assess revenue potentials of other industries such as those in tourism and agriculture which remains to be promising. Management is also in search for external financing either through new creditors or investors.

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group's continuing financial difficulties and the uncertainties over the ultimate outcome of the legal cases involving the Group indicate a material uncertainty on the Group's ability to continue operating as a going concern and therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. The outcome of these uncertainties cannot be determined at the present time. The effects of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso (Peso), which is the Group's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations issued by the Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018.

Subsidiaries are all entities over which the Company or its subsidiary has control. Specifically, the Group controls an investee if and only if the Group has:

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

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:

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

The Group re-assesses 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. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the parent company loses control over its subsidiary, it:

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

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiary are prepared for the same balance sheet date as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018 unless otherwise indicated. Additional disclosures have been included in the notes to financial statements, as applicable.

Effective beginning or after January 1, 2018

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-Deletion of short-term exemptions for first-time adopters*
- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

  The impact of the adoption is described below:

  (a) Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through OCI (FVTOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  Cash, trade receivables, and other receivables classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

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

		PFRS 9 Measurement Category		
PAS 39 measurement category	**Amounts**	**FVTPL**	**FVTOCI**	**Amortized Cost**
Loans and receivables				
Cash in banks	₱1,211,374	₱–	₱–	₱1,211,374
Trade and Other receivables*	2,694,937,485	–	–	2,694,937,485
	₱4,780,863,830	₱–	₱–	₱4,780,863,830

**net of allowance totaling ₱1,714,238,714*

The Group does not have financial assets previously held at fair value under PAS 39. Also, the Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs *for* all debt instruments not held at FVTPL and contract assets.

The adoption of PFRS 9 did not have any significant impact on the Group's provision for impairment on its financial assets as of January 1, 2018.

- PFRS 15 *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  PFRS 15 is not applicable to the Group since it already ceased its commercial operations starting March 31, 2017 and rental income is not within the scope of PFRS 15.

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

Effective beginning on or after January 1, 2019

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

- PFRS 16, *Leases*

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

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

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

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

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

  The adoption of the new standard has no significant impact on the consolidated financial statements of the Group considering that almost all its lease agreements were terminated. The adoption of PFRS 16 has no impact to the Group since it already ceased its operations.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs 2015-2017 Cycle
- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

Financial Instruments

Accounting Policies Starting January 1, 2018

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

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVTOCI and FVTPL.

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

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

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

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

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

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

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

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

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

The Group's financial assets at amortized cost include cash, trade receivables and other receivables as of December 31, 2018.

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

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

The Group considers trade receivables in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting Policies Prior to January 1, 2018

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction costs.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

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

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

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

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

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

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

Impairment of Financial Assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Accounting Policies Applicable to All Periods Presented

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

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest method.

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

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

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

Classified as other financial liabilities are accounts payable and other current liabilities (excluding statutory payables and deferred income) and bank loans as at December 31, 2017.

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of 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 is recognized in profit or loss.

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

<u>Fair Value Measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

Creditable Withholding Tax
Creditable withholding tax represents the amount withheld from income payments and is deducted from income tax payable on the same year the revenue was recognized. Unused creditable withholding taxes can be carried forward to the ensuing years. The balance of creditable withholding tax is reviewed at each balance sheet date to determine if an objective evidence exists that amounts are no longer recoverable and reduced to the amount the Group expects to recover.

Property and Equipment
The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Subsequent to initial recognition, property and equipment, is carried at cost less accumulated depreciation and amortization, and any impairment losses.

When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Furniture, fixtures and equipment	5
Cinema furniture and equipment	5
Transportation equipment	5 to 10
Other equipment	5

Depreciation of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized.

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The cost of investment properties is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of PFRS. Accordingly, investment properties acquired under the asset-for-share swap agreement in 1995 were initially measured at the assigned values as approved by the Philippine SEC. These assigned values were deemed costs of the investment properties acquired. The carrying amount includes 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.

Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and amortization, and any impairment losses. Land is carried at cost less any impairment in value. Interests on funds borrowed to partially finance the investment property during the construction period are capitalized to the respective property accounts.

The Group assesses if an item of property other than a piece of land or a building is regarded as part of an investment property. If an item is an integral part of an investment property, is being leased to the lessee together with the land and building as a whole and the entire group of assets is generating the income stream from the lease contract, the item is included as part of investment property.

Depreciation and amortization of investment properties is computed using the straight-line method over the following useful lives of the assets, regardless of utilization:

	Number of Years
Commercial complex and improvements	25
Machinery and equipment	10
Cinema furniture and equipment	5

Investment properties and improvements located in leased parcels of land are depreciated and amortized using the straight-line method over their useful lives, or the term of the lease, whichever is shorter.

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

Investment properties are derecognized when they have been either disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

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

Impairment of Nonfinancial Assets
The carrying values of property and equipment, investment properties and other current and noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. 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 recoverable amounts. The recoverable amount of property and equipment, investment properties and other current and noncurrent assets is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax 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 recoverable amount is determined for the CGU to which the asset belongs. Any impairment loss is recognized in profit or loss.

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

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

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

Other Comprehensive Income (OCI)
OCI comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income pertaining to remeasurements on the Group's defined benefit plans is recognized under "Remeasurement gain (loss) on retirement benefits" account in the consolidated balance sheet. Other items are closed directly to retained earnings (deficit).

Revenue Recognition- Effective prior to January 1, 2018
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 in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Mall rental income
Rent income from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Rent income from fixed tenants is generally recognized on a straight-line basis over the lease term. Rental income from percentage tenants is recognized at the end of every month based on a minimum agreed rental or certain percentage of the tenant's gross sales, whichever is higher.

Interest income
Interest income is recognized as it accrues, using the effective interest method.

Direct Costs and Expenses
Direct costs and expenses are expenses directly related to the performance of services, which are recognized as incurred.

General and Administrative Expenses
General and administrative expenses include costs of administering the business, which are recognized as incurred.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition and development of qualifying assets as part of the cost of such assets. Capitalization of borrowing cost commences when the activities to prepare the assets for their intended use are in progress and expenditures and borrowing costs are being incurred; is suspended during extended periods in which active development is interrupted; and, ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. All other borrowing costs are expensed as incurred.

Retirement Benefits Costs
Retirement benefits costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation.

Retirement benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- 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 expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 expense or income in profit or loss.

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

The amount recognized as retirement benefits liability is the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date 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.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception 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 reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

The 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. 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 same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

Operating lease expense is recognized in profit or loss on a straight-line basis over the lease term.

<u>Income Taxes</u>
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 tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

Capital Stock
The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as "Additional paid-in capital".

Retained Earnings (Deficit)
Retained Earnings (Deficit) represent the cumulative balance of periodic total comprehensive income or loss, dividend distributions, correction of prior year's errors, effect of changes in accounting policy and other capital adjustments. A "deficit" is not an asset but a deduction from equity.

Basic/Diluted Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is calculated by dividing the income (loss) for the year attributable to stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potential dilutive shares, if any.

In determining both the basic and diluted earnings (loss) per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Information
Until March 31, 2017, the Group was engaged in building shopping malls and leasing out to commercial tenants and considers such as its primary activity and only business segment. Management monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment.

Events After the Balance Sheet Date
Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances that are believed to be reasonable at the balance sheet date. Actual results could differ from such estimates used.

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

Use of the going concern assumption
The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The underlying assumption in the preparation of financial statements is that the Group has neither the intention nor the need to liquidate. Management takes into account a whole range of factors which include, but are not limited to, expected operations and profitability and potential sources of additional financing. As discussed in Note 1, management still prepares the financial statements on a going concern basis as management has future plans regarding the Group.

Classification of leases
The Group has entered into property leases, where it has determined that all the risks and rewards incidental and related to the underlying properties are substantially retained by the lessors since there is no transfer of ownership of the leased properties. Also, the Group has entered into property leases, where it has determined that all the risks and rewards incidental and related to its investment properties are substantially retained by the Group since there is no transfer of ownership of the leased properties. As such, these lease agreements are accounted for as operating leases (see Note 16).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for ECL - Effective Starting January 1, 2018
The Group recognizes ECL in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group estimates the allowance for ECL by considering the related parties' financial position, results of operations, and cash flows based on their latest financial statements. Related party accounts were specifically identified to be doubtful of collection based on the related parties' equity position, ability to generate cash flows and availability of assets to settle their obligations. As of December 31, 2018, the allowance for ECL on receivables from related parties amounted to ₱1.7 billion (see Notes 4 and 17).

Estimation of allowance for doubtful accounts (PAS 39) - Effective prior to January 1, 2018
Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management on the basis of factors that affect the collectability or realizability of the accounts. These factors include but are not limited to the length of the Group's relationship with the other party, the other party's payment behavior and known market factors. Specific accounts are evaluated based on best available facts and circumstances such as information that certain customers may be unable to meet their financial obligations. In the case of creditable withholding taxes, management considers among others, the availability of future tax payable against which creditable withholding taxes may be utilized. These specific reserves are reevaluated and adjusted as additional information received impacts the amounts estimated.

As of December 31, 2017, the allowance for doubtful accounts on receivables from related parties amounted to ₱1.7 billion (see Notes 4 and 17). As of December 31, 2017, the allowance for probable losses on creditable withholding taxes amounted to ₱28.6 million (see Note 5) and on other noncurrent assets amounted to ₱43.0 million (see Note 8). The Group recognized provisions on garnished collections and other noncurrent assets amounting to ₱1.6 million in 2017 (see Note 8).

Recognition of deferred income tax assets
The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 assets to be utilized. The Group did not recognize deferred income tax assets on future deductible temporary differences as of December 31, 2018 and 2017 (see Note 15).

Provisions and contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at the balance sheet date, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being reassessed at least on an annual basis to consider new relevant information. Provisions amounting to ₱68.6 million were reversed in 2017 (nil in 2018). Provisions amounted to ₱129.0 million as of December 31, 2018 and 2017 (see Note 10).

4. Receivables

	2018	2017
Receivable from related parties (Note 17)	**₱1,182,879,139**	₱1,237,994,326
Others:		
Related parties (Note 17)	**3,223,854,875**	3,536,260,362
Third parties	**2,442,185**	5,397,768
	4,409,176,199	4,779,652,456
Less allowance for ECL/doubtful accounts	**2,055,198,037**	1,727,151,599
	₱2,353,978,162	₱3,052,500,857
Current	**₱1,512,058,347**	₱3,052,500,857
Noncurrent	**841,919,815**	–
	₱2,353,978,162	₱3,052,500,857

Receivables are non-interest bearing and are payable upon demand.

Movements in and details of the allowance for ECL/doubtful accounts in 2018, 2017 and 2016 are as follows:

	Receivables from		Other receivables from		
	Related parties	Third parties	Related parties	Third parties	Total
December 31, 2015	**₱284,329,766**	**₱41,956,493**	**₱545,620,276**	**₱4,719,113**	**₱876,625,648**
Reclassification (Note 17)	–	–	3,664,300	–	3,664,300
December 31, 2016	**284,329,766**	**41,956,493**	**549,284,576**	**4,719,113**	**880,289,948**
Addition (Notes 13 and 17)	–	–	888,818,144	–	888,818,144
Reversal (Notes 13 and 17)	–	(22,296,098)	–	–	(22,296,098)
Write-off	–	(19,660,395)	–	–	(19,660,395)
December 31, 2017	**284,329,766**	–	**1,438,102,720**	**4,719,113**	**1,727,151,599**
Addition (Notes 13 and 17)	–	–	379,164,786	–	379,164,786
Reversal (Notes 13 and 17)	–	–	(19,282,132)	–	(19,282,132)
Write-off	(260,597,982)	–	(108,895,804)	(3,301,753)	(372,795,539)
December 31, 2018	**₱23,731,784**	**₱–**	**₱1,689,089,570**	**₱1,417,360**	**₱1,714,238,714**

In 2018, the Group reclassified its receivables from current to noncurrent as the Group expects to collect the receivables from the counter-parties beyond one year. The effect of discounting the noncurrent receivables is not material to the financial statements.

Provisions are made for doubtful accounts specifically identified as doubtful of collection. In 2018 and 2017, the Group has provided an additional allowance for doubtful accounts/ECL on its receivables from related parties amounting to ₱720.1 million and ₱888.8 million, respectively (see Note 13).

In 2017, GTMDI has offset security deposits from tenants amounting to ₱22.3 million against the trade receivables from third party tenants. The related allowance for doubtful accounts amounting to ₱22.3 million was subsequently reversed.

5. Creditable Withholding Taxes

	2018	2017
Creditable withholding taxes (CWTs)	**₱46,391,788**	₱46,391,788
Less allowance for probable losses	**46,391,788**	28,640,700
	₱–	₱17,751,088

6. Property and Equipment

	2017				
	Furniture, Fixtures and Equipment	Cinema Equipment and Furniture	Transportation Equipment	Other Equipment	Total
Cost					
Beginning Balances	₱6,337,188	₱8,986,600	₱1,547,089	₱6,358,916	₱23,229,793
Transfer (Note 17)	(663,531)	–	–	–	(663,531)
Retirement	(5,673,657)	(8,986,600)	(1,547,089)	(6,358,916)	(22,566,262)
Ending Balances	–	–	–	–	–
Accumulated Depreciation					
Beginning Balances	6,133,593	8,986,600	1,547,089	6,358,916	23,026,198
Depreciation (Note 12)	203,595	–	–	–	203,595
Transfer (Note 17)	(663,531)	–	–	–	(663,531)
Retirement	(5,673,657)	(8,986,600)	(1,547,089)	(6,358,916)	(22,566,262)
Ending Balances	–	–	–	–	–
Net Book Values	₱–	₱–	₱–	₱–	₱–

In 2017, the Company retired its property and equipment.

7. Investment Properties

	2017			
	Land	Commercial Complex and Improvements	Machinery and Equipment	Total
Cost				
Beginning balances	₱13,995,554	₱2,392,277,456	₱143,781,005	₱2,550,054,015
(Forward)				
Write-off (Note 13)	(13,995,554)	–	–	(13,995,554)
Transfer	–	(2,392,277,456)	(143,781,005)	(2,536,058,461)
Ending balances	–	–	–	–
Accumulated Depreciation and Amortization				
Beginning balances	–	2,285,306,619	142,984,560	2,428,291,179
Depreciation and amortization (Note 11)	–	51,186,022	–	51,186,022
Transfer	–	(2,336,492,641)	(142,984,560)	(2,479,477,201)
Ending balances	–	–	–	–
Allowance for Impairment Loss				
Beginning balances	–	55,784,815	796,445	56,581,260
Transfer	–	(55,784,815)	(796,445)	(56,581,260)
Ending balances	–	–	–	–
Net book values	₱–	₱–	₱–	₱–

The commercial complex and improvements pertain to EGCC located along Commonwealth Avenue in Quezon City was being leased to several tenants until March 31, 2017 (see Note 16). As discussed in Note 1, the absolute ownership of EGCC was transferred to the lessor.

The table below shows the profit arising from investment properties.

	2018	2017	2016
Revenue generated from investment properties	**₱–**	₱87,352,663	₱313,907,631
Direct operating expenses (including repairs and maintenance) that generated rental income	**–**	(62,271,152)	(127,263,119)
	₱–	₱25,081,511	₱186,644,512

8. Other Noncurrent Assets

	2018	2017
Garnished collections (Note 1)	**₱42,641,386**	₱42,641,386
Utilities deposits	**–**	14,623,865
Advances to contractors	**–**	2,328,330
Others	**234,211**	234,211
	42,875,597	59,827,792
Less allowance for probable loss	**42,875,597**	43,013,497
	₱–	₱16,814,295

Allowance for probable loss is provided for garnished collections, receivable from local government and others. Movements in the allowance for impairment relating to other noncurrent assets follow:

	2018	2017
Beginning balance	**₱43,013,497**	₱72,534,322
Provisions (Note 12)	–	1,592,380
Write-off	**(137,900)**	(31,113,205)
Ending balance	**₱42,875,597**	₱43,013,497

In 2017, the Group determined that it may no longer collect its receivable from local government. The Group has written off the receivables from local government amounting to ₱31.1 million, which was fully provided with allowance, and leasehold rights amounting to ₱2.8 million, included under "Others" see Note 12).

In 2018, the Group determined it will no longer recover utilities deposits and advances to contractor, thus, wrote off these assets totaling ₱11.9 million (see Note 13).

9. Bank Loan

This represents a short-term loan by the Company from Land Bank of the Philippines (LBP) amounting to ₱50.0 million which became due in December 1997 but was extended up to March 1998. However, such loan obligation was not settled on maturity date. The Company negotiated with the lender bank for restructuring of the loan but it did not prosper. In July 1999, the lender bank filed a civil case against the Company, demanding immediate payment of the principal and the corresponding default charges. In November 1999, the Company's lawyers filed their reply and submitted to the Regional Trial Court of Makati (RTC-Makati) among others, the ongoing negotiations for the settlement of the obligations, and hence, countered that the lender bank be ordered to sit down with the Company for the amicable settlement of the case. In November 2000, the RTC-Makati considered the Company's submission that it is ready to go into negotiation for the settlement of the case. The outcome of this civil case is not yet known. Pending final decision of the case, the default charges were not recognized in the consolidated financial statements since management believes that such charges are subject to negotiation and the final outcome of the case cannot be presently determined. The Company continues its negotiations for a solution that is acceptable to the lender bank.

The Company accrued the related interest expense amounting to ₱12.0 million in 2018 and 2017 and ₱13.6 million in 2016 as part of "Accrued expenses" account included in "Accounts payable and other liabilities" in the consolidated balance sheets, which is based on the interest rate of 24% for both years (see Note 10).

10. Accounts Payable and Other Current Liabilities

	2018	2017
Trade	**₱39,091,820**	₱38,709,196
Accrued expenses (Note 9)	**253,481,465**	242,047,647
Deferred output VAT	**289,283,490**	289,283,490
Payables to related parties (Note 17)	**540,871,581**	541,053,181
Provisions	**129,008,142**	129,008,142
Retention payable to contractors and suppliers	**40,507,222**	40,475,729
Others	**2,116,235**	2,856,722
	₱1,294,359,955	₱1,283,434,107

Accrued expenses include the interest on bank loans amounting to ₱250.8 million and ₱238.8 million as of December 31, 2018 and 2017, respectively (see Note 9).

The Company has determined that no payment is expected to be made and no obligation to pay exists as of December 31, 2016 on certain trade payables that have been long-outstanding amounting to ₱0.6 million (see Note 13).

The Group is currently involved in certain legal, contractual and regulatory proceedings and other possible claims that require the recognition of provisions for related probable claims against the Group. Management and its legal counsel reassess its estimates on an annual basis to consider new relevant information. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Group's position and negotiation strategies with respect to these matters.

Movements in and details of provisions follow:

	2018	2017
Balance at beginning of year	**₱129,008,142**	₱199,421,357
Reversal (Note 13)	–	(68,637,835)
Settlement of liability	–	(1,775,380)
Balance at end of year	**₱129,008,142**	₱129,008,142

11. **Direct Costs and Expenses**

	2018	2017	2016
Depreciation and amortization (Note 7)	**₱–**	₱51,186,022	₱114,067,630
Others	–	11,085,130	13,195,489
	₱–	₱62,271,152	₱127,263,119

12. **General and Administrative Expenses**

	2018	2017	2016
Taxes and licenses	**₱4,622,787**	₱7,319,291	₱2,730,567
Professional fees	**973,970**	1,847,691	4,033,478
Salaries, wages and employee benefits (Note 14)	**447,821**	4,416,261	12,283,494
Director's per diem	**330,000**	360,000	–
Dues and subscription	**256,000**	–	–
Transportation and communication	**240,122**	230,994	1,093,950
Meals	**88,438**	–	–
Advertising, promotions and marketing	**45,000**	347,370	1,337,061
Office supplies	**5,078**	45,053	296,485
Representation	**3,952**	12,369,592	89,848
Loss on write-off of leasehold rights	–	2,806,154	–
Insurance	–	2,140,094	4,265,236
Provision for probable loss on garnished collections (Note 8)	–	1,592,380	6,098,896

	2018	2017	2016
Rent	**₱–**	₱221,619	₱654,648
Depreciation and amortization (Note 6)	**–**	203,595	66,554
Repairs and maintenance	**–**	52,349	–
Provision for doubtful accounts	**–**	–	–
Others	**181,551**	791,906	2,316,472
	₱7,194,719	₱34,744,349	₱35,266,689

Others include, among others, outside services expenses.

13. **Other Income (Charges)**

	2018	2017	2016
Provision for doubtful accounts (Notes 4 and 17)	**(₱720,129,110)**	(₱888,818,144)	₱–
Reversal of allowance for doubtful accounts (Note 4)	**19,282,132**	22,296,098	–
Loss on write-off of various assets (Note 8)	**(11,879,253)**	–	–
Reversal of provisions (Note 10)	**–**	68,637,835	–
Provisions for probable loss	**(17,751,088)**	–	
Loss on write-off of cost of land (Note 7)	**–**	(13,995,554)	–
Reversal of payables (Note 10)	**–**	–	648,916
Others	**924,358**	63,809	–
	(₱729,552,961)	(₱811,815,956)	₱648,916

14. **Retirement Benefits Liability**

The Group accrues the provision for retirement benefits covering all of its regular employees based on the provision of RA No. 7641, *Retirement Pay Law*. The law does not require minimum funding of the plan. The benefits are based on the years of service and compensation of the employees. Set in the following pages are the relevant details pertaining to the Group's retirement benefits. These are based on the actuarial valuation as of December 31, 2016, calculated using the projected unit credit method.

Retirement benefits costs recognized in profit or loss consist of the following:

	2017	2016
Current service costs	₱136,345	₱912,783
Interest cost	42,455	213,650
	₱178,800	₱1,126,433

The retirement benefits liability as of December 31, 2017 were derived as follows:

	2017
Beginning balance	₱3,010,958
Current service cost	136,345
Interest cost	42,455
Transfer of liability to related party (Note 17)	(3,189,758)
Ending balance	₱–

Changes in the present value of defined benefits obligation as of December 31, 2017 follow:

	2017
Beginning balance	₱3,010,958
Retirement benefits costs	178,800
Ending balance	₱3,189,758

As of December 31, 2016, the average duration of expected benefit payments was 27.47 years. In March 2017, the Company transferred its employees and their related retirement benefit liability to an affiliate amounting to ₱3.2 million due to the cessation of its mall operations.

The movement in remeasurement gain on retirement benefits in 2017 pertains to transfer to deficit amounting to ₱847,751.

15. **Income Taxes**

a. The Group's provision for current income tax pertains to RCIT in 2017 and 2016 (nil in 2018).

	2018	2017	2016
RCIT	**₱–**	₱11,722,991	₱51,830,514
Final tax	**–**	–	–
	₱–	₱11,722,991	₱51,830,514

b. Deferred income tax assets have not been recognized on the following items as management believes that it is more likely that the Group will not be able to realize the deductible temporary differences in the future.

	2018	2017
Allowance for doubtful accounts:		
Receivables	**₱1,714,238,714**	₱1,727,151,599
Garnished collections	**42,641,386**	42,641,386
Other noncurrent assets	**234,211**	372,111
Accrued interest payable on bank loans	**250,799,602**	238,799,602
Provisions	**129,008,142**	129,008,142
NOLCO	**2,534,708**	–

c. The reconciliation of net deferred income tax assets is as follows:

	2017
Balance at beginning of year	₱903,287
Deferred income tax recognized in profit or loss	(903,287)
Balance at end of year	₱–

d. The reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2018	2017	2016
Provision for (benefit from) income tax at statutory income tax rate	**(₱117,009,680)**	(₱250,043,638)	₱24,566,144
Adjustments resulting from:			
Movements in deductible temporary differences for which no deferred income tax assets were recognized	**114,509,848**	159,777,939	16,890,797
Nondeductible expenses	**8,284,472**	101,988,690	8,185,177
Derecognition of deferred income tax asset	–	903,287	–
Other nontaxable income	**(5,784,640)**	–	–
Provision for income tax	**₱–**	₱12,626,278	₱49,642,118

16. **Lease Commitments**

a. The Group had a lease and management agreement with a property manager as of December 31, 2016 (see Note 17). Based on the agreements, the property manager is responsible for the control and complete operations of the mall, which include lease rentals, common area dues and other fees arising from operations, in exchange of a fee amounting to 10% of the monthly lease rentals. All lease rental income are remitted to the property manager as of end of every month. The lease and management agreements were terminated on March 31, 2017.

The Group's mall rental income are based on certain percentages of tenants' and sublessor's revenue. Total rent revenue amounted to ₱87.4 million in 2017, ₱313.9 million in 2016, and nil in 2018.

There are no customer deposits relating to these leases.

b. The Company leases the land from third parties where EGCC is located. The lease term for EGCC is for a period of 25 years at a monthly rate of ₱525,000, with a 5% annual escalation rate. No operating lease payable as of December 31, 2018 and 2017. The term of lease contract expired on March 31, 2017.

c. The Company leased its office space from a related party for a fixed monthly rate of ₱70,355 renewable every year. In April 2016, the lease contract ended and was no longer renewed. In 2016, the Company entered into a three-year contract to lease new office space with another related party at a fixed monthly rate of ₱92,666 (see Note 17). The related party discontinued its billing to the Company in 2017.

17. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

In the ordinary course of business, the Group has related party transactions and balances as follows:

	2018			
	Amount/ Volume	**Outstanding Asset (Liability)**	**Terms**	**Condition**
Stockholder				
Advances to	**(₱799,743,226)**	**₱571,738,488**	**Payable on demand; non-interest bearing**	**Unsecured; partially impaired**
Advances from	**–**	**(76,923,077)**	**- do -**	
*Associated companies**				
Rent	**(55,115,187)**	**1,182,879,139**	**Payable on demand; non-interest bearing**	**Unsecured**
Advances to	**487,337,739**	**2,652,116,387**	**- do -**	**Unsecured; partially impaired**
Payable to	**181,600**	**(463,948,504)**	**- do -**	**Unsecured**

	2017			
	Amount/ Volume	Outstanding Asset (Liability)	Terms	Condition
Stockholder				
Advances to	(₱2,654,728)	₱1,371,481,714	Payable on demand; non-interest bearing	Unsecured; partially impaired
Advances from	–	(76,923,077)	- do -	
*Associated companies**				
Rent	58,921,351	1,237,994,326	Payable on demand; non-interest bearing	Unsecured; partially impaired
	221,619	–	- do -	Unsecured
Advances to	7,259,642	2,164,778,648	- do -	Unsecured; partially impaired
Payable to	(103,204,677)	(464,130,104)	- do -	Unsecured

**Associated companies pertain to entities under common control of the stockholders of the Group*

a. The Company entered into a renewable two-year sublease and management agreement with an affiliate. The affiliate receives future rental income from tenants and pays for the operating expenses relating to the mall operations. The agreements were terminated and was no longer renewed as of December 31, 2017.

   In 2017, the Company transferred customers' deposits amounting to ₱59.6 million to the affiliate.

b. The Group granted non-interest bearing advances to entities that are under common control and to its stockholder. These advances are originally payable in five years as approved by the BOD. As of December 31, 2018 and 2017, these advances have no payment terms and are considered payable on demand and to be settled in cash.

c. Movements in and details of the allowance for ECL/doubtful accounts relating to receivables from related parties follow:

	2018	2017
Beginning balance	**₱1,722,432,486**	₱833,614,342
Addition (Note 13)	**720,129,110**	888,818,144
Reversal	**(19,282,132)**	–
Write-off	**(369,493,786)**	–
Ending balance	**₱2,053,780,676**	₱1,722,432,486

In 2017, the Company provided an additional allowance for doubtful accounts of ₱888.8 million on its receivables from related parties. In 2018, the Company provided an allowance for ECL of ₱379.2 million on its receivables from related parties.

d. The Group has non-interest bearing payables to entities that are under common control and are to be settled in cash. Payables to related parties, included as part of "Accounts payable and other liabilities" in the consolidated balances sheets amounted to ₱540.1 million and ₱541.1 million as of December 31, 2018 and 2017, respectively (see Note 10).

e. In 2017, the Company transferred its employees and their related retirement benefit liability, property and equipment, and computer software to an affiliate which assumed the mall operations due to the cessation of its mall operations (see Note 14).

f. The compensation of key management personnel representing salaries and short-term employee benefits amounted to ₱0.4 million in 2018, ₱1.1 million in 2017 and ₱4.5 million in 2016. Retirement benefits for key management personnel amounted to ₱0.5 million in 2018, 2017 and 2016.

18. Basic/Diluted Earnings (Loss) per Share

Basic/Diluted earnings (loss) per share amounts are calculated as follows:

	2018	2017	2016
Net income (loss)	**(₱390,032,268)**	(₱846,105,072)	₱32,245,028
Weighted average number of shares	**5,000,000,000**	5,000,000,000	5,000,000,000
Basic/Diluted earnings (loss) per share	**(₱0.078)**	(₱0.169)	₱0.006

The Group does not have potential dilutive shares as of December 31, 2018, 2017 and 2016. Therefore, the basic and diluted earnings per share are the same as of those dates.

19. Equity

The Philippine SEC authorized the offering/sale of the Company's 5.0 billion common shares with par value of ₱1.0 each on September 16, 1996. The Company's common shares were held by 5,629 and 5,642 shareholders as of December 31, 2018 and 2017, respectively.

20. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient working capital for its operations and safeguard the entity's ability to continue as a going concern, continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and 2017.

The following table summarizes the total capital as of December 31 considered by the Group:

	2018	2017
Capital stock	**₱5,000,000,000**	₱5,000,000,000
Deficit	**(3,630,042,564)**	(3,240,010,296)
	₱1,369,957,436	₱1,759,989,704

21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, receivables and bank loans. The Group has various other financial assets and financial liabilities such as accounts payable and other current liabilities and customers' deposits which arise directly from its operations.

Financial risk management by the Group is governed by policies and guidelines approved by the BOD. Group policies and guidelines cover liquidity risk and credit risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results of operations and financial position.

Liquidity risk
The Group seeks to manage its liquid funds through cash planning. The Group uses historical figures and experiences as well as forecasts of its collections and disbursements in the management of its funds. The Group negotiates for extension of credit terms from its creditors for more manageable repayment terms.

The following tables summarize the maturities of the Group's financial liabilities based on contractual undiscounted payments and the estimated maturities of financial assets used to manage liquidity risk:

	2018			
	On demand	**Less than one year**	**More than one year**	**Total**
Bank loans:				
Principal	**₱50,000,000**	**₱–**	**₱–**	**₱50,000,000**
Interest	**250,799,602**	**–**	**–**	**250,799,602**
Accounts payable and other current liabilities:				
Trade	**₱39,091,820**	**₱–**	**₱–**	**₱39,091,820**
Accrued expenses*	**2,681,863**	**–**	**–**	**2,681,863**
Payable to related party	**540,871,581**	**–**	**–**	**540,871,581**
	₱883,444,866	**₱–**	**₱–**	**₱883,444,866**
Cash	**₱1,201,283**	**₱–**	**₱–**	**₱1,201,283**
Receivables**	**2,353,978,162**	**–**	**–**	**2,353,978,162**
	₱2,355,179,445	**₱–**	**₱–**	**₱2,355,179,445**

**Excludes accrued interest on bank loans amounting to ₱250,799,602.*
***The Company expects to collect these receivables beyond one year.*

	2017			
	On demand	Less than one year	More than one year	Total
Bank loans:				
Principal	₱50,000,000	₱–	₱–	₱50,000,000
Interest	238,799,602	–	–	238,799,602
Accounts payable and other liabilities:		–	–	
Trade	38,709,196	–	–	38,709,196
Accrued expenses*	3,248,045	–	–	3,248,045
Payable to related party	541,053,181	–	–	541,053,181
	₱871,810,024	₱–	₱–	₱871,810,024
Cash	₱1,211,374	₱–	₱–	₱1,211,374
Receivables	3,052,500,857	–	–	3,052,500,857
	₱3,053,712,231	₱–	₱–	₱3,053,712,231

**Excludes accrued interest on bank loans amounting to ₱238,799,602.*

Credit risk
The Group deals with recognized creditworthy tenants. It is the Group's policy that all tenants who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimize the Group's exposure to bad debts. The Group also limits the advances granted to related parties into manageable levels and exerts effort to collect from these related parties. Creditworthiness of the tenants and related parties is reassessed at least once or twice a year to determine sufficiency of any allowance for probable losses to be provided. The maximum credit risk exposure on receivables is equivalent to the carrying amount of receivables from tenants and related parties.

The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

Out of the total trade receivables as of December 31, 2018 and 2017, 99% and 98%, respectively, comes from the Group's related parties. Except for receivables from some affiliates under common control, which are provided with allowances, the collectibility of receivables from related parties are probable since these related parties have net income and positive cash flows. The Group manages the concentration risk by extending advances to related parties engaged in different industries such as department stores, supermarket, school, hospital, resorts and golf courses.

The maximum exposure to credit risk for the Group's loans and receivables, without taking into account any collateral and other credit enhancements, is equal to their carrying amounts.

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

The following tables summarize the credit quality per class of the Group's financial assets:

	2018				
	Neither past due nor impaired				
	High grade	**Standard grade**	**Past due but not impaired**	**Credit-impaired**	**Total**
Cash*	**₱10,014**	**₱–**	**₱–**	**₱–**	**₱10,014**
Receivables	**–**	**–**	**2,353,978,162**	**1,714,238,714**	**4,409,176,199**
	₱10,014	**₱–**	**₱2,353,978,162**	**₱1,714,238,714**	**₱4,409,186,213**

**Excludes cash on hand amounting to ₱1,191,269 .*

	2017				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash *	₱143,035	₱–	₱–	₱–	₱143,035
Receivables	–	–	3,052,500,857	1,727,151,599	4,779,652,456
	₱143,035	₱–	₱3,052,500,857	₱1,727,151,599	₱4,779,795,491

**Excludes cash on hand amounting to ₱1,068,339.*

The Group classifies loans and receivables as high or standard grade. "High grade" receivables pertain to those receivables from tenants who consistently pay before the maturity date. "Standard grade" includes receivables that are collected on their due dates even without collection effort made by the Group. Past due but not impaired receivables include those that have not been paid during their respective due dates but are still assessed as collectible by the Group's management. Meanwhile, impaired receivables pertain to those with the least likelihood of collection even after rigorous collection efforts made by the Group. Impaired receivables have been provided with allowance depending on the management's assessment of their collectability. In assessing collectability, management considers deposits and advances held by the Group as well as the experience from previous transactions with the tenants.

Cash in banks are classified as "High grade" since these are deposited and invested with reputable banks and can be withdrawn anytime.

22. Financial Instruments

The estimated fair value of each class of the Group's financial instruments approximates their carrying value due to the short-term nature of the transaction as of December 31, 2018 and 2017.

23. Operating Segments

The Group is engaged in building shopping malls and leasing out to commercial tenants and considers such as its primary activity and only business segment. The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenues, total assets and total liabilities as of and for the years ended December 31, 2018, 2017 and 2016 are the same as reported elsewhere in the consolidated financial statements. Segment information for this reportable business segment is shown in the following table:

	2018	2017	2016
Revenues	**₱–**	₱87,352,663	₱313,907,631
Net income (loss)	**(390,032,268)**	(846,105,072)	32,245,028
Total assets	**2,714,317,391**	3,093,423,811	4,000,412,522
Total liabilities	**1,344,359,955**	1,333,434,107	1,394,317,746
Capital expenditures	–	–	64,911
Depreciation and amortization	–	51,389,617	114,134,184