COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0

COMPANY NAME

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)

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

28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
alzona.elaine@ayalaland.com.ph	908-3804	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9	4/14	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
Elaine F. Alzona	alzona.elaine@ayalaland.com.ph	908 3804	N/A

CONTACT PERSON's ADDRESS

28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. 2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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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 Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Report on the Audit of the Interim Financial Statements

Opinion

We have audited the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company), which comprise the statements of financial position as at September 30, 2019 and December 31, 2018, and the interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the nine months ended September 30, 2019 and 2018, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and December 31, 2018, and its financial performance and its cash flows for the nine months ended September 30, 2019 and 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 Interim Financial Statements* section of our report. We are independent of the Company 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 interim 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.

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

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

In preparing the interim 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 but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the interim 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 interim 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 interim 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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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.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

February 5, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

STATEMENTS OF FINANCIAL POSITION

	September 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash (Notes 4 and 20)	**₱74,199,408**	₱26,129,103
Receivables (Notes 5 and 20)	**1,778,601,863**	2,010,998,343
Other current assets (Note 6)	**178,306,477**	118,498,358
Total Current Assets	**2,031,107,748**	2,155,625,804
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 20)	**2,541,240,368**	209,417,570
Investment properties (Note 7)	**6,238,873,783**	8,188,049,035
Property and equipment (Note 8)	**23,526**	51,493
Deferred tax assets - net (Note 18)	**–**	24,693,950
Other noncurrent assets (Note 6)	**978,089,014**	1,001,815,948
Total Noncurrent Assets	**9,758,226,691**	9,424,027,996
	₱11,789,334,439	₱11,579,653,800
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 20)	**₱390,125,190**	₱345,208,031
Current portion of deposits and other liabilities (Notes 11 and 20)	**108,930,543**	30,521,231
Income tax payable	**67,557,599**	58,587,947
Construction bonds (Notes 10 and 20)	**9,309,306**	2,738,439
Total Current Liabilities	**575,922,638**	437,055,648
Noncurrent Liabilities		
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**597,406,625**	641,982,196
Deferred tax liabilities - net (Note 18)	**61,289,786**	–
Total Noncurrent Liabilities	**658,696,411**	641,982,196
Total Liabilities	**1,234,619,049**	1,079,037,844
Equity (Note 12)		
Paid-up capital	**10,451,224,050**	10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**776,791,040**	722,691,606
Total Equity	**10,554,715,390**	10,500,615,956
	₱11,789,334,439	₱11,579,653,800

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2019	2018
REVENUE		
Rental income (Notes 7, 13 and 17)	**₱984,826,652**	₱413,581,955
Dues (Notes 7 and 14)	**155,081,048**	121,262,781
	1,139,907,700	534,844,736
COSTS AND EXPENSES		
Direct operating expenses (Notes 7 and 16)	**329,125,823**	116,757,092
General and administrative expenses (Note 16)	**13,542,693**	3,147,122
	342,668,516	119,904,214
OTHER INCOME (CHARGES)		
Gain under finance lease (Notes 15 and 17)	**397,139,330**	–
Interest income (Notes 4, 15 and 19)	**64,395,849**	11,387,302
Interest expense (Notes 11 and 16)	**(8,509,956)**	(3,827,874)
Other income (Note 15)	**137,109**	292,535
	453,162,332	7,851,963
INCOME BEFORE INCOME TAX	**1,250,401,516**	422,792,485
PROVISION FOR INCOME TAX (Note 18)	**235,004,414**	93,124,213
NET INCOME	**1,015,397,102**	329,668,272
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱1,015,397,102**	₱329,668,272
Basic/Diluted Earnings Per Share (Note 21)	**₱1.04**	₱3.42

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INTERIM STATEMENTS OF CHANGES IN EQUITY

	Nine Months Ended September 30	
	2019	2018
PAID-UP CAPITAL (Note 12)		
Common Shares - ₱10 par value in 2019 and ₱1 par value in 2018		
Balance at beginning and end of period	**₱10,451,224,050**	₱12,924,300
Preferred Shares - ₱1 par value		
Balance at beginning and end of period	**–**	1,623,299,700
	10,451,224,050	1,636,224,000
TREASURY SHARES (Note 12)		
Balance at beginning of period	**(673,299,700)**	(653,299,700)
Redemption of shares	**–**	(20,000,000)
Balance at end of period	**(673,299,700)**	(673,299,700)
RETAINED EARNINGS (Note 12)		
Balance at beginning of period	**722,691,606**	677,952,254
Cash dividends	**(961,297,668)**	(384,000,000)
Total comprehensive income / Net income	**1,015,397,102**	329,668,272
Balance at end of period	**776,791,040**	623,620,526
	₱10,554,715,390	₱1,586,544,826

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
INTERIM STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,250,401,516**	₱422,792,485
Adjustments for:		
Depreciation and amortization (Notes 7, 8 and 16)	**142,591,518**	41,111,919
Interest expense (Notes 11 and 16)	**8,509,956**	3,827,874
Gain under finance lease (Note 15)	**(397,139,330)**	-
Interest income (Notes 4, 15 and 19)	**(64,395,849)**	(11,387,302)
Operating income before working capital changes	**939,967,811**	456,344,976
Changes in operating assets and liabilities:		
Increase in:		
Receivables (Note 23)	**(226,686,967)**	(15,478,288)
Other assets	**(36,081,185)**	(32,534,467)
Increase (decrease) in:		
Deposits and other liabilities	**25,323,785**	(9,910,776)
Accounts and other payables	**(78,912,965)**	13,926,048
Construction bonds	**6,570,863**	(61,309)
Cash generated from operations	**630,181,342**	412,286,184
Interest received	**43,750,830**	11,387,301
Income tax paid	**(140,051,028)**	(63,322,442)
Net cash flows provided by operating activities	**533,881,144**	360,351,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties (Notes 19 and 23)	**369,000,000**	(64,877,538)
Additions to investment properties (Note 7)	**(17,343,299)**	(8,422,303)
Net cash flows provided by (used in) investing activities	**351,656,701**	(73,299,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 12)	**(837,467,540)**	(250,000,000)
Redemption of shares (Note 12)	**-**	(20,000,000)
Net cash flows used in financing activities	**(837,467,540)**	(270,000,000)
NET INCREASE IN CASH	**48,070,305**	17,051,202
CASH AT BEGINNING OF PERIOD	**26,129,103**	17,168,024
CASH AT END OF PERIOD (Note 4)	**₱74,199,408**	₱34,219,226

See accompanying Notes to Interim Financial Statements.

1. Corporate Information

AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. The Company was organized primarily to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned.

In 2018, the Company became 90.15%-owned by Ayala Land Inc. (ALI) and 9.85%-owned by AyalaLand Offices, Inc. (ALOI) after the additional capital subscription from ALI (see Note 12). Previously, the Company was a wholly owned subsidiary of ALOI.

ALOI is a wholly owned subsidiary of ALI. ALI's parent is Ayala Corporation (AC). AC is 47.28%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company's registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The operational and administrative functions of the Company are handled by ALI (see Note 19).

On September 26, 2018, the Board of Directors (BOD) approved the acquisition of the Ayala North Exchange (ANE) property from ALI through execution of a deed of assignment (see Notes 7 and 19).

On April 12, 2019, the SEC approved the change in the Company's name from One Dela Rosa Property Development, Inc. to AyalaLand REIT, Inc. Subsequently, on June 28, 2019, the SEC further approved the change in the Company's name from AyalaLand REIT, Inc. to AREIT, Inc.

The accompanying interim financial statements were approved and authorized for issue by the BOD on February 5, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The interim financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying interim financial statements of the Company have been prepared for inclusion in the prospectus in relation to a planned capital-raising activity.

Statement of Compliance
The interim financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- 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 and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. 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 also be required to remeasure the lease liability upon the occurrence of certain events. 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.

  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 Company adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the Company does not restate comparative figures, which continues to be presented under PAS 17, *Leases*. Instead, the cumulative effect of initially applying the standard, if any, is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate at the date of initial application (i.e. January 1, 2019). The Company elected to use the transition's practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 at the date of initial application.

  The adoption of PFRS 16 did not have significant impact to the interim statements of financial position, financial performance and cash flows of the Company since the lease payments of the Company to the lessors under its existing lease contracts are purely variable which are linked to the future performance or use of the underlying assets. Accordingly, the Company did not recognize a right-of-use asset and lease liabilities in accordance with PFRS 16.

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

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

The interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Company's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the interim financial statements.

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

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

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

- *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*

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's interim financial statements.

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

  These amendments are not applicable to the Company.

Deferred effectivity

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

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

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

Current and Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are noncurrent.

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

Cash
Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

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

Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

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

The Company's business model for managing financial assets refer 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 financial assets, or both.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts and other payables, deposits and other liabilities including security deposits, advance rent and deferred credits, and construction bonds.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

Derecognition of Financial Instruments

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

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

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit loss (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 Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For 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 ECLs on such instruments on a 12-month basis. However, were 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 a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

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

The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

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

A fair value measurement of a 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 assets in its highest and best use.

The Company 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.

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

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

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

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Other assets
Other assets include input value-added tax (VAT), prepaid expenses and creditable withholding taxes.

Input VAT
Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

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

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Investment properties
Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties, which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting 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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Equity
Paid-up capital
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital (APIC) or "Retained earnings", if no available APIC.

Treasury shares
Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Rental income
Rental income under noncancellable and cancellable leases on investment properties is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

Dues
Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Interest income
Interest income is recognized as it accrues using the EIR method.

Other income
Other income is recognized when earned.

Disaggregated revenue information
The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions. The Company has adopted PIC Q&A 2018-12 and will also adopt any subsequent amendments thereof retrospectively, or as the SEC will later prescribe, on January 1, 2021.

The Company is currently presenting its common area, air conditioning, electricity and water dues on a net basis. Had the Company opted to not avail of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be acting as a principal on its service arrangements for common area charges and present the related revenue at gross amounts (see Note 14).

Costs and Expenses

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Company as lessor - operating lease

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging 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.

Company as lessor - finance lease

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its interim statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

Significant accounting policy before adoption of PFRS 16

Company as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Significant accounting policy on adoption of PFRS 16

Company as lessee

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

<u>Income Tax</u>
Current tax
Current 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 as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in 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 as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 of the interim financial statements.

Provisions
Provisions are recognized when the Company 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 a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events up to the date when the interim financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the interim financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the interim financial statements when material.

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

The preparation of the accompanying interim financial statements in compliance with PFRSs requires management to make estimates, judgments and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying interim financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

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

Operating lease commitments - Company as lessor
The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

Finance lease commitments - Company as lessor
The Company has entered into a lease agreement on the portion of ANE building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

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

Provision for expected credit losses of receivables
The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The Company considered inflation rate and gross domestic product as its forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's receivables amounted to ₱4,319.84 million and ₱2,220.42 million as of September 30, 2019 and December 31, 2018, respectively, net of allowance for probable losses amounting to ₱7.66 million as of September 30, 2019 and December 31, 2018 (see Note 5).

Net investment in the lease
The determination of net investment in the lease is dependent on the selection of interest implicit in the lease used in calculating such amounts.

In determining the appropriate discount rate, management used the theoretical rate of return of the investment with zero credit risk (i.e. PHP BVAL reference rate), adjusted by average credit spread of entities with rating similar to the Company's rating, observed in the period when the lease contract commences or is modified.

The carrying value of the Company's finance lease receivable amounted to ₱2,241.74 million as of September 30, 2019 (nil as of December 31, 2018; see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant

underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of September 30, 2019 and December 31, 2018. The carrying values of the Company's significant nonfinancial assets follow:

	September 30, 2019	December 31, 2018
Input VAT (Note 6)	**₱399,832,230**	₱291,247,064
Deferred input VAT (Note 6)	**664,333,432**	789,199,670
Investment properties (Note 7)	**6,238,873,783**	8,188,049,035
	₱7,303,039,445	₱9,268,495,769

Estimating useful lives of investment properties
The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset
It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned above. See Note 7 for the related balances.

4. Cash

This account consists of:

	September 30, 2019	December 31, 2018
Cash on hand	**₱22,500**	₱22,500
Cash in banks	**74,176,908**	26,106,603
	₱74,199,408	₱26,129,103

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2019 and 2018. Interest income earned from cash in banks amounted to ₱0.27 million and ₱0.04 million in 2019 and 2018, respectively (see Note 15).

5. Receivables

This account consists of:

	September 30, 2019	December 31, 2018
Finance lease receivable (Notes 17 and 19)	**₱2,241,739,350**	₱–
Due from related parties (Note 19)	**1,609,572,168**	1,936,214,187
Trade receivables:		
Accrued rent	**358,792,425**	232,395,231
Billed	**117,224,380**	59,384,931
Other receivables	**178,825**	86,481
	4,327,507,148	2,228,080,830
Less allowance for probable losses	**7,664,917**	7,664,917
	4,319,842,231	2,220,415,913
Less noncurrent portion:		
Finance lease receivable (Note 17)	**2,209,779,054**	–
Trade receivables	**331,461,314**	209,417,570
	₱1,778,601,863	₱2,010,998,343

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest-bearing and are generally collectible on 30-day term.

6. Other Assets

Other Current Assets
This account consists of:

	September 30, 2019	December 31, 2018
Input VAT	**₱86,076,648**	₱78,630,786
Creditable withholding taxes	**65,489,486**	26,609,340
Prepaid taxes	**24,751,122**	-
Prepaid expenses	**1,989,221**	8,083,759
Advances to contractors	–	5,174,473
	₱178,306,477	₱118,498,358

Input VAT can be applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to ₱6.39 million which is awaiting approval from the BIR.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

Prepaid taxes pertain to payment of real property taxes which is amortized over a year.

Prepaid expenses pertain to cost of obtaining a contract in 2017 with a power utility company which is amortized over 2.5 years.

Advances to contractors are recouped every progress billing payment depending on the percentage of accomplishment or delivery.

Other Noncurrent Assets
This account consists of:

	September 30, 2019	December 31, 2018
Deferred input VAT	**₱664,333,432**	₱789,199,670
Input VAT	**313,755,582**	212,616,278
	₱978,089,014	₱1,001,815,948

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

7. Investment Properties

	September 30, 2019		
	Building and Improvements	**Construction-in-Progress**	**Total**
Cost			
At January 1	**₱6,134,749,678**	**₱2,720,149,866**	**₱8,854,899,544**
Transfer	**894,215,000**	**(894,215,000)**	**-**
Disposals (Note 17)	**–**	**(1,823,955,000)**	**(1,823,955,000)**
Additions	**17,343,299**	**–**	**17,343,299**
At September 30	**7,046,307,977**	**1,979,866**	**7,048,287,843**
Accumulated Depreciation and Amortization			
At January 1	**666,850,509**	**–**	**666,850,509**
Depreciation and amortization (Note 16)	**142,563,551**	**–**	**142,563,551**
At September 30	**809,414,060**	**–**	**809,414,060**
Net Book Value	**₱6,236,893,917**	**₱1,979,866**	**₱6,238,873,783**

	December 31, 2018		
	Building and Improvements	Construction-in-Progress	Total
Cost			
At January 1	₱1,746,655,315	₱–	₱1,746,655,315
Additions	4,388,094,363	2,720,149,866	7,108,244,229
At December 31	6,134,749,678	2,720,149,866	8,854,899,544
Accumulated Depreciation and Amortization			
At January 1	590,904,956	–	590,904,956
Depreciation and amortization	75,945,553	–	75,945,553
At December 31	666,850,509	–	666,850,509
Net Book Value	₱5,467,899,169	₱2,720,149,866	₱8,188,049,035

On October 5, 2018, the Company and ALI executed a deed of assignment wherein ALI assigned, transferred and conveyed its ownership, rights, interests and obligations, including without limitation, those relating to the construction, development and operation thereof, as well as certain permits, licenses and contracts which it has obtained and entered into, respectively in connection with its obligation with the development of ANE for a consideration amounting to ₱6,913.00 million.

Investment properties are composed of one (1) stand-alone building and one (1) mixed-used property, which are being leased out for office, retail and hotel spaces. The stand-alone building, Solaris One building, is located along Dela Rosa St. Legaspi Village, Makati City. The mixed-used property, ANE property, is still under construction and is composed of a business process outsourcing and headquarters towers, retail spaces and a hotel building, which is located along Ayala Avenue corner Salcedo St., Legaspi Village, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are transferred to the related investment property account once construction is completed and is ready for service.

Additions include initial direct costs which comprise of commissions paid to various brokers amounting to ₱7.90 million and ₱85.39 million in 2019 and 2018, respectively. These are amortized over the lease term on the same basis as the lease income.

The fair value of the investment properties was determined by independent and professionally qualified appraiser on September 30, 2019. The fair value of investment properties amounted to ₱22,317.97 million.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

The following table provides the fair value hierarchy of the Company's investment properties as of September 30, 2019 and December 31, 2018:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	September 30, 2019	₱22,317,970,000	₱–	₱–	₱22,317,970,000

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	Prospective economic benefits of ownership into the future and these benefits are capitalized into an indication of value
ANE	Income approach	Prospective economic benefits of ownership into the future and these benefits are capitalized into an indication of value

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2019 (Nine months)	2018 (Nine months)
Rental income (Note 13)	**₱984,826,652**	₱413,581,955
Dues (Note 14)	**155,081,048**	121,262,781
Direct operating expenses (Note 16)	**339,649,752**	116,757,092

8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	September 30, 2019	December 31, 2018
Cost		
Balances at beginning and end of period	**₱1,888,872**	₱1,888,872
Accumulated Depreciation		
Balances at beginning of period	**1,837,379**	1,773,217
Depreciation for the period (Note 16)	**27,967**	64,162
Balances at end of period	**1,865,346**	1,837,379
Net Book Value	**₱23,526**	₱51,493

There are no items of electronic data processing equipment that are pledged as security to liabilities as of September 30, 2019 and December 31, 2018.

There are no contractual purchase commitments for electronic data processing equipment as of September 30, 2019 and December 31, 2018.

9. Accounts and Other Payables

This account consists of:

	September 30, 2019	December 31, 2018
Due to related parties (Note 19)	**₱264,207,445**	₱113,352,349
Accrued expenses		
Rent	**43,913,029**	3,318,735
Repairs and maintenance	**14,434,383**	6,399,576
Light and water	**6,679,462**	4,537,697
Others	**37,320,022**	22,861,269
Accounts payable	**17,251,107**	6,179,359
Taxes payable	**5,685,042**	187,966,846
Retention payable	**634,700**	592,200
	₱390,125,190	₱345,208,031

Accrued expenses others consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation. These are noninterest-bearing.

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15-day to 60-day terms.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract.

10. Construction Bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein by the lessee. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to ₱9.31 million and ₱2.74 million as of September 30, 2019 and December 31, 2018, respectively.

11. Deposits and Other Liabilities

This account consists of:

	September 30, 2019	December 31, 2018
Advance rentals	**₱329,866,059**	₱324,801,647
Security deposits	**306,454,248**	278,631,820
Deferred credits	**70,016,861**	69,069,960
	706,337,168	672,503,427
Less current portion	**108,930,543**	30,521,231
	₱597,406,625	₱641,982,196

The current portion of these accounts follows:

	September 30, 2019	December 31, 2018
Security deposits	**₱74,618,956**	₱23,379,284
Advance rentals	**33,840,956**	6,318,693
Deferred credits	**470,631**	823,254
	₱108,930,543	₱30,521,231

Security deposits
Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

The rollforward of security deposits follows:

	September 30, 2019	December 31, 2018
Gross Amount		
Balance at beginning of period	**₱355,834,182**	₱153,405,313
Additions	**68,537,433**	206,995,538
Refunds	**(33,574,537)**	(4,566,669)
Balance at end of period	**390,797,078**	355,834,182
Unamortized Discount		
Balance at beginning of period	**77,202,362**	47,079,649
Additions	**15,650,424**	46,933,022
Accretion (Note 16)	**(8,509,956)**	(16,810,309)
Balance at end of period	**84,342,830**	77,202,362
Net Amount	**₱306,454,248**	₱278,631,820

Advance rentals
Advance rentals from lessees represent cash received in advance representing three (3) months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	September 30, 2019	December 31, 2018
Balance at beginning of period	**₱69,069,960**	₱30,069,421
Additions	**15,650,424**	46,933,022
Amortization (Note 13)	**(14,703,523)**	(7,932,483)
Balance at end of period	**70,016,861**	69,069,960
Less current portion	**470,631**	823,254
Noncurrent portion	**₱69,546,230**	₱68,246,706

12. Equity

Capital stock
The details of the Company's capital stock as of September 30, 2019 and December 31, 2018 follow:

	Common
Authorized number of shares	1,174,000,000
Par value per share	₱10
Issued and outstanding number of shares	977,792,435

The changes in the number of shares follow:

	September 30, 2019 (Nine Months)			December 31, 2018 (One Year)			September 30, 2018 (Nine Months)		
		Preferred			Preferred			Preferred	
	Common	**A**	**B**	Common	A	B	Common	A	B
Authorized number of shares									
Balance at beginning of period at ₱1 par value	**1,174,000,000**	–	–	33,679,500	716,320,500	990,000,000	33,679,500	716,320,500	990,000,000
Reclassification of unissued Preferred A shares (b.i)	–	–	–	83,020,800	(83,020,800)	–	–	–	–
Reclassification of Preferred A shares held in treasury (b.ii)	–	–	–	633,299,700	(633,299,700)	–	–	–	–
Reclassification of Preferred B shares held in treasury (b.iii)	–	–	–	40,000,000	–	(40,000,000)	–	–	–
Reclassification of outstanding Preferred B shares (b.iv)	–	–	–	950,000,000	–	(950,000,000)	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	(1,566,000,000)	–	–	–	–	–
Increase in authorized capital stock at ₱10 par value (a)	–	–	–	1,000,000,000	–	–	–	–	–
Balance at end of period	**1,174,000,000**	–	–	1,174,000,000	–	–	33,679,500	716,320,500	990,000,000
Issued shares									
Balance at beginning of period	**1,045,122,405**	–	–	12,924,300	633,299,700	990,000,000	12,924,300	633,299,700	990,000,000
Reclassification of Preferred A shares (b.ii)	–	–	–	633,299,700	(633,299,700)	–	–	–	–
Reclassification of Preferred B shares (b.iii and b.iv)	–	–	–	990,000,000	–	(990,000,000)	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	(1,472,601,600)	–	–	–	–	–
Issuance of new shares (a)	–	–	–	881,500,005	–	–	–	–	–
Balance at end of period	**1,045,122,405**	–	–	1,045,122,405	–	–	12,924,300	633,299,700	990,000,000
Treasury shares									
Balance at beginning of period	**(67,329,970)**	–	–	–	(633,299,700)	(20,000,000)	–	(633,299,700)	(20,000,000)
Redemption of shares	–	–	–	–	–	(20,000,000)	–	–	(20,000,000)
Reclassification of Preferred A shares (b.ii)	–	–	–	(633,299,700)	633,299,700	–	–	–	–
Reclassification of Preferred B shares (b.iii)	–	–	–	(40,000,000)	–	40,000,000	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	605,969,730	–	–	–	–	–
Balance at end of period	**(67,329,970)**	–	–	(67,329,970)	–	–	–	(633,299,700)	(40,000,000)
Outstanding	**977,792,435**	–	–	977,792,435	–	–	12,924,300	–	950,000,000

a. On September 26, 2018, the Company's BOD approved the increase in its authorized capital stock by ₱10 billion additional common shares with a par value of ₱1 per share and approved the subscription of ALI of ₱8.815 billion shares at ₱1 per share.

b. On the same date, the Company's BOD approved the reclassification of the following shares:
   i. ₱83,020,800 unissued Preferred A shares with a par value of ₱1 per share;
   ii. ₱633,299,700 Preferred A shares with a par value of ₱1 per share held in treasury
   iii. ₱40,000,000 of Preferred B shares with a par value of ₱1 per share held in treasury
   iv. ₱950,000,000 of outstanding Preferred B shares with a par value of ₱1 into ₱1,706,320,500 Common shares

c. The Company's BOD also approved the increase in the par value of the common shares from ₱1 to ₱10 per share.

On December 18, 2018, the SEC approved the Company's application for (a) increase in authorized capital stock, (b) reclassification/conversion into common shares of (1) unissued Preferred A shares; (2) Preferred A shares held in treasury; (3) Preferred B shares held in treasury; and (4) outstanding Preferred B shares issued to ALO and its nominees, and (c) the increase in the par value of the common shares from ₱1 to ₱10 per share.

Preferred shares
Preferred shares A have the following features: (a) voting, (b) participating, (c) preferred in liquidation to the extent of par value, and (d) redeemable at the option of the Company.

Preferred shares B have the following features: (a) voting, (b) preferred in dividend over Common, (c) non-cumulative, (d) non-participating, (e) no pre-emptive right to any issue of shares, and (d) redeemable at the option of the Company.

As of December 31, 2018, preferred shares A and B have all been converted to common shares.

Retained earnings
On September 26, 2018, the Company's BOD approved the declaration of cash dividends of ₱25.96 per common share or an aggregate amount of ₱335.50 million and 5% coupon dividend amounting to ₱48.50 million to Preferred B stockholders of record as of October 26, 2017. Out of the total dividends declared, ₱250 million was paid as of September 30, 2018. The remaining balance was paid on October 26, 2018.

On April 3, 2019, the Company's BOD approved the declaration of cash dividends of ₱0.98 per share or an aggregate amount of ₱961.30 million to stockholders of record as of the same date and ₱837.47 million was paid on April 24, 2019.

The Company has dividends payable amounting to ₱123.83 million and ₱134.00 million as of September 30, 2019 and 2018, respectively.

Treasury shares
On September 26, 2018, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2018.

On December 13, 2018, the Company's treasury shares were all converted to common shares.

Capital management
The primary objectives of the Company's capital management policies are to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. The Company considers its total equity as capital.

The Company's sources of capital as of September 30, 2019 and December 31, 2018 follow:

	September 30, 2019	December 31, 2018
Paid-up capital	**₱10,451,224,050**	₱10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**776,791,040**	722,691,606
	₱10,554,715,390	₱10,500,615,956

The Company is not subject to any external capital requirement.

No changes were made in the Company's capital management objectives, policies or processes as of September 30, 2019 and December 31, 2018.

13. Rental Income

This account consists of:

	2019 (Nine Months)	2018 (Nine Months)
Office and retail	**₱927,657,812**	₱381,027,604
Parking fees	**42,465,317**	25,129,389
Amortization of deferred credits (Note 11)	**14,703,523**	7,424,962
	₱984,826,652	₱413,581,955

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱126.40 million and ₱18.31 million for the nine months ended September 30, 2019 and 2018, respectively.

14. Dues

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2019 (Nine Months)	2018 (Nine Months)
Dues	**₱385,009,283**	₱218,390,123
Direct operating expenses		
Utilities	**152,648,345**	66,152,849
Outside services	**42,306,070**	12,553,938
Repairs and maintenance	**30,955,021**	17,019,600
Miscellaneous	**4,018,799**	1,400,955
	229,928,235	97,127,342
	₱155,081,048	₱121,262,781

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2019 (Nine Months)	2018 (Nine Months)
Dues:		
Common area charges	**₱71,327,932**	₱59,353,526
Utilities dues	**83,753,116**	61,909,255
	₱155,081,048	₱121,262,781

15. Interest and Other Income

Interest Income
This account consists of:

	2019 (Nine Months)	2018 (Nine Months)
Interest income from intercompany loans (Note 19)	**₱43,477,332**	₱11,345,812
Interest income from finance lease (Notes 17 and 19)	**20,645,019**	-
Interest income from cash in banks (Note 4)	**273,498**	41,490
	₱64,395,849	₱11,387,302

Gain under Finance Lease
Gain under finance lease pertains to the difference between the fair value of finance lease receivable and the carrying amount of the portion of investment property under finance lease (see Notes 7 and 17).

Other Income
This account pertains to income earned from interest and penalties arising from late payments and ₱0.14 million and ₱0.30 million for the nine months ended September 30, 2019 and 2018, respectively.

16. Costs and Expenses and Other Charges

Direct Operating Expenses
This account consists of:

	2019 (Nine Months)	2018 (Nine Months)
Depreciation and amortization (Note 7)	**₱142,563,551**	₱41,062,574
Taxes and licenses	**76,318,326**	25,649,762
Land lease (Notes 17 and 19)	**69,264,386**	27,149,054
Management fees (Note 19)	**27,351,854**	20,035,670
Insurance	**9,849,382**	1,208,000
Others	**3,778,324**	1,652,032
	₱329,125,823	₱116,757,092

General and Administrative Expenses
This account consists of:

	2019 (Nine Months)	2018 (Nine Months)
Professional fees	**₱10,985,666**	₱271,440
Taxes and licenses	**1,472,461**	1,446,612
Systems costs (Note 19)	**827,249**	1,158,345
Depreciation (Note 8)	**27,967**	49,345
Others	**229,350**	221,380
	₱13,542,693	₱3,147,122

Interest Expense
This account pertains to accretion of security deposits amounting to ₱8.51 million and ₱3.83 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 11).

17. Agreements and Lease Commitments

Company as lessor - operating lease
The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	September 30, 2019	December 31, 2018
Within one year	**₱1,180,758,920**	₱1,043,809,274
After one year but not more than five years	**5,258,445,876**	4,599,357,333
More than five years	**466,947,151**	1,329,693,902
	₱6,906,151,947	₱6,972,860,509

Total rental income amounted to ₱984.83 million and ₱413.58 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 13). Rental income arising from variable rent based on gross sales amounted to ₱1.67 million for the nine months ended September 30, 2019 (nil in 2018).

Company as lessor - finance lease
In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	September 30, 2019
Within one year	₱162,624,000
More than one year and not more than five years	650,496,000
More than 5 years	5,593,309,750
Total undiscounted lease payments and unguaranteed residual value	**6,406,429,750**
Less: unearned finance income	4,164,690,400
Net investment in the lease	**₱2,241,739,350**

The net investment in the lease consists of the present value of minimum lease payments and unguaranteed residual value amounting to ₱2,214.54 million and ₱6.55 million, respectively. Gain under finance lease and interest income earned amounted to ₱397.14 million and ₱20.65 million, respectively (see Notes 15 and 19).

The Company remains to be the legal owner of the portion of ANE building under finance lease.

Company as lessee
On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a remaining lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

Rental expense recognized as "Land lease" under "Direct operating expenses" in the interim statements of comprehensive income amounted to ₱69.26 million and ₱27.15 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 16).

18. Income Tax

Provision for income tax consists of:

	2019 (Nine Months)	2018 (Nine Months)
Current	**₱148,965,980**	₱81,051,505
Deferred	**85,983,734**	12,064,409
Final	**54,700**	8,299
	₱235,004,414	₱93,124,213

The current provision for income tax represents RCIT in 2019 and 2018.

In 2019 and 2018, the Company availed of the optional standard deduction (OSD).

The components of net deferred tax assets (liabilities) follow:

	September 30, 2019	December 31, 2018
Deferred tax assets on:		
Advance rentals	**₱59,375,891**	₱58,464,297
Accrued expense	**18,422,441**	6,681,109
Allowance for probable losses	**1,379,685**	1,379,685
	79,178,017	66,525,091
Deferred tax liabilities on:		
Difference between finance and operating lease method	**(75,885,166)**	–
Excess of lease income over collections	**(64,582,637)**	(41,831,141)
	(140,467,803)	(41,831,141)
	(₱61,289,786)	₱24,693,950

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the interim statements of comprehensive income follows:

	2019 (Nine Months)	2018 (Nine Months)
Statutory income tax rate	**30.00%**	30.00%
Add (deduct) tax effect of:		
Nondeductible expenses	**0.67%**	3.81%
Nontaxable income	**-5.61%**	-1.05%
Deductible expenses due to use of OSD	**-6.27%**	-10.73%
Effective income tax rate	**18.79%**	22.03%

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and development, management, marketing and leasing and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial period:

Category	September 30, 2019 Volume	Outstanding Balance	Terms	Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	₱279,412,462	₱719,094,863	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Makati North Hotel Ventures, Inc. (m)	2,241,739,350	2,241,739,350	noninterest-bearing; Payable quarterly	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	282,682,059	282,682,059	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	–	119,100,000	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	50,000,000	115,300,000	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	49,279,291	49,279,291	Interest-bearing; On demand	Unsecured; No impairment
Avida Land Corporation (b)	600,456,914	46,393,086	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	1,538,944	38,363,459	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	37,696,774	37,696,774	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	–	36,800,000	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	30,982,891	30,982,891	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	9,773,282	25,226,718	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	465,000,000	25,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	–	25,000,000	Interest-bearing; On demand	Unsecured; No impairment
Bank of the Philippine Islands (i)	6,628,238	24,798,762	Noninterest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	750,350	21,383,325	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	5,035,306	5,035,306	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (k)	2,392,165	2,392,165	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	1,652,767	1,652,767	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	–	1,556,224	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp. (b)	9,539,869	1,403,765	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	64,544	183,804	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	226,742	121,551	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	38,270	119,225	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	2,839,258	6,133	Noninterest-bearing; On demand	Unsecured; No impairment
		₱3,851,311,518		

**Entities under common control*

Category	Volume	Outstanding Balance	Terms	Conditions
	September 30, 2019			
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱146,833,500	₱252,642,878	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
Direct Power Services, Inc. (d)	83,857	4,607,021	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	2,315,629	2,942,290	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. €	–	2,019,459	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	1,548,330	1,922,017	Noninterest-bearing; On demand	Unsecured
First Gateway Real Estate Corp. (I)	73,767	73,767	Noninterest-bearing; On demand	Unsecured
Innove Communications (j)	13	13	Noninterest-bearing; On demand	Unsecured
		₱264,207,445		

Entities under common control

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2018			
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱927,700,000	₱439,682,401	Noninterest-bearing, due and demandable	Unsecured, no impairment
Affiliates*				
Avida Land Corp. (b)	819,550,000	646,850,000	Interest-bearing; On demand	Unsecured, No impairment
Amaia Land Corp. (b)	505,000,000	490,000,000	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b)	119,100,000	119,100,000	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	65,300,000	65,300,000	Interest-bearing, On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	36,550,000	36,824,515	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	36,800,000	36,800,000	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp (b)	–	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	–	25,000,000	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	–	20,632,975	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp (b)	50,000,000	10,997,634	Interest-bearing, On demand	Unsecured, No impairment
Ayalaland Metro North, Inc. (b)	–	5,000,000	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	1,758,190	2,845,390	Noninterest-bearing; On demand	Secured; No impairment
Airswift Transport, Inc. (b)	65,000,000	1,556,224	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	–	348,293	Interest-bearing, On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	–	157,495	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	–	119,260	Interest-bearing; On demand	Unsecured, No impairment
Southportal Properties, Inc. (b)	50,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	50,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
		₱1,936,214,187		
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱123,787,320	₱105,809,378	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
Direct Power Services, Inc. (d)	47,262,880	4,523,164	Noninterest-bearing, On demand	Unsecured
Makati Development, Inc. €	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	7,273,245	626,661	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	521,459	373,687	Noninterest-bearing; On demand	Unsecured
		₱113,352,349		

Entities under common control

The following describes the nature of the material transactions of the Company with related parties as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018:

(a) The Company's intercompany receivable from ALI pertains to collection of lease payments from tenant on behalf of the Company amounting to ₱29.63 million as of September 30, 2019 and December 31, 2018 and payment of operating expenses for and on behalf of ALI amounting to ₱0.02 million and ₱0.66 million as of September 30, 2019 and 2018, respectively.

    ALI handles the lease management, marketing and key management functions of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱15.00 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 16).

    The Company has dividends payable amounting to ₱123.83 million as of September 30, 2019 (nil as of December 31, 2018).

    The Company entered into a contract of lease with ALI to occupy a parcel of land where the building is located. The Company recognized "Land lease" under "Direct operating expenses" in the interim statement of comprehensive income amounting to ₱27.12 million and ₱27.15 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 16).

    ALI allocated system costs amounting to ₱0.83 million and ₱1.16 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 16).

    On October 5, 2018, the Company acquired the ANE property from ALI amounting to ₱6,913.00 million. The first installment for the payment amounting to ₱3,222.02 million was made on the same date, while the second and final installment amounting to ₱3,690.98 million was made on December 17, 2018 (see Note 7).

    On the same date, ALI transferred the advance rent, security deposits and initial direct costs incurred for existing tenants of ANE property amounting to ₱204.15 million, ₱204.17 million and ₱77.31 million, respectively.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.64% to 6.25% and 2.64% to 3.44% per annum for the nine months ended September 30, 2019 and 2018, respectively.

    The Company recognized interest income amounting to ₱43.48 million and ₱11.35 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 15).

    Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the interim statement of comprehensive income amounting to ₱42.14 million for the nine months ended September 30, 2019 (nil in 2018; see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱38.62 million and ₱40.88 million for the nine months ended September 30, 2019 and 2018, respectively, of which the remaining payable amounted to ₱4.61 million and ₱4.52 million as of September 30, 2019 and December 31, 2018, respectively.

(e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of September 30, 2019 and December 31, 2018.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate, provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱12.35 million and ₱5.03 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 16).

(g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the interim statement of comprehensive income amounting to ₱2.25 million and ₱1.76 million for the nine months ended September 30, 2019 and 2018, respectively, of which the remaining receivable amounted to ₱6,133 million and ₱2.85 million as of September 30, 2019 and December 31, 2018.

(h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱1.92 million and ₱0.37 million as of September 30, 2019 and December 31, 2018, respectively. The Company recognized accounting shared services in "Others" under "Direct operating expenses" in the interim statement of comprehensive income amounting to ₱0.86 million and ₱1.12 million for the nine months ended September 30, 2019 and 2018, respectively.

(i) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized "Rental Income" in the interim statement of comprehensive income amounting to ₱67.67 million and ₱0.82 million for the nine months ended September 30, 2019 and 2018, respectively, of which the remaining receivable amounted to ₱24.80 million as of September 30, 2019 (nil in 2018).

(j) The Company's outstanding payables to Innove Communication pertains to postal and communications expense transactions.

(k) First Gateway Real Estate Corporation., a subsidiary of AyalaLand Offices, Inc. (ALOI), is a lessee of the Company. The Company recognized "Rental Income" in the interim statement of comprehensive income amounting to ₱2.39 million for nine months ended September 30, 2019 (nil in 2018).

(l) The Company's intercompany receivable from ALI pertains to payment of operating expenses for and on behalf of FGREC amounting to ₱0.07 million and nil as of September 30, 2019 and December 31, 2018, respectively.

(m) This pertains to the receivable arising from lease agreement with MNHVI (see Note 17). The Company recognized finance lease receivable amounting to ₱2,241.74 million. This includes interest income accretion amounting to ₱20.65 million for the nine months ended September 30, 2019 (nil in 2018; see Note 15).

Gain under finance lease amounted to ₱397.14 million for the nine months period ended September 30, 2019 (nil in 2018; see Notes 15 and 17).

Cash in Bank
The Company has entered into transactions with Bank of the Philippine Islands consisting of cash in bank amounting to ₱50.36 million and ₱4.39 million in September 30, 2019 and December 31, 2018, respectively (see Note 4). Interest income earned from these deposits amounted to ₱56,524 and ₱19,259 for the nine months ended 2019 and 2018, respectively.

Compensation of Key Management Personnel
The key management functions of the Company are handled by ALI which charges management fees for such services (see item (a) above).

20. Financial Assets and Liabilities

Fair Value Information
Except for the Company's security deposits, which are disclosed below, the carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	September 30, 2019		December 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
Security deposits	**₱306,454,248**	**₱316,423,440**	₱278,631,820	₱267,898,715

Fair Value Hierarchy
As of September 30, 2019 and December 31, 2018, the Company has no financial instrument measured at fair value. In 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at September 30, 2019 and December 31, 2018 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF Method	Discount rate	2019: 0.16%-9.72% 2018: 0.39%-9.98%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

As of September 30, 2019 and December 31, 2018, the ECL relating to cash in banks is not material as these are considered as low credit risk.

The Company did not provide any allowance relating to receivable from related parties in the prior year. There is also no ECL recognized in the current period for related party receivables since there is no history of default. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of September 30, 2019 and December 31, 2018, 62.43% and 64.55% of the Company's trade receivables are covered by security deposits, respectively. Trade receivables include receivables as a result of applying the straight-line method amounting to ₱358.79 million and ₱232.40 million as of September 30, 2019 and December 31, 2018, respectively. ECL related to trade receivables is not material given its low credit risk and that portion is covered by security deposits. The resulting ECL of ₱7.66 million as of September 30, 2019 and December 31, 2018 pertains to receivables aged over 365 days.

The Company's maximum exposure to credit risk as of September 30, 2019 and December 31, 2018, is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	September 30, 2019			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱74,176,908	₱–	₱74,176,908	₱–
Receivables				
Lease receivable	2,241,739,350	–	2,241,739,350	–
Due from related parties	1,609,572,168	–	1,609,572,168	–
Trade receivables	476,016,805	269,776,027	215,281,745	260,735,060
Other receivables	178,825	–	178,825	–
	₱4,401,684,056	₱269,776,027	₱4,140,948,996	₱260,735,060

	December 31, 2018		
	< 1 year	1 to < 5 years	Total
Financial liabilities			
Accounts and other payables			
Due to related parties	₱113,352,349	₱–	₱113,352,349
Accrued expenses	37,117,277	–	37,117,277
Accounts payable	6,179,359	–	6,179,359
Retention payable	592,200	–	592,200
Construction bonds	2,738,439	–	2,738,439
Security deposits	23,379,284	255,252,536	278,631,820
	₱183,358,908	₱255,252,536	₱438,611,444

**net of allowance for probable losses*

21. Earnings Per Share

The Company's earnings per share for the nine months ended 2019 and 2018 were computed as follows:

	2019 (Nine Months)	2018 (Nine Months)
Net income	**₱1,015,397,102**	₱329,668,272
Weighted average number of common shares	**977,792,435**	96,292,430
Basic/Diluted earnings per share	**₱1.04**	₱3.42

The weighted average number of common shares for the nine months ended September 30, 2018 is adjusted for the change in par value from ₱1 to ₱10 and the reclassification of preferred shares to common shares made by the Company on December 18, 2018 (see Note 12).

The Company also assessed that there were no potential dilutive common shares in 2019 and 2018.

22. Segment Reporting

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's two building lease operation is its only income-generating activity and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱238.80 million and ₱124.21 million for the nine months ended September 30, 2019.

23. Note to Interim Statements of Cash Flows

Non-cash movement of receivables and investment properties arising from lease agreement with MNHVI amounted to ₱2,221.09 million and ₱1,823.96 million for 2019 (nil in 2018), respectively (see Notes 7, 17 and 19).

24. Event After Reporting Date

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The rent is payable at a fixed monthly rate subject to an annual escalation.

SGV
Building a better working world

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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at September 30, 2019 and December 31, 2018, and for the nine months ended September 30, 2019 and 2018, on which we have rendered the attached report dated February 5, 2020.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Company has two (2) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

February 5, 2020

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018 and have issued our report thereon dated February 5, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Interim Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

February 5, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INDEX TO THE INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Reconciliation of Retained Earnings Available for Dividend Declaration
J	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
K	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
L	Financial Ratios

SCHEDULE A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
SEPTEMBER 30, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱23,821,556	₱23,821,556	₱216,974
Bank of Philippine Islands	50,355,352	50,355,352	56,524
	74,176,908	74,176,908	273,498
Receivables			
Related parties	3,851,311,518	3,851,311,518	461,261,680
Third parties	476,016,805	476,016,805	-
Others	178,825	178,825	-
	4,327,507,148	4,327,507,148	461,261,680
	₱4,401,684,056	₱4,401,684,056	₱461,535,178

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
SEPTEMBER 30, 2019

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE C

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
SEPTEMBER 30, 2019

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
N/A	N/A	N/A	N/A	N/A	N/A	N/A

	December 31, 2018			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱26,106,603	₱–	₱26,106,603	₱–
Receivables				
Due from related parties	1,936,214,187	–	1,936,214,187	–
Trade receivables	291,780,162	267,898,715	103,440,660	188,339,502
Other receivables	86,481	–	86,481	–
	₱2,254,187,433	₱267,898,715	₱2,065,847,931	₱188,339,502

Liquidity risk
The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	September 30, 2019			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash in banks	**₱74,176,908**	**₱–**	**₱–**	**₱74,176,908**
Receivables				
Finance lease receivable	**31,960,296**	**54,682,811**	**2,155,096,243**	**2,241,739,350**
Due from related parties	**1,609,572,168**	**–**	**–**	**1,609,572,168**
Trade receivables*	**136,890,574**	**331,461,314**	**–**	**468,351,888**
Other receivables	**178,825**	**–**	**–**	**178,825**
	₱1,852,778,771	**₱386,144,125**	**₱2,155,096,243**	**₱4,394,019,139**
Financial liabilities				
Accounts and other payables				
Due to related parties	**₱264,207,445**	**₱–**	**₱–**	**₱264,207,445**
Accrued expenses	**102,346,896**	**–**	**–**	**102,346,896**
Accounts payable	**17,251,107**	**–**	**–**	**17,251,107**
Retention payable	**634,700**	**–**	**–**	**634,700**
Construction bonds	**9,309,306**	**–**	**–**	**9,309,306**
Security deposits	**74,618,956**	**231,835,292**	**–**	**306,454,248**
	₱468,368,410	**₱231,835,292**	**₱–**	**₱700,203,702**

**net of allowance for probable losses*

	December 31, 2018		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱26,106,603	₱–	₱26,106,603
Receivables			
Due from related parties	1,936,214,187	–	1,936,214,187
Trade receivables*	74,697,675	209,417,570	284,115,245
Other receivables	86,481	–	86,481
	₱2,037,104,946	₱209,417,570	₱2,246,522,516

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2019

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
SEPTEMBER 30, 2019

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
SEPTEMBER 30, 2019

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
SEPTEMBER 30, 2019

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	977,792,435	-	977,792,428	7	-

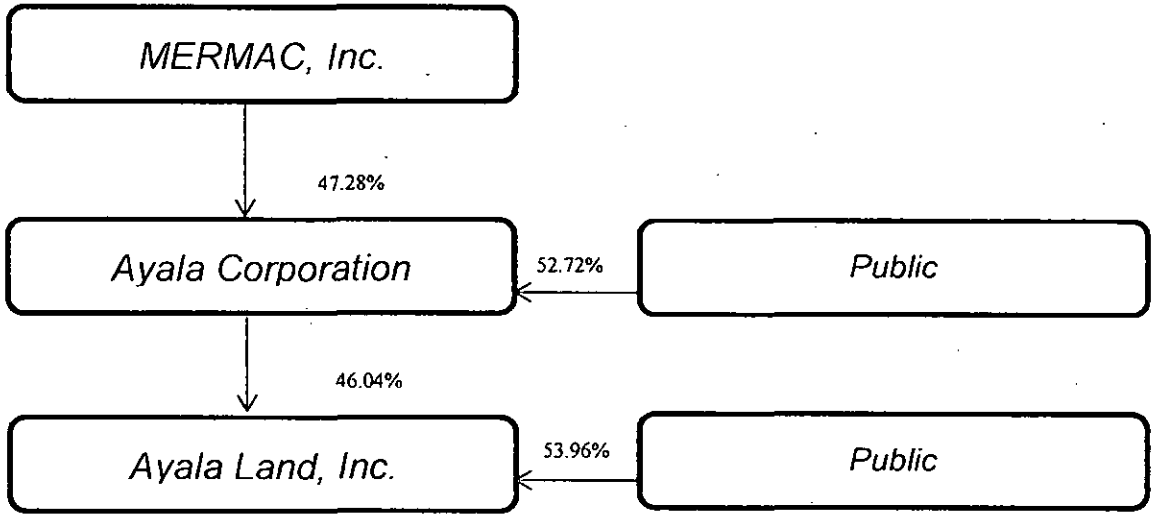
AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2019

Unappropriated Retained Earnings, beginning	₱722,691,606
Less: Deferred tax assets	66,525,091
Unappropriated Retained Earnings, as adjusted, beginning	656,166,515
Net Income based on the face of AFS	1,015,397,102
Less: Non-actual/realized income net of tax	
Amount of provision for deferred tax during the year	79,178,017
Net Income Actual/Realized	936,219,085
Unappropriated Retained Earnings, as adjusted, ending	₱1,592,385,600

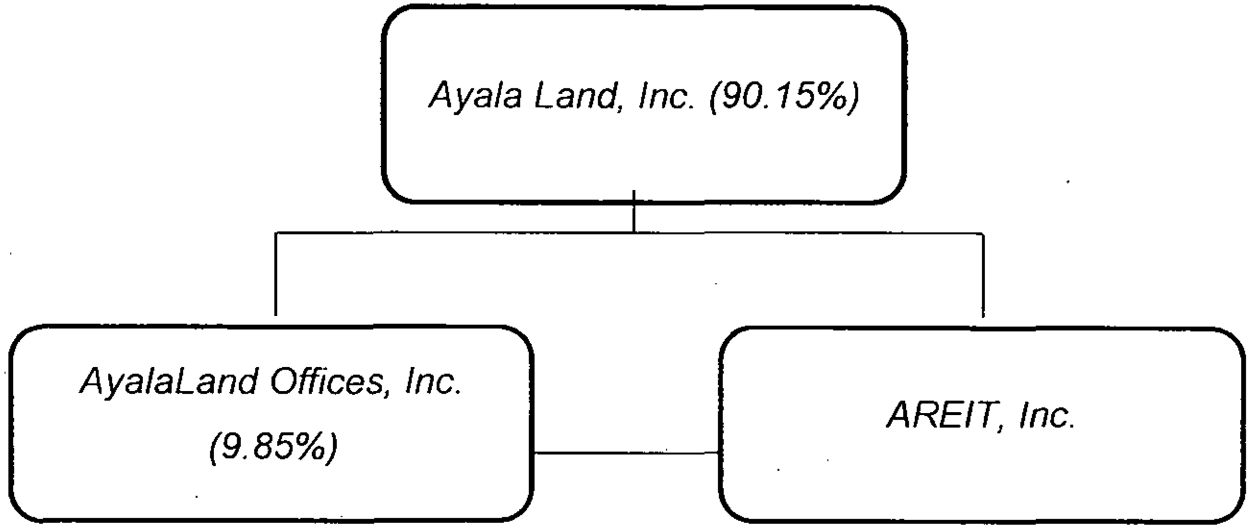
AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
SEPTEMBER 30, 2019



AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
SEPTEMBER 30, 2019



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)	*Adauge Commercial Corporation (60%)*	*Alabang Commercial Corporation (50%)*	*Ayala Property Management Corp. (100%)*
Soltea Commercial Corp. (60%)	*Southgateway Development Corp. (100%)*	*Makati Development Corporation (100%)*	*Ayala Theatres Management, Inc. & S. (100%)*
CMPI Holdings, Inc. (60%)	*Ayalaland MetroNorth, Inc. (100%)*	*Ayala Hotels, Inc. (50%)*	*DirectPower Services, Inc. (100%)*
ALI-CII Development Corporation (50%)	North Triangle Depot Commercial Corp. (73%)	*AyalaLand Hotels and Resorts Corp. (100%)*	*Phil. Integrated Energy Solutions, Inc. (100%)*
Roxas Land Corporation (50%)	*BGWest Properties, Inc. (50%)*	*Lagdigan Land Corp. (60%)*	*Five Star Cinema, Inc. (100%)*
Ten Knots Phils, Inc. (60%)	*Ten Knots Development. Corp. (60%)*	*Southportal Properties Inc. (65%)*	*Leisure and Allied Industries Philippines, Inc. (50%)*
ALInet.com, Inc. (100%)	*First Longfield Investments Limited (100%)*	*Aprisa Business Process Solutions, Inc. (100%)*	*AyalaLand Club Management, Inc. (100%)*
Varejo Corp. (100%)	*Ayala Land Malls, Inc. (100%)*	*Verde Golf Development Corporation (100%)*	*Whiteknight Holdings, Inc. (100%)*
ALI Commercial Center Inc. (100%)	*Cebu Holdings Inc. (50%)*	*AREIT, Inc. (90.15%)*	

AYALA LAND, INC.

- Alveo Land Corporation (100%)
- Serendra, Inc. (28%)
- Amorsedia Development Corporation (100%)
- Avida Land Corporation (100%)
- Amaia Land Co. (100%)
- Ayala Land International Sales, Inc. (100%)
- Ayala Land Sales, Inc. (100%)
- Buendia Landholdings, Inc. (100%)
- Crans Montana Holdings, Inc. (100%)
- AREIT, Inc. (90.15%)
- Crimson Field Enterprises, Inc. (100%)
- Ecoholdings Company, Inc. (100%)
- NorthBeacon Commercial Corporation (100%)
- Red Creek Properties, Inc. (100%)
- Regent Time International, Limited (100%)
- Asterion Technopod, Incorporated (100%)
- Westview Commercial Ventures Corp. (100%)
- North Ventures Commercial Corp. (100%)
- Hillsford Property Corporation (100%)
- Primavera Towncentre, Inc. (100%)
- Summerhill E-Office Corporation (100%)
- Sunnyfield E-Office Corporation (100%)
- Subic Bay Town Centre, Inc. (100%)
- Regent Wise Investments Limited (100%)
- AyalaLand Commercial REIT, Inc. (100%)
- Arvo Commercial Corporation (100%)
- BellaVita Land Corporation (100%)
- Nuevo Centro, Inc. (55%)
- Cavite Commercial Town Center, Inc. (100%)
- AyalaLand offices, Inc. (100%)
- Laguna Technopark, Inc. (75%)
- Aurora Properties Incorporated (80%)
- Vesta Property Holdings, Inc. (70%)
- Station Square East Commercial Corporation (69%)
- Ceci Realty, Inc. (60%)
- Accendo Commercial Corp. (67%)
- Aviana Development Corporation (50%)

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS SEPTEMBER 30, 2019

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of SEPTEMBER 30, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation IFRIC-23	Uncertainty over income tax treatments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as "Not Applicable" have been adopted by the Company but have no significant covered transactions for the year ended September 30, 2019.

Standards tagged as "Not adopted" are standards issued but not yet effective as of September 30, 2019. The Company will adopt the Standards and Interpretations when these become effective.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

FINANCIAL RATIOS
SEPTEMBER 30, 2019

	September 30, 2019	December 31, 2018
CURRENT / LIQUIDITY RATIOS		
Current assets	**₱2,031,107,748**	₱2,155,625,804
Current liabilities	**575,922,638**	437,055,648
Current Ratios	**3.53**	4.93
Current assets	**₱2,031,107,748**	₱2,155,625,804
Less: Receivables	**1,778,601,863**	2,010,998,343
Other current assets	**178,306,477**	118,498,358
Quick assets	**74,199,408**	26,129,103
Current liabilities	**575,922,638**	437,055,648
Quick Ratios	**0.13**	0.06

	September 30, 2019	December 31, 2018
SOLVENCY / DEBT-TO-EQUITY RATIOS		
Current portion of long-term debt	**₱–**	₱–
Long-term debt - net of current portion	**–**	–
Debt	**–**	–
Equity	**10,554,715,390**	10,500,615,956
Less: Non-controlling interests	**–**	–
Equity	**10,554,715,390**	10,500,615,956
Add/Less: Unrealized gain (loss) - AFS	**–**	–
Equity	**10,554,715,390**	10,500,615,956
Debt to Equity Ratio	**0.00**	0.00
Debt	**₱–**	₱–
Less: Cash	**74,199,408**	26,129,103
Net debt	**(74,199,408)**	(26,129,103)
Equity	**10,554,715,390**	10,500,615,956
Net Debt to Equity Ratio	**(0.00)**	(0.00)

	September 30, 2019	December 31, 2018
ASSET TO EQUITY RATIOS		
Total assets	**₱11,789,334,439**	₱11,579,653,800
Total equity	**10,554,715,390**	10,500,615,956
Asset to Equity Ratios	**1.12**	1.10

	Nine Months Ended September 30	
	2019	2018
INTEREST RATE COVERAGE RATIO		
Net income	**₱1,015,397,102**	₱329,668,272
Less: Nonrecurring transaction	**397,139,330**	-
Adjusted net income	**618,257,772**	329,668,272
Add:		
Provision for income tax	**235,004,414**	93,124,213
Interest expense	**8,509,956**	3,827,874
	861,772,142	426,620,359
Less:		
Interest income	**64,395,849**	11,387,302
EBIT	**797,376,293**	415,233,057
Depreciation	**142,591,518**	41,111,919
EBITDA	**939,967,811**	456,344,976
Interest expense	**8,509,956**	3,827,874
Interest expense coverage ratio	**110.46**	119.22

	Nine Months Ended September 30	
	2019	2018
PROFITABILITY RATIOS		
Net income	**₱1,015,397,102**	₱329,668,272
Revenue	**1,139,907,700**	534,844,736
Net Income Margin	**89%**	62%
Net Income	**1,015,397,102**	329,668,272
Total assets CY	**11,789,334,439**	2,081,669,815
Total assets PY	**11,579,653,800**	1,996,482,346
Average Total Assets	**11,684,494,120**	2,039,076,081
Return on Total Assets	**9%**	**16%**
Net Income	**1,015,397,102**	329,668,272
Total equity CY	**10,554,715,390**	1,586,544,826
Total equity PY	**10,500,615,956**	1,660,876,553
Average Total Equity	**10,527,665,673**	1,623,710,690
Return on Equity	**10%**	20%