Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described in the succeeding pages to be the key audit matters to be communicated in our report.

<u>*Revenue Recognition and Realization of Gross Profit*</u>

The Group's revenue recognition process, policies and procedures requires management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories is recognized based on percentage-of-completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. However, for income tax computation purposes, the realized gross profit is computed based on collections.

Our Response

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- Vouched and verified the sales and its corresponding cost of sales during the year to its supporting documents.
- Obtained the percentage-of-completion of each project from the contractors.
- Reviewed collections of receivables of prior years' sales for the realization of gross profit.
- Reviewed collections of receivables from current sales for the realization of gross profit.
- Verified the accuracy and mathematical calculations of each of the percentage-of-completion collections during the year.
- Performed site visits for sample of properties (focused primarily on projects under development stage) to assessed the stage of completion.

The Group's disclosures about its sales, cost of sales as well as its deferred gross profit are included in Notes 16, 18, and 19.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the Group's consolidated financial statements and our auditor's report thereon. The SEC form 20-IS, SEC Form 17-A and Annual report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No.1738-A, Group A, effective until January 30, 2022
Tax Identification No. 257-600-228
PTR No. 8555603, January 15, 2021, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 5, 2021

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31	
	2020	2019
ASSETS		
Current Assets		
Cash - note 4	**₱ 16,836,562**	₱ 13,004,316
Trade and other receivables (net) - note 5	**539,850,712**	508,997,744
Advances to related parties (net) - note 23	**276,397,919**	–
Real estate inventories - note 6	**390,734,889**	398,215,592
Prepayments and other current assets - note 7	**12,653,243**	17,203,858
	1,236,473,325	937,421,510
Noncurrent Assets		
Trade and other receivables (net of current portion) - note 5	**40,694,028**	41,752,876
Advances to related parties (net of current portion) - note 23	**269,151,715**	552,589,640
Property and equipment (net) - note 10	**40,402,837**	41,583,149
Financial asset at FVOCI - note 8	**50,000,000**	12,500,000
Investment property - note 9	**1,072,016**	1,072,016
Deferred tax assets (net) - note 25	**5,501,261**	4,399,617
Other noncurrent assets - note 11	**7,923,800**	7,125,080
	414,745,657	661,022,378
TOTAL ASSETS	**₱ 1,651,218,982**	₱ 1,598,443,888
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 12	**₱ 89,679,391**	₱ 87,452,287
Deferred gross profit - note 16	**144,998,054**	138,573,511
Borrowings - note 13	**96,027,677**	65,773,920
Lease liabilities - note 28	**984,384**	686,947
Customers' deposits - note 14	**4,828,637**	2,901,678
	336,518,143	295,388,343
Noncurrent Liabilities		
Advances from related parties - note 23	**104,024,033**	104,024,033
Borrowings (net of current portion) - note 13	**21,938,614**	19,957,846
Lease liabilities (net of current portion) - note 28	**2,405,414**	1,209,496
Retention payable and refundable bonds - note 15	**26,149,094**	23,659,157
Deferred tax liabilities - note 25	**62,209,661**	58,902,665
Retirement benefits obligation - note 26	**12,030,231**	10,027,135
	228,757,047	217,780,332
	565,275,190	513,168,675
Equity		
Capital stock - note 17	**1,445,549,830**	1,445,549,830
Remeasurement gain on retirement benefits - note 26	**2,042,257**	1,919,268
Deficit	**(361,648,295)**	(362,193,885)
	1,085,943,792	1,085,275,213
TOTAL LIABILITIES AND EQUITY	**₱ 1,651,218,982**	₱ 1,598,443,888

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2020	2019	2018
REAL ESTATE SALES - note 18	**₱ 217,943,438**	₱ 212,597,813	₱ 306,912,405
COST OF REAL ESTATE SOLD - note 19	**(90,084,118)**	(96,061,696)	(130,621,844)
GROSS PROFIT	**127,859,320**	116,536,117	176,290,561
DEFERRED GROSS PROFIT	**(90,046,386)**	(68,028,081)	(79,615,714)
REALIZED GROSS PROFIT DURING THE YEAR	**37,812,934**	48,508,036	96,674,847
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**36,844,770**	59,634,967	28,908,282
TOTAL REALIZED GROSS PROFIT - note 16	**74,657,704**	108,143,003	125,583,129
OTHER INCOME - note 20	**10,148,966**	7,584,886	27,420,024
OPERATING EXPENSES - note 21	**(61,792,701)**	(90,985,957)	(105,652,745)
FINANCE COSTS - note 22	**(16,096,807)**	(14,468,118)	(13,517,163)
INCOME BEFORE INCOME TAX	**6,917,162**	10,273,814	33,833,245
PROVISION FOR INCOME TAX - note 25			
Current	**4,218,929**	18,039,694	7,090,364
Deferred	**2,152,643**	(6,798,520)	9,498,109
	6,371,572	11,241,174	16,588,473
NET INCOME (LOSS) FOR THE YEAR	**545,590**	(967,360)	17,244,772
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 26	**122,989**	(1,450,309)	(271,821)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱ 668,579**	(₱ 2,417,669)	₱ 16,972,951
EARNINGS (LOSS) PER SHARE - note 30	**₱ 0.000**	(₱ 0.001)	₱ 0.012

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital Stock (Note 17)	**Remeasurement Gain on Retirement Benefits** (net) (Note 26)	**Deficit**	**Total**
Balance as at January 1, 2018, as restated	₱ 1,445,549,830	₱ 3,641,398	(₱ 378,372,276)	₱ 1,070,818,952
Comprehensive income (loss):				
Net income for the year	–	–	17,244,772	17,244,772
Remeasurement loss on retirement benefits - note 26	–	(271,821)	–	(271,821)
Balance as at December 31, 2018, as previously stated	1,445,549,830	3,369,577	(361,127,504)	1,087,791,903
Effect on adoption of PFRS 16	–	–	(99,021)	(99,021)
Balance as at January 1, 2019, as restated	1,445,549,830	3,369,577	(361,226,525)	1,087,692,882
Comprehensive loss:				
Net loss for the year	–	–	(967,360)	(967,360)
Remeasurement loss on retirement benefits - note 26	–	(1,450,309)	–	(1,450,309)
Balance as at January 1, 2020	**1,445,549,830**	**1,919,268**	**(362,193,885)**	**1,085,275,213**
Comprehensive income:				
Net income for the year	**–**	**–**	**545,590**	**545,590**
Remeasurement gain on retirement benefits - note 26	**–**	**122,989**	**–**	**122,989**
Balance as at December 31, 2020	**₱ 1,445,549,830**	**₱ 2,042,257**	**(₱ 361,648,295)**	**₱ 1,085,943,792**

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 6,917,162**	₱ 10,273,814	₱ 33,833,245
Adjustments for:			
Loss on cancelled contracts - note 21	**4,956,411**	17,401,681	27,905,574
Finance costs - note 22	**16,096,807**	14,468,118	13,517,163
Depreciation - note 10	**4,276,937**	4,352,248	3,165,606
Retirement benefits expense - note 26	**2,178,794**	1,669,470	1,391,987
Interest income - notes 4, 5 and 23	**(13,166,315)**	(7,692,887)	(8,647,445)
Provision for (reversal of) ECL - notes 5 and 23	**4,684,206**	3,484,917	(14,137,623)
Operating income before working capital changes	**25,944,002**	43,957,361	57,028,507
Decrease (increase) in:			
Trade and other receivables	**(37,151,352)**	18,154,772	(94,695,908)
Real estate inventories	**7,480,703**	(24,170,299)	1,496,787
Prepayments and other current assets	**4,550,615**	8,487,129	2,036,728
Increase (decrease) in:			
Accounts payable and other liabilities	**2,227,104**	14,218,751	7,553,397
Customers' deposit	**1,926,959**	(2,857,926)	(1,550,252)
Deferred gross profit	**6,424,543**	(3,622,886)	35,276,696
Retention payable and refundable bonds	**2,489,937**	(785,251)	802,729
Cash generated from operations	**13,892,511**	53,381,651	7,948,684
Contributions to retirement fund - note 26	–	(1,500,000)	–
Interest received	**2,300,394**	2,115,228	2,163,829
Income tax paid	**(4,218,929)**	(18,039,694)	(3,223,809)
Net cash provided by operating activities	**11,973,976**	35,957,185	6,888,704
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**37,875,000**	663,368	67,849,768
Additional advances to related parties - note 23	**(22,252,458)**	(607,150)	(567,044)
Additions to property and equipment - note 10	**(311,071)**	(274,689)	(3,535,345)
Utilization of (additions to) other noncurrent assets	**(1,148,720)**	16,086	(492,607)
Acquisition of financial asset at FVOCI - note 8	**(37,500,000)**	–	–
Net cash provided by (used in) investing activities	**(23,337,249)**	(202,385)	63,254,772

Forwarded

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2020	2019	2018
Continued			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**91,770,246**	81,890,016	78,989,229
Payment of lease liabilities	**(1,171,645)**	(1,163,718)	–
Payment of finance costs - note 13	**(15,867,361)**	(14,213,128)	(13,517,163)
Payment of borrowings - note 13	**(59,535,721)**	(109,355,745)	(77,094,189)
Additional advances from related parties - note 23	**–**	16,560,446	4,986,402
Settlement of advances from related parties - note 23	**–**	(15,005,000)	(58,359,096)
Net cash provided by (used in) financing activities	**15,195,519**	(41,287,129)	(64,994,817)
NET INCREASE (DECREASE) IN CASH	**3,832,246**	(5,532,329)	5,148,659
CASH - note 4			
At beginning of year	**13,004,316**	18,536,645	13,387,986
At end of year	**₱ 16,836,562**	₱ 13,004,316	₱ 18,536,645

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
As at December 31, 2020 and 2019 and for each of the three years
in the period ended December 31, 2020

1. CORPORATE INFORMATION

Philippine Estates Corporation (the 'Parent Company') was incorporated in the Philippines on May 30, 1983 as "Philippine Cocoa Estates Corporation". It was registered with the Securities and Exchange Commission (SEC) with its new corporate name on May 16, 1996 and started its commercial operations in 1996. The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The principal activity of the Parent Company is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential, leisure or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein. The Parent Company's condominium projects and other developmental activities are located in the cities of Manila, Bulacan, Tagaytay, Cavite, Cebu and Iloilo.

The registered office of the Parent Company, which is also its principal place of business, is at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The Parent Company owns 100% of the shares of stocks issued and outstanding of Mariano Arroyo Development Corporation (MADCorp), its Subsidiary.

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the 'Group') are consolidated in these financial statements.

The accompanying consolidated financial statements as at and for the year ended December 31, 2020 including its comparatives for 2019 and 2018 were approved and authorized for issue by its Board of Directors (BOD) on April 5, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as modified by the application of the following financial reporting standards reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

On December 15, 2020, the SEC has released Memorandum Circular No. 34 Series of 2020, Deferral of Philippine Interpretations Committee Question & Answer (PIC Q&A) No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) For Real Estate Industry, providing relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A and IFRIC interpretation for another period of three years until December 31, 2023.

a. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D;
b. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and
c. IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

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

The Group has availed of the deferral of adoption of the above provisions of PIC Q&A and IFRIC interpretation. Had these provisions and interpretation been adopted, it would have the following impact in the financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2020 and the revenue from real estate sales in 2020. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

b. The exclusion of land and uninstalled materials in the determination of POC would reduce the POC of real estate projects resulting in a decrease in retained earnings as at January 1, 2020 as well as a decrease in the revenue from real estate sales in 2020. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.

c. The IFRIC interpretation concluded that any work-in-progress inventory that the developer intends to sell as it finds suitable customers and, on signing a contract with a customer, will transfer control of the work-in-progress relating to that unit to customer is not a qualifying asset since the asset is ready for its intended sale in its current condition. The interpretation will result in decrease in retained earnings as at January 1, 2020 as well as increase in interest expense in 2020.

The IFRIC interpretation concluded that any work-in-progress inventory that the developer intends to sell as it finds suitable customers and, on signing a contract with a customer, will transfer control of the work-in-progress relating to that unit to customer is not a qualifying asset since the asset is ready for its intended sale in its current condition. The interpretation will result in decrease in retained earnings as at January 1, 2020 as well as increase in interest expense in 2020.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiary it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

Consolidation of subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the ownership interests in subsidiary that do not result in the loss of control are accounted for as equity transactions.

If the Parent Company losses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

Composition of the Group

Details of the Parent Company's subsidiary as at December 31 are as follows:

	Percentage of ownership	
	2020	2019
Mariano Arroyo Development Corporation	**100%**	100%

The subsidiary's registered office is at 35th Floor, One Corporate Center Doña Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2020.

Interest Rate Benchmark Reform (Amendments to PFRS 9 and PFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to PFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to PFRS 9.

Definition of a Business (Amendments to PFRS 3). The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The above amendments have no impact on the Group’s consolidated financial statements.

COVID-19-Related Rent Concessions (Amendments to PFRS 16). In May 2020, the International Accounting Standards Board (“IASB”) issued COVID-19-Related Rent Concessions (Amendments to PFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and
c. There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to its rent concession on office space.

Revised Conceptual Framework for Financial Reporting. The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Definition of Material (Amendments to PAS 1 and PAS 8). The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments will not have a significant impact on the disclosures and amounts recognized on the consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2020

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Property, Plant and Equipment before Intended Use (Amendments to PAS 16). The amendments to PAS 16, *Property, Plant and Equipment* prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework (Amendments to PFRS 3). Minor amendments were made to PFRS 3, *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and Philippine Interpretation IFRIC 21, *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37). The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022.

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41, *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The above annual improvements are effective for annual periods beginning on or after January 1, 2022.

PFRS 17*, Insurance Contracts.* The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). The narrow-scope amendments to PAS 1, *Presentation of Financial Statements* clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments to PAS 8, *Accounting Policies, Changes* focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Deferred Effectivity

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). 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 FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2020 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Financial Instruments

Initial Recognition, Measurement and Classification

The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred.

The Group classifies its financial assets as subsequently measured at amortized cost and fair value through other comprehensive income (FVOCI) and FVPL.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

The Group does not have any financial instruments that are measured and classified at FVPL.

Financial assets at amortized cost

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the consolidated statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, included under financial assets at amortized cost are the Group's cash, trade and other receivables, advances to related parties and other noncurrent assets (see Notes 4, 5, 11 and 23).

Cash represents cash on hand and cash in banks. Cash in banks earn interest at respective bank deposit rate.

Trade and other receivables consist of installment contract receivables, advances to homeowners, advances to employees, receivables from contractors, and others.

Other noncurrent assets consist of refundable deposits.

Equity instruments designated at FVOCI

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at December 31, 2020, and 2019 the Group elected to classify irrevocably its unquoted equity investments under this category (see Note 8).

Financial liabilities at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2020 and 2019, included in financial liabilities at amortized cost are the Group's accounts payable and other liabilities, borrowings, retention payable and refundable bonds, lease liabilities and advances from related parties (see Notes 12, 13, 15, 23 and 28).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities include non-trade payables (mainly payable to government agencies), accrued expenses and other payables which composed of collections from customers for payment of retitling and property taxes.

Retention payable and refundable bonds

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract while refundable bonds is equivalent to ten percent (10%) of the contract price covering a period of one (1) year after the final completion of contracted jobs.

Lease liabilities

Lease liabilities represent the Group's obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using the rate of interest implicit in the lease as the effective interest rate.

Advances from related parties

Advances from related parties pertain to various cash advances for working capital and expenses initially shouldered by the related parties.

Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as expenses in the Group's consolidated statements of comprehensive income in the period incurred.

Offsetting of Financial Instruments

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments that are measured at amortized cost. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For trade and other receivables, and advances to related parties, the Group applies a simplified approach and general approach, respectively, in calculating ECL. The Group recognizes a loss allowance based management's adopted policy on ECL at the end of each reporting period. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considers the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are one (1) day past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition of the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of investment grade in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of performing. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one (1) year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five (5) year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Determination of Fair Value and Fair Value Hierarchy

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 Group.

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

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

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 33 of the consolidated financial statements.

“Day 1” difference

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

Real Estate Inventories

Real estate inventories are property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

On initial recognition, real estate inventories are measured at cost which includes cost of land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs during the construction period.

Real estate inventories are subsequently carried at lower of cost and net realizable value. The cost of real estate inventories as disclosed in the consolidated statements of financial position is determined using the specific identification and cost allocation for non-specific cost. Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to completion and the estimated costs of sale.

When the net realizable value of the real estate inventories is lower than costs, the Group provides for an allowance for the decline in the value and recognizes the write-down as an expense in the consolidated statements of comprehensive income. The amount of any reversal of write-down of real estate inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate inventories recognized as an expense in the period in which the reversal occurs.

The cost of inventory recognized in the Group’s consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments are initially recognized at cost and subsequently measured at cost less any utilized portion and impairment loss. This account comprises prepaid items which are apportioned over the period covered by the payment and charged to the appropriate accounts in the Group’s consolidated statements of comprehensive income when incurred.

Prepayments that are expected to be realized within twelve (12) months after the reporting date are classified as current asset, otherwise, these are classified as other noncurrent asset.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. Prepayments are derecognized upon consumption and usage.

Input Tax and Other Prepaid Taxes

Input tax is the indirect tax paid by the Group on the local purchase of goods or services from a value-added tax (VAT)-registered person. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

The Group's input tax and other prepaid taxes are stated at cost less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, are maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Interest in Joint Operations

The Group has entered into various jointly controlled operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When an entity transacts with a joint operation in which entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

Property and Equipment

Property and equipment are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one (1) period.

Property and equipment are initially recognized at cost which comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

Property and equipment account are subsequently carried at cost less accumulated depreciation and any impairment in value.

Right-of-use assets are asset that represent lessee's right to use assets over the lease term.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets areavailable for use). Right-of-use assets are initially measured at cost which 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. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

When right-of-use assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	In Years
Building and improvements	25
Transportation equipment	5
Machinery, furniture and fixtures	3
Right-of-use assets	3-5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment Property

Investment property is property held to earn rentals or for capital appreciation.

Land is measured initially at cost, including transaction costs. Land is subsequently measured at cost less any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of investment property. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Investment property is derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

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

Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital stock represents the par value of the shares that are issued and outstanding as at the reporting date.

Deficit includes all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Revenue Recognition

The Group recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities.

Revenue is recognized when control of the goods or services are transferred to customer at an amount that reflects the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is shown net of VAT and discounts.

The additional specific recognition criteria for each type of revenue are as follows:

Real estate sales

Revenues from transactions covering sales of real estate which include sales of residential houses, condominium units and developed lots are accounted for under the percentage-of-completion method. Percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligation under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary state, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Gain from sales of virtually completed residential lots and housing units, where sufficient down payment has been received and when collectability of the sales price is reasonably assured, is accounted for under the full accrual method. Otherwise, the percentage-of-completion is used where gain from sales of the uncompleted projects is initially deferred and classified under 'Deferred gross profit' in the Group's consolidated statements of financial position. Deferred gross profit is realized and transferred to the Group's consolidated statements of comprehensive income based on the percentage-of-completion of the projects. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers presented under the "Customers' deposits" account in the "Liabilities" section of Group's consolidated statements of financial position.

Finance income

Interest and other financial income are recognized on time proportion basis that takes into account the effective yield on the asset or effective interest rate.

Miscellaneous income

Miscellaneous income is recognized when the right to receive cash from services provided is established.

Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the consolidated statements of comprehensive income are presented using the functional method.

Cost of real estate sold

Cost of real estate sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the contractors and technical staff of the Group. The estimated expenditures work the full development of sold real estate property, as determined by the technical staff of the Group, are charged to the 'Cost of real estate sold'.

The Group recognizes the effect of revisions in the total project costs in the year these changes become known.

Operating expenses

Operating expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the consolidated statements of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis.

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws in the period the temporary difference is expected to be recovered or settled that have been enacted or substantively enacted as at reporting period.

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

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee Benefits

Short-term employee benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve (12) months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

Retirement benefits obligation

The Group operates a defined benefit retirement plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Retirement benefits obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability and remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Past service costs are recognized immediately in profit or loss. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognized as expense or income in profit or loss.

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use asset is presented under property and equipment account.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Related Party Relationship and Transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the reporting entity or to the parent of the reporting entity; (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

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

Segment Reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported on the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 27.

Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year.

Provisions and Contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the Group's consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Reporting Date

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position as at the reporting date (adjusting events) are reflected in the Group consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the Group consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant Accounting Judgments in Applying the Group's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

The Group has entered into Joint Venture Agreement with related parties for the development of real estate properties, whereby the Group acts as Developer. The following guidance was set by the Group to distinguish investment in joint venture from real estate inventories:

- Interest in joint venture involves the assets and other resources of each venturers. Each venturer uses its own property and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business.

The Group's interest in joint venture represents cost incurred to develop and sell the real estate properties contributed by co-venturers, in the Group's ordinary course of business. Accordingly, the Group accounted its share in the joint venture as real estate inventories.

Lease of office space

The Group has entered into contract of lease for its office space it occupies. In determining the substance of the lease, the Group considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Group's leases for its office space have substance of lease, thus, the Group recognized right-of-use assets representing the right to use the leased assets and lease liabilities representing its obligation to make lease payments.

Realizability of Input Value-Added Tax (VAT)

The Group reviews and assesses its input VAT for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation and entitlement to claim VAT paid as input tax credit against output tax liabilities. The Group believes that the input VAT is fully realizable since this can be claimed as a tax credit against the output VAT on its vatable sales.

The Group's input VAT amounted to ₱859,473 and ₱3,650,784 as at December 31, 2020 and 2019, respectively (see Note 7).

Operating Segments

The Group's operating business segment are organized and managed separately according to location of business activities. The Group classifies business segments based on location of its real property projects as in the different geographical areas. Management considers the performance in Metro Manila, Bulacan, Cebu, Iloilo and Davao as its operating business segment (see Note 27).

Impairment of Non-financial assets

Property and equipment, and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable.

Management believes that there are no indications that the property and equipment, and investment property are impaired as at December 31, 2020 and 2019.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Group's defense in these matters and are based upon analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2020 and 2019.

Significant Accounting Estimates and Assumptions

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. Realized gross profit amounted to ₱74,657,704, ₱108,143,003 and ₱125,583,129 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 16).

Estimating allowance for ECL

The Group uses a provision matrix to calculate ECL for trade and other receivables, and advances to related parties. The provision rates are based on days past due for groupings of various customer segments and related party transactions that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables, and advances to related parties are disclosed in Note 31.

The carrying amount of the Group's trade and other receivables, and advances to related parties amounted to ₱1,126,094,374 and ₱1,103,340,260 as at December 31, 2020 and 2019, respectively (see Notes 5 and 23).

Allowance for ECL recognized in the Group's consolidated statements of financial position amounted to ₱38,073,777 and ₱33,389,571 as at December 31, 2020 and 2019, respectively (see Notes 5 and 23).

Estimating Useful Lives of Assets

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property equipment would increase recorded operating expenses and decrease noncurrent assets.

The carrying value of property and equipment as at December 31, 2020 and 2019 amounted to ₱40,402,837 and ₱41,583,149, respectively (see Note 10).

Deferred Tax Assets

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

The Group's deferred tax assets, net of unrecognized deferred tax asset, as at December 31, 2020 and 2019 amounted to ₱5,501,261 and ₱4,399,617, respectively (see Note 25).

Retirement Benefits Obligation

The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions shown in Note 26 to the Group's consolidated financial statements include among others, discount rates and rates of salary increase. While the Group believes that the assumptions made in the determination of retirement benefits are reasonable, significant change in assumptions materially affect the retirement obligation.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's retirement benefits obligation as at December 31, 2020 and 2019 amounted to ₱12,030,231 and ₱10,027,135, respectively (see Note 26).

4. CASH

Cash as at December 31 consist of:

	2020	2019
Cash on hand	**₱ 253,446**	₱ 108,446
Cash in banks	**16,583,116**	12,895,870
	₱ 16,836,562	₱ 13,004,316

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2020 and 2019.

Interest income earned from cash in banks amounted to ₱32,565, ₱16,109, and ₱18,446 in 2020, 2019 and 2018, respectively, and is recognized as part of 'Other income' in the consolidated statements of comprehensive income (see Note 20).

There is no restriction on the Group's cash in banks as at December 31, 2020 and 2019.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 consist of:

	2020	2019
Current		
Installment contract receivables	**₱ 516,424,058**	₱ 484,920,991
Advances to homeowners	**13,112,159**	12,784,097
Advances to employees	**8,895,600**	8,962,318
Other receivables	**9,061,134**	7,571,757
	547,492,951	514,239,163
Allowance for ECL	**(7,642,239)**	(5,241,419)
	₱ 539,850,712	₱ 508,997,744
Noncurrent		
Installment contract receivables from:		
External customers	**₱ 29,216,144**	₱ 31,057,191
Related parties – note 23	**4,340,519**	4,340,519
Receivable from contractors	**7,137,365**	6,355,166
	40,694,028	41,752,876
	₱ 580,544,740	₱ 550,750,620

Movements in the allowance for ECL are as follows:

	2020	2019
Balance as at beginning of year	**₱ 5,241,419**	₱ 2,898,195
Provision during the year – note 20	**2,400,820**	2,343,224
Balance as at end of year	**₱ 7,642,239**	₱ 5,241,419

Installment contract receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 12% to 19% in 2020 and 2019. Interest income earned amounted to ₱2,267,829, ₱2,099,119, and ₱2,145,384 in 2020, 2019 and 2018, respectively (see Note 20).

The Group partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from local financial institutions. Assigned installment contract receivables as at December 31, 2020 and 2019 amounted to ₱38,462,694 and ₱50,991,225, respectively (see Note 13).

Advances to homeowners pertain to advances for the maintenance of residential subdivisions pending establishment of Homeowner's Associations.

Advances to employees are collected through salary deduction and/or liquidation within six (6) to twelve (12) months.

Receivable from contractors pertain to amount recoverable from construction projects.

Other receivables consist of advances to suppliers and other miscellaneous receivables which are non-interest bearing and are collectible upon demand.

Except for the assigned installment contract receivables with a local financial institution, no other trade and other receivables as at December 31, 2020 and 2019 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2020	2019
At cost:		
Raw land inventory	**₱ 178,781,328**	₱ 175,781,327
Projects under development	**133,227,033**	221,888,545
House and lot	**78,726,528**	545,720
	₱ 390,734,889	₱ 398,215,592

Raw land inventory consists of parcels of land in the cities of Manila, Bulacan, Cavite, Cebu and Iloilo.

The cost of projects under development consists of cost of land, site preparation and development, and construction cost of real estate inventories.

The Group's real estate inventories consist of:

- Pacific Grand Villas in Cebu
- Pacific Grand Townhomes also in Cebu
- Chateaux Geneva and Costa Smeralda (Jaro Estates) in Iloilo
- Wellford Homes in Iloilo
- Wellford Homes in Malolos
- Metro Tech Industrial Park (formerly Plastic City Industrial Park) in Valenzuela

The Group has entered into joint venture agreement with related parties whereby the related parties contribute real estate properties to be developed by the Group. The following projects were undertaken through these joint venture agreements:

a) Chateaux Geneva

The Group completed in 2005 its residential subdivision project in Iloilo called Chateaux Geneva. This project is a joint venture with Pacific Rehouse Corporation (PRC), an affiliate, by which they share on the net saleable areas of the joint venture property in accordance with their sharing agreement.

b) Metro Tech Industrial Park (formerly Plastic City Industrial Park)

In 1997, the Group also entered into a joint venture agreement with its related parties, Inland Container Corporation, International Polymer Corporation, Kennex Container Corporation, Pacific Rehouse Corporation, Rexlon Industrial Corporation and Ropeman International Corporation, for the development of a certain real estate property into an industrial estate for a developer's fee of equivalent to forty percent (40%) of the net sales proceeds after deducting all relevant taxes and marketing expenses and administrative expenses, with the remaining sixty percent (60%) to be remitted to the owners.

On November 6, 2018, the Group sold portion of its acquired interest and participation rights on the above-mentioned joint venture agreement on the parcels of land with an aggregate area of 3,886 square meters to Rexlon Industrial Corporation for a consideration amounting to ₱25,259,000 and total cost amounting to ₱10,198,993 resulted in ₱12,353,685 realized gross profit in consolidated statements of comprehensive income.

The cost of inventories recognized as expense and included in 'Cost of real estate sold' in the consolidated statements of comprehensive income amounted to ₱90,084,118, ₱96,061,696 and ₱130,621,844 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2020 and 2019, were used as collateral for borrowings obtained from Luzon Development Bank in 2013 (see Note 13).

Aside from the aforementioned information, no other real estate inventories as at December 31, 2020 and 2019 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist of:

	2020	2019
Creditable withholding tax	**₱ 7,635,045**	₱ 7,937,546
Deferred input tax	**3,591,689**	4,833,068
Input tax	**859,473**	3,650,784
Prepaid expenses	**567,036**	782,460
	₱ 12,653,243	₱ 17,203,858

Input tax was derived mainly from transactions related to the materials and services used in construction of houses sold and certain general and administrative expenses. Management believes that the input tax is fully realizable or recoverable because of the revenue to be generated from the vatable sales.

Prepaid expenses pertain to prepaid insurance, taxes and licenses, and office supplies.

8. FINANCIAL ASSET AT FVOCI

The Group's financial assets at FVOCI consist of investment in unquoted shares of stock amounting to ₱50,000,000 and ₱12,500,000 as at December 31, 2020 and 2019, respectively, which represent ownership in Waterfront Manila Premier Development, Inc. This investment is irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature and it holds this investment to foreseeable future. This investment is stated at cost less impairment loss since there is no quoted price in an active market.

Movement of financial assets at FVOCI as at December 31 is as follows:

	2020	2019
Balance as at beginning of year	**₱ 12,500,000**	₱ 12,500,000
Additional investment	**37,500,000**	–
Balance as at end of year	**₱ 50,000,000**	₱ 12,500,000

The Group's financial assets at FVOCI as at December 31, 2020 and 2019 are not held as collateral for its financial liabilities.

9. INVESTMENT PROPERTY

The Group's investment property pertains to the remaining ninety-one (91) hectares of land located in Davao which was not covered by the Comprehensive Agrarian Reform Law amounting to ₱1,072,016 as at December 31, 2020 and 2019.

Investment property is held primarily for capital appreciation and is carried at cost.

No direct operating expenses arose on the investment property for the years ended December 31, 2020, 2019 and 2018.

The Group's investment property as at December 31, 2020 and 2019 is not held as collateral for its liabilities and are free from any encumbrances and the Group believes that there is no indication that an impairment loss has occurred on its investment property in 2020 and 2019.

No valuation of independent appraiser was conducted for the investment property. The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of investment property amounted to ₱240,240,000 as at December 31, 2020 and 2019.

There is no existence of restrictions on the realizability of the investment property as at December 31, 2020 and 2019.

The Group has not entered into any contractual commitments to purchase, construct or develop investment property as at December 31, 2020 and 2019.

10. PROPERTY AND EQUIPMENT (net)

Reconciliation of the Group's property and equipment (net) as at December 31 is as follows:

December 31, 2020	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Right-of-use assets	Computer software	Total
Cost						
At beginning of year	**₱81,063,188**	**₱ 6,319,052**	**₱ 42,498,057**	**₱4,115,836**	**₱ –**	**₱133,996,133**
Additions	**–**	**7,272**	**303,799**	**2,435,554**	**–**	**2,746,625**
Reclassification – note 11	**–**	–	–	**–**	**350,000**	**350,000**
Write-off	–	–	–	**(2,168,113)**	**–**	**(2,168,113)**
At end of year	**81,063,188**	**6,326,324**	**42,801,856**	**4,383,277**	**350,000**	**134,924,645**
Accumulated depreciation						
At beginning of year	**42,727,202**	**5,679,166**	**41,643,091**	**2,363,525**	**–**	**92,412,984**
Depreciation – note 21	**2,260,588**	**366,089**	**620,920**	**1,000,173**	**29,167**	**4,276,937**
Write-off	**–**	**–**	**–**	**(2,168,113)**	**–**	**(2,168,113)**
At end of year	**44,987,790**	**6,045,255**	**42,264,011**	**1,195,585**	**29,167**	**94,521,808**
Carrying amount as at December 31, 2020	**₱36,075,398**	**₱ 281,069**	**₱ 537,845**	**₱3,187,692**	**₱320,833**	**₱ 40,402,837**

December 31, 2019	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Right-of-use Assets	Total
Cost					
At beginning of year	₱81,063,188	₱ 6,307,812	₱ 42,234,608	₱4,115,836	₱ 133,721,444
Additions	–	11,240	263,449	–	274,689
At end of year	81,063,188	6,319,052	42,498,057	4,115,836	133,996,133
Accumulated depreciation					
At beginning of year	₱40,466,614	₱ 5,237,395	₱ 40,947,041	1,409,686	₱ 88,060,736
Depreciation – note 21	2,260,588	441,771	696,050	953,839	4,352,248
At end of year	42,727,202	5,679,166	41,643,091	2,363,525	92,412,984
Carrying amount as at December 31, 2019	₱38,335,986	₱ 639,886	₱ 854,966	₱1,752,311	₱ 41,583,149

Fully depreciated property and equipment still in use as at December 31, 2020 and 2019 amounted to ₱57,016,118 and ₱56,335,672, respectively.

Reclassification pertains to the Group's accounting system which was approved to be used by the BIR on September 8, 2020.

The Group's transportation equipment with a carrying amount of ₱281,050 and ₱696,589 was held as collateral on its borrowings as at December 31, 2020 and 2019, respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2020 and 2019 are held as collateral for its liabilities and are free from any encumbrances.

Based on the impairment review of the property and equipment, the Group believes that there is no indication that an impairment loss had occurred as at December 31, 2020 and 2019.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2020	2019
Refundable deposits	**₱ 7,680,337**	₱6,531,617
Other assets	**243,463**	593,463
	₱7,923,800	₱7,125,080

Refundable deposits consist mainly of security and utility deposits.

Other assets consist of land in Davao and unused accounting system. On September 8, 2020, BIR issued permit to use the Group's accounting system. The cost of the accounting system was reclassified to property and equipment amounting to ₱350,000 (see Note 10).

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 consist of:

	2020	2019
Accounts payable	**₱18,760,012**	₱ 18,246,647
Deferred output VAT and other taxes payable	**38,051,388**	40,362,481
Accrued expenses	**5,320,776**	5,614,090
Other payables	**27,547,215**	23,229,069
	₱89,679,391	₱ 87,452,287

Accounts payable pertain to the amounts due to suppliers which are payable within thirty (30) to ninety (90) days from the date of sale and do not bear any interest.

Deferred output VAT arises from the Group's installment contracts, the collections on which did not reach 25% of the contract price in the year the sale was recognized. Other taxes payable pertains to withholding taxes payable and statutory contributions to regulatory agencies.

Accrued expenses mainly composed of unpaid wages, security services, utility bills, professional and legal fees.

Other payables composed of collections from customers for payment of retitling and property taxes.

13. BORROWINGS

Borrowings as at December 31 consist of:

	2020	2019
Current	**₱ 96,027,677**	₱ 65,773,920
Noncurrent	**21,938,614**	19,957,846
	₱ 117,966,291	₱ 85,731,766

The details of borrowings of the Group are as follows:

	Outstanding balance		
Bank/ Lender	**2020**	2019	Loan type and significant terms
Luzon Development Bank	**₱ 81,808,897**	₱ 53,181,020	Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2020 and 2019 (see Note 6).
Central Visayas Financial Corporation	**19,069,603**	21,692,767	Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱ 21,221,724 and ₱34,030,202 as at December 31, 2020 and 2019, respectively (see Note 5).
Asia United Bank	**–**	232,905	Note payable amounted to ₱1,072,000 and was secured by chattel mortgage with carrying amount of ₱696,589 as at December 31, 2019 (see Note 10). The note was fully paid in 2019.
Qwick	**17,087,791**	10,625,074	Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱17,240,970 and ₱16,961,023 as at December 31, 2020 and 2019, respectively.
	₱117,966,291	₱ 85,731,766	

Total interest on borrowings charged as “Finance costs” in the consolidated statements of comprehensive income amounted to ₱15,867,361, ₱14,213,128 and ₱13,517,163 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 22).

The table below shows the movement of borrowings during the year:

	2020	2019
Beginning balance	**₱ 85,731,766**	₱ 113,197,495
Additions	**91,770,246**	81,890,016
Payments	**(59,535,721)**	(109,355,745)
Ending balance	**₱ 117,966,291**	₱ 85,731,766

The Group's borrowings are not subject to any significant loan covenant.

14. CUSTOMERS' DEPOSITS

Customers' deposits represent reservation fees and initial collections received from the customers before the two parties enter into a sales agreement for the sale transaction. These are collections from buyers which have not yet reached the minimum required percentage. When the level of required percentage or threshold to qualify for revenue recognition is reached by the buyer, these deposits and down payments will be recognized as revenue and will be applied against the installment contract receivables.

As at December 31, 2020 and 2019, outstanding balance of the customers' deposits amounted to ₱4,828,637 and ₱2,901,678, respectively.

15. RETENTION PAYABLE AND REFUNDABLE BONDS

Retention payable and refundable bonds as at December 31 consist of:

	2020	2019
Retention payable	**₱ 16,152,803**	₱ 13,816,209
Refundable bonds	**9,996,291**	9,842,948
	₱ 26,149,094	₱ 23,659,157

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract. The full amount of retention will be released by the Group to the contractors after the full completion and acceptance of satisfactory works by the Group and submission of the original, signed and sealed sets of prints of "As-built" drawings.

The refundable bonds pertain to collections from buyers which includes construction, renovation and/ or fencing bonds which will be released by the Group upon completion of construction and/or renovation.

16. DEFERRED GROSS PROFIT

This account represents the difference between the contract price and the estimated cost of real estate projects sold which are not yet completed as at financial reporting date and to be realized thereafter based on the percentage of completion of the real estate inventories sold.

As at December 31, 2020 and 2019, deferred gross profit amounted to ₱144,998,054 and ₱138,573,511, respectively. Realized gross profit for current and prior year sales amounted to ₱74,657,704, ₱108,143,003 and ₱125,583,129 in 2020, 2019 and 2018, respectively.

17. CAPITAL STOCK

Details of capital stock as at December 31 are as follows:

	2020	2019
Common stock: ₱1 par value		
Authorized: 5,000,000,000 shares	**₱5,000,000,000**	₱5,000,000,000
Subscribed, issued and fully paid: 1,445,549,830 shares	**1,445,549,830**	1,445,549,830

The Group has one (1) class of common shares which carry no right to fixed income.

Track Record of Registration of Securities

The Parent Company was originally registered as Philippine Cocoa Estates Corporation with the SEC on May 30, 1983 with an authorized capital stock of ₱1 million primarily to engage in all phases of agriculture. On February 29, 1984, the Group increased its authorized capital stock to ₱140 million. The Group was listed with the PSE on November 1, 1984.

On May 8, 1987, the Parent Company with the approval of SEC increased its authorized capital stock to ₱180 million and on October 22, 1987, increased to ₱300 million.

In 1996, The Wellex Group, Inc. (TWGI) gained majority control of the Group and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Group to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class “A” and Class “B” classification of the Group’s shares; and (d) the change in par value of the shares from ₱10 to ₱1 per share.

Towards achieving its corporate vision, the Parent Company filed an application to increase its authorized capital stock from ₱300 million to ₱5 billion. Out of this increase of ₱4.7 billion, the amount of ₱1,194,333,800 was subscribed and paid up by five (5) corporate investors. The principal part of the subscription was paid up by way of transfers to the Group of forty-five (45) parcels of land valued at ₱1,161,833,800, while a smaller portion of the subscription, amounting to ₱32,500,000 was paid through conversion of debt to equity. The increase in authorized capital stock to ₱5 billion was approved by SEC on March 26, 1997.

Number of shares owned by public totaled 760,980,740 shares or a public ownership of 52.64% as at December 31, 2020 and 2019.

The historical market value of the Group's shares is as follows:

	Market value per share
December 31, 2020	**₱ 0.425**
December 31, 2019	0.430
December 31, 2018	0.470

18. REAL ESTATE SALES

Real estate sales for the years ended December 31 on the various projects are as follows:

	2020	2019	2018
Full accrual	**₱ 87,911,248**	₱ 65,847,239	₱ 83,254,748
Uncompleted projects (POC)	**130,032,190**	146,750,574	223,657,657
	₱ 217,943,438	₱ 212,597,813	₱ 306,912,405

19. COST OF REAL ESTATE SOLD

Cost of real estate sold for the years ended December 31 is as follows:

	2020	2019	2018
Full accrual	**₱ 20,502,891**	₱ 21,252,995	₱ 29,731,587
Uncompleted projects (POC)	**69,581,227**	74,808,701	100,890,257
	₱ 90,084,118	₱ 96,061,696	₱ 130,621,844

20. OTHER INCOME

Details of other income for the years ended December 31 are as follows:

	2020	2019	2018
Finance income from:			
Advances to affiliates – note 23	**₱ 10,865,921**	₱ 5,577,659	₱ 6,483,615
Installment contract receivables – note 5	**2,267,829**	2,099,119	2,145,384
Cash in banks – note 4	**32,565**	16,109	18,446
Provision for ECL – notes 5 and 23	**(4,684,206)**	(3,484,917)	(1,189,590)
Recovery of allowance for ECL	**–**	–	15,327,213
Miscellaneous income	**1,666,857**	3,376,916	4,634,956
	₱ 10,148,966	₱ 7,584,886	₱ 27,420,024

Miscellaneous income mainly consists of forfeited customer's deposits, rental income in sub-leased properties and penalty charges for late payment on monthly amortizations.

21. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2020	2019	2018
Salaries and wages	**₱ 15,814,691**	₱21,645,351	₱20,910,118
Commissions	**7,028,261**	11,559,372	14,962,215
Taxes and licenses	**6,629,326**	7,844,113	9,959,127
Representation and entertainment	**5,005,844**	5,820,047	5,871,357
Loss on cancelled contracts	**4,956,411**	17,401,681	27,905,574
Depreciation - note 10	**4,276,937**	4,352,248	3,165,606
Communication, light and water	**2,273,370**	2,513,800	2,634,792
Retirement benefits – note 26	**2,178,794**	1,669,470	1,391,987
Professional and legal fees	**2,063,435**	2,618,947	1,700,621
Employee benefits	**1,926,752**	2,839,756	2,609,324
Advertising	**1,686,689**	3,542,336	3,641,279
Travel and transportation	**1,599,877**	2,140,919	1,787,698
Supplies	**1,174,614**	891,996	1,106,188
Repairs and maintenance	**710,874**	780,124	954,502
Dues and subscription	**691,749**	670,424	680,806
Security services	**548,844**	296,895	264,664
Insurance	**305,682**	160,430	139,638
Janitorial services	**218,221**	17,061	119,592
Rental – note 28	**141,464**	92,423	849,346
Directors' fees	**38,928**	160,000	150,000
Penalty fee, interests and surcharges	**1,310**	1,224,160	1,495,666
Meetings, trainings and seminars	**–**	61,467	108,162
Sports and recreation	**–**	208,872	254,137
Miscellaneous	**2,520,628**	2,474,065	2,990,346
	₱ 61,792,701	₱ 90,985,957	₱105,652,745

Miscellaneous expense consists of bank charges, notarial and other recreational expenses incurred by the Group.

22. FINANCE COSTS

Details of finance costs for the years ended December 31 is as follows:

	2020	2019	2018
Borrowings – note 13	**₱ 15,867,361**	₱ 14,213,128	₱ 13,517,163
Lease liabilities – note 28	**229,446**	254,990	–
	₱ 16,096,807	₱ 14,468,118	₱ 13,517,163

23. RELATED PARTY TRANSACTIONS

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2020 and 2019 are as follows:

December 31, 2020	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	**₱189,183,315**	**₱ –**	**₱ 3,637,609**	**₱ –**	**₱ 192,820,924**
Forum Holdings Corp. *(b)*	**37,620,706**	**–**	**709,324**	**–**	**38,330,030**
Kennex Container Corp. *(b)*	**35,151,054**	**–**	**662,251**	**–**	**35,813,305**
Orient Pacific Corp. *(b)*	**33,655,442**	**–**	**472,379**	**–**	**34,127,821**
Noble Arch Realty and Construction *(c)*	**4,760,119**	**17,992**	**92,866**	**–**	**4,870,977**
Pacific Rehouse Corporation *(f)*	**869,764**	**4,122**	**17,477**	**–**	**891,363**
Metro Alliance Holdings and Equities Corporation *(e)*	**278,270,000**	**22,230,345**	**5,260,007**	**(37,500,000)**	**268,260,352**
Stockholders					
International Polymer Corp.*(b)(d)*	**1,227,392**	**–**	**14,008**	**(375,000)**	**866,400**
	580,737,792	**22,252,459**	**10,865,921**	**(37,875,000)**	**575,981,172**
Allowance for ECL	**(28,148,152)**	**(2,283,386)**	**–**	**–**	**(30,431,538)**
	₱552,589,640	**₱19,969,073**	**₱10,865,921**	**(₱37,875,000)**	**₱ 545,549,634**

December 31, 2019	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	₱185,555,706	₱ –	₱3,627,609	₱ –	₱189,183,315
Forum Holdings Corp. *(b)*	36,911,382	–	709,324	–	37,620,706
Kennex Container Corp. *(b)*	34,488,803	–	662,251	–	35,151,054
Orient Pacific Corp. *(b)*	33,183,063	–	472,379	–	33,655,442
Noble Arch Realty and Construction *(c)*	4,657,425	21,082	81,612	–	4,760,119
Pacific Rehouse Corporation *(f)*	587,064	586,068	–	(303,368)	869,764
Metro Alliance Holdings and Equities Corporation *(e)*	–	278,270,000	–	–	278,270,000
Stockholders					
International Polymer Corp. *(b)(d)*	1,562,908	–	24,484	(360,000)	1,227,392
	296,946,351	278,877,150	5,577,659	(663,368)	580,737,792
Allowance for ECL	(27,006,459)	(1,141,693)	–	–	(28,148,152)
	₱269,939,892	₱277,735,457	₱5,577,659	(₱663,368)	₱552,589,640

Advances to related parties as at December 31 consist of:

	2020	2019
Current	**₱276,397,919**	₱ –
Noncurrent	**269,151,715**	552,589,640
	₱545,549,634	₱552,589,640

Details of the Group's advances from related parties as at December 31, 2020 and 2019 are as follows:

December 31, 2020	**At beginning of Year**	**Additional Advances from Related Parties**	**Settlement/ Reversal**	**At end of year**
Common key management				
Waterfront Cebu City Hotel	**₱ 92,054,457**	**₱ –**	**₱ –**	**₱ 92,054,457**
Concept Moulding Corp.	**3,830,646**	**–**	**–**	**3,830,646**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
The Wellex Group, Inc.	**7,972,400**	**–**	**–**	**7,972,400**
	₱104,024,033	**₱ –**	**₱ –**	**₱104,024,033**

December 31, 2019	At beginning of Year	Additional Advances from Related Parties	Settlement/ Reversal	At end of year
Common key management				
Waterfront Cebu City Hotel	₱ 92,054,457	₱ –	₱ –	₱ 92,054,457
Pacific Rehouse Corp.	–	5,000	(5,000)	–
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
The Wellex Group, Inc.	6,416,954	16,555,446	(15,000,000)	7,972,4000
	₱102,468,587	₱ 16,560,445	(₱15,005,000)	₱104,024,033

The Group obtained noninterest-bearing and unsecured cash advances from other companies under common control to support its operations. Settlement of related party transactions occurs in cash and offsetting throughout the financial year. There have been no guarantees received for any related party payables.

a) Plastic City Corporation (PCC)

Advances to PCC represent unsecured and interest bearing cash advances which bear an interest of 2% per annum. PCC issued a promissory note in favor of Group. On May 2, 2011, PCC and the Group entered into a memorandum of agreement wherein PCC will transfer the ownership of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at ₱6,450/sq.m. as payment to its outstanding obligation to the Group. On December 21, 2018, PCC reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021.

b) Forum Holdings Corp. (FHC), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), and Orient Pacific Corporation (OPC)

In 2009, FHC, IPC, KCC and OPC executed respective unsecured promissory notes (PN) to cover their respective advances to the Group with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term which matured during the year at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On December 21, 2018, FHC, KCC and OPC, and the Group reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021.

c) Noble Arch Realty and Construction Corporation (NARCC)

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters. For the purpose of paying the obligation arising from the aforementioned contract, NARCC sought the assistance of the Group through interest bearing cash advances. In 2009, NARCC executed respective unsecured PN to cover their respective advances to the Group with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PN's were renewed in 2014 with a three-year term which matured during the year at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On March 23, 2015, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines. On December 21, 2018, NARCC and the Group reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021 on the remaining balance.

d) Installment contract receivables from IPC

In addition to the advances made to related parties, the Group also has unsecured and unguaranteed installment contract receivables from related parties due beyond one (1) year which are to be settled through cash amounting to ₱4,340,519 as at December 31, 2020 and 2019 (see Note 5).

e) Metro Alliance Holdings and Equities Corporation (MAHEC)

The Group has outstanding advances to MAHEC pertaining to the value of raw land inventories transferred by the Parent Company.

On March 15, 2021, MAHEC issued a promissory note amounting to ₱263,000,345. The term of the loan is five (5) years maturing on March 15, 2026, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱5,260,007 as at December 31, 2020.

f) Pacific Rehouse Corporation (PRC)

The advances represent reimbursable expenses paid by the Group in behalf of PRC. The advances are unsecured, unguaranteed and are to be settled in cash.

g) Remuneration of key management personnel

Key management is defined as those with position of assistant manager and above who are involved in the decision making policy of the Group. The total remuneration of these personnel is as follows:

	2020	2019	2018
Short-term employee benefits	**₱ 3,060,000**	₱ 3,672,000	₱ 3,817,138
Post-employment benefits	**306,000**	306,000	318,095
Share-based payments	**–**	–	–
Other long-term benefits	**–**	–	–
	₱ 3,366,000	₱ 3,978,000	₱ 4,135,233

h) Transaction with the retirement fund

The Group has no transactions with its retirement plan other than its benefits paid and contributions to the fund for the years ended December 31, 2020 and 2019.

24. MEMORANDUM OF AGREEMENT WITH AVIDA LAND CORP.

On December 17, 2012, the Group and its related parties, Plastic City Corp. (PCC), Inland Container Corp. (ICC), International Polymer Corp. (IPC), MPC Plastic Corp. (MPC), Pacific Plastic Corporation (PPC), Westland Pacific Properties Corp. (WPPC), and Kennex Container Corp. (KCC) ('the Landowners'), entered into a Memorandum of Agreement (MOA) with Avida Land Corp. (ALC) for the development of 167,959 sq. meters of land located in T. Santiago St., Canumay, Valenzuela City, into residential projects based on a Master Plan determined by ALC.

Under the MOA, the Landowners shall cede, transfer and convey the property including all its rights and interest on the property. The Landowner shall execute the Deed of Conveyance for the entire or certain portions of property and transfer to ALC full vacant physical possession, free and clear of informal settlers, occupants and encumbrances as may be required in accordance with the development schedule of ALC.

On November 29, 2019, the Landowners and ALC had agreed to irrevocably cancel, rescind, and terminate the MOA, and that both parties are absolutely release from their respective rights, obligations, undertakings, and claims (if any) arising from, in connection with, or incidental to the said agreements.

The Landowners paid ALC reimbursement of diligence costs and interest of down payment from December 17, 2012 to date of rescission amounting to ₱15,047,791. The Group's share in additional cost amounted to ₱1,555,446.

25. INCOME TAX

Reconciliation of income tax expense

The reconciliation of income before tax computed at the regular corporate tax rate to the provision for (benefit from) income tax as shown in the Group's consolidated statements of comprehensive income is as follows:

	2020	2019	2018
Income before tax	**₱ 6,917,162**	₱ 10,273,814	₱ 33,833,245
Tax at applicable statutory rate:	**2,075,149**	3,082,144	10,149,974
Tax effect of:			
Nondeductible expenses	**2,895,232**	7,112,842	9,936,250
Expired NOLCO	**5,859**	5,464	5,374
Interest income subjected to final tax	**(9,770)**	(4,833)	(5,534)
Change in unrecognized deferred tax assets	**1,405,102**	1,045,557	(3,498,591)
	₱ 6,371,572	₱ 11,241,174	₱ 16,588,473

The components of deferred tax assets and liabilities as at December 31 are as follows:

	2020	2019
Deferred tax assets		
Allowance for ECL	**₱ 11,422,133**	₱ 10,016,871
Retirement benefits obligation	**4,484,322**	3,830,684
Lease liabilities	**1,016,939**	568,933
NOLCO	**16,994**	17,154
	16,940,388	14,433,642
Less: Unrecognized deferred tax assets	**(11,439,127)**	(10,034,025)
	₱ 5,501,261	₱ 4,399,617
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱ 60,378,100**	₱ 57,554,428
Remeasurement gain on retirement benefits	**875,253**	822,544
Right-of-use assets (net)	**956,308**	525,693
	₱ 62,209,661	₱ 58,902,665

Deferred tax assets and liabilities are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.

The component of deferred income tax recognized in other comprehensive income from actuarial gain (loss) on retirement benefits amounted to ₱52,709, (₱621,561), and (₱116,494) for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 26).

As at December 31, 2020, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year Incurred	Expiration Date	2019	Additions	Expired	Claimed	2020
2020	2025	₱ –	₱18,997	₱ –	₱ –	₱18,997
2019	2022	18,488	–	–	–	18,488
2018	2021	19,163	–	–	–	19,163
2017	2020	19,528	–	(19,528)	–	–
		₱57,179	₱18,997	(₱19,528)	₱ –	₱56,648

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

On January 27, 2021, The Philippine Interpretations Committeee (PIC) has released PIC Q&A 2020-07, *PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the CREATE Bill.* Under the PIC Q&A 2020-07, the CREATE Bill is not considered substantively enacted as at December 31, 2020, given the following circumstances as of said date:

a. Congress as the legislative body and the President representing the executive body of the Government are separate and independent from each other;
b. The bill is still pending with the bicameral committee of Congress and consequently not yet submitted to the President of the Philippines;
c. Upon submission to the President of the Philippines, he may either approve it or exercise his veto power to stop the enactment of the bill;
d. In case the bill is vetoed by the President, Congress may not be able to garner the required two-thirds vote to overturn the presidential veto.

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

The impact of the CREATE Law in the Group's consolidated financial statements as at and for the year ended December 31, 2020 are as follows:

	National Internal Revenue Code (NIRC) of 1997	CREATE Law *	Impact of CREATE Law
Consolidated Statements of Financial Position			
Deferred tax assets	₱ 16,940,388	₱ 13,885,820	**(₱3,054,568)**
Unrecognized DTA	(11,439,127)	(9,301,435)	**2,137,692**
Deferred tax liabilities	62,209,661	51,841,384	**(10,368,277)**
Remeasurement loss on retirement benefits	2,042,257	2,188,132	**145,875**
Consolidated Statements of Comprehensive Income			
Provision for income tax – current (RCIT)	4,218,929	3,866,624	**352,305**
Provision for income tax – deferred	2,152,643	(7,152,883)	**(9,305,526)**
Remeasurement loss on retirement benefits	122,989	268,864	**145,875**

**Starting July 1, 2020, RCIT is at 25% and MCIT at 1%*

26. RETIREMENT BENEFITS OBLIGATION

The Group has a funded, noncontributory and tax-qualified defined benefits type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of credited service.

The Group appointed a trustee bank to be responsible for the general administration of the retirement plan and retirement fund.

Actuarial valuations are made at least every one (1) to two (2) years. The Group's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group's latest actuarial valuation was on December 31, 2020.

The movement in the retirement benefits obligation for the years ended December 31, 2020 and 2019 is as follows:

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Retirement benefits obligation**
January 1, 2020	**₱ 10,736,032**	**(₱ 708,897)**	**₱ 10,027,135**
Retirement expense:			
Current service costs	**1,649,905**	**–**	**1,649,905**
Interest expense (income)	**557,200**	**(28,311)**	**528,889**
	2,207,105	**(28,311)**	**2,178,794**
Benefits paid	**(326,800)**	**326,800**	**–**
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	**1,367,645**	**–**	**1,367,645**
Experience/return	**(1,569,928)**	**26,585**	**(1,543,343)**
	(202,283)	**26,585**	**(175,698)**
As at December 31, 2020	**₱ 12,414,054**	**(₱ 383,823)**	**₱ 12,030,231**

	Present value of retirement benefits obligation	Fair value of plan assets	Retirement benefits obligation
January 1, 2019	₱ 8,428,358	(₱ 642,563)	₱ 7,785,795
Retirement expense:			
Current service costs	1,086,386	–	1,086,386
Interest expense (income)	633,813	(50,729)	583,084
	1,720,199	(50,729)	1,669,470
Benefits paid	(1,435,942)	1,435,942	–
Contribution to the fund	–	(1,500,000)	(1,500,000)
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	1,936,660	–	1,936,660
Experience/return	86,757	48,453	135,210
	2,023,417	48,453	2,071,870
As at December 31, 2019	₱ 10,736,032	(₱ 708,897)	₱ 10,027,135

Remeasurement gain on retirement benefits presented in the consolidated statements of financial position under equity section is as follows:

	2020	2019
Balance at beginning of year	**₱ 1,919,268**	₱ 3,369,577
Amounts recognized in OCI	**175,698**	(2,071,870)
	2,094,966	1,297,707
Attributable tax	**(52,709)**	621,561
Balance at end of year	**₱ 2,042,257**	₱ 1,919,268

Remeasurement gain (loss), net of related tax amounting to ₱52,709, (₱621,561) and (₱116,494) (see Note 25), in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱122,989, (₱1,450,309), and (₱271,821), respectively.

The total retirement benefits expense recognized is included in operating expenses for the years ended December 31, 2020, 2019 and 2018 amounted to ₱2,178,794, ₱1,669,470, and ₱1,391,987, respectively (see Note 21).

The fair value of the Group's retirement plan assets as at December 31 consist of:

	2020	2019
Cash and cash equivalents	**₱ 328,057**	₱ 658,069
Government bonds and securities	**55,766**	50,828
	₱ 383,823	₱ 708,897

The Group's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2020 and 2019.

The actual return on plan assets for the years ended December 31 is as follows:

	2020	2019
Interest income	**₱ 28,311**	₱ 50,729
Loss on plan assets, excluding amounts included in net interest cost	**(26,585)**	(48,453)
	₱ 1,726	₱ 2,276

The principal actuarial assumptions used as at December 31 are as follows:

	2020	2019
Discount rate	**3.96%**	5.19%
Salary rate increase	**5.00%**	5.00%

The discount rate at December 31, 2020 and 2019 was based on the BVAL benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principal assumptions is as follows:

December 31, 2020	**Impact on retirement benefits obligations**		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**100 bps**	**Decrease by 11.1%**	**Decrease by 9.1%**
Salary increase rate	**100 bps**	**Increase by 10.9%**	**Decrease by 9.1%**

December 31, 2019	Impact on retirement benefits obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 10.4%	Decrease by 8.6%
Salary increase rate	100 bps	Increase by 10.3%	Decrease by 8.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are government bonds and securities.

b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The retirement plan trustee has no specific asset-liability matching strategies to manage risks between the plan assets and the plan liabilities.

The weighted average duration of the defined benefit obligation is years 10.1 years and 9.5 years in 2020 and 2019, respectively.

The Group does not expect any contributions to post-employment benefit plans for the years ending December 31, 2021 and 2020, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

2020	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefits obligation	**₱ –**	**₱2,457,511**	**₱4,298,569**	**₱4,159,583**	**₱10,915,663**

2019	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ –	₱2,343,072	₱3,223,345	₱6,344,387	₱11,910,804

27. BUSINESS SEGMENT INFORMATION

The Group's operating business segment are organized and managed separately according to location of business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group classifies business segments based on location of its real property projects as in the following geographical areas:

- Metro Manila – industrial park and condominium projects
- Other Luzon Areas such as Bulacan, Cavite – subdivision development
- Cebu – subdivision, mixed use and condominium projects
- Iloilo – subdivision, mixed use and condominium projects
- Davao – administrative office

Geographically, management considers the performance in Metro Manila, Cebu, Iloilo and Davao. Deferred tax assets and retirement benefits obligation are not allocated to geographic segments.

The segment information is as follows:

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Total
Revenue						
Realized gross profit	₱ 194,566	₱ 27,602,149	₱1,823,250	₱45,037,739	₱ –	₱74,657,704
Other income	7,158,788	591,865	164	2,398,149	–	10,148,966
	7,353,354	28,194,014	1,823,414	47,435,888	–	84,806,670
Expenses						
Depreciation	3,876,604	22,680	29,693	347,960	–	4,276,937
Loss on cancelled contracts	–	3,192,021	–	1,764,390	–	4,956,411
Other expenses	31,732,852	6,198,882	1,489,030	10,802,705	157,090	50,380,559
	35,609,456	9,413,583	1,518,723	12,915,055	157,090	59,613,907
Segment income (loss)	(28,256,102)	18,780,431	304,691	34,520,833	(157,090)	25,192,763
Finance cost	15,878,467	42,902	141,524	33,914	–	16,096,807
Retirement benefits expense	2,178,794	–	–	–	–	2,178,794
Provision for income tax	6,371,572	–	–	–	–	6,371,572
Net income (loss) for the year	(₱52,684,935)	₱ 18,737,529	₱ 163,167	₱ 34,486,919	(₱157,090)	₱ 545,590
Segment assets	₱ 495,860,494	₱ 724,243,826	₱ 84,997,168	₱334,156,784	₱ 6,459,449	₱1,645,717,721
Deferred tax assets (net)	5,501,261					5,501,261
Total assets	₱ 501,361,755	₱ 724,243,826	₱ 84,997,168	₱334,156,784	₱ 6,459,449	₱1,651,218,982
Segment liabilities	₱ 171,135,943	₱ 142,145,151	₱ 8,503,205	₱112,987,292	₱ 507,077	₱ 435,278,668
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱ 301,132,465	₱ 142,145,151	₱ 8,503,205	₱112,987,292	₱ 507,077	₱ 565,275,190

December 31, 2019	Metro Manila	Cebu	Iloilo	Davao	Total
Revenue					
Realized gross profit	₱ 9,524,458	₱44,007,573	₱ 54,610,972	₱ –	₱108,143,003
Other income	3,943,337	1,323,684	2,023,222	294,643	7,584,886
	13,467,795	45,331,257	56,634,194	294,643	115,727,889
Expenses					
Depreciation	3,404,458	342,448	605,342	–	4,352,248
Loss on cancelled contracts	–	15,003,413	2,398,268	–	17,401,681
Other expenses	38,494,581	15,627,499	13,262,855	177,623	67,562,558
	41,899,039	30,973,360	16,266,465	177,623	89,316,487
Segment income (loss)	(28,431,244)	14,357,897	40,367,729	117,020	26,411,402
Finance cost	14,333,887	50,361	83,870	–	14,468,118
Retirement benefits expense	1,669,470	–	–	–	1,669,470
Provision for income tax	11,241,174	–	–	–	11,241,174
Net income (loss) for the year	(₱ 55,675,775)	₱14,307,536	₱40,283,859	₱117,020	(₱ 967,360)
Segment assets	₱ 545,094,031	₱ 724,481,002	₱ 317,898,343	₱6,570,895	₱1,594,044,271
Deferred tax assets (net)	4,399,617	–	–	–	4,399,617
Total assets	₱ 549,493,648	₱ 724,481,002	₱ 317,898,343	₱6,570,895	₱ 1,598,443,888
Segment liabilities	₱ 169,560,133	₱ 139,140,543	₱ 108,200,721	₱508,377	₱ 417,409,774
Borrowings	85,495,740	–	236,026	–	85,731,766
Retirement benefits obligation	10,027,135	–	–	–	10,027,135
Total liabilities	₱ 265,226,863	₱ 139,140,543	₱ 108,436,747	₱ 508,377	₱ 513,168,675

Although Davao segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2020 and 2019, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

28. LEASE COMMITMENTS

The Group has various non-cancellable office space lease agreements which are renewable upon mutual agreement with lessors as follows:

Lessor	Lease period
Grand Union Supermarket	September 1, 2018 to September 1, 2023
Arjay Realty	August 1, 2020 to August 1, 2023
Eumarc Real Estate	July 01, 2020 to June 30, 2025

The Group recognized the assets as 'right-of-use assets' and corresponding lease liabilities

The present value of the lease liabilities as at December 31 are as follows:

	2020	2019
Current	**₱ 984,384**	₱ 686,947
Noncurrent	**2,405,414**	1,209,496
	₱ 3,389,798	₱ 1,896,443

The future minimum lease payments as at December 31 are as follows:

	2020	2019
Not later than one year	**₱ 1,204,868**	₱ 859,334
Later than one year but not later than five years	**2,671,711**	1,423,635
Later than five years	**–**	–
Future minimum lease payments	**3,876,579**	2,282,969
Amounts representing finance charges	**(486,781)**	(386,526)
	₱ 3,389,798	₱ 1,896,443

The net carrying amount of the right-of-use assets recognized as at December 31, 2020 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱229,446 and ₱254,990 for the years ended December 31, 2020 and 2019, respectively (see Note 22).

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for the lease of printers as these are for short-term leases and of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term. Total rental expense for the lease of printers amounted to ₱141,464, ₱92,423 and ₱849,346, for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 21).

29. CONTINGENCIES

a) Claims from expropriated property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation case filed by the government versus the Parent Company and Pacific Rehouse Corporation (PRC) for the Iloilo Flood Control Project of the Department of Public Works and Highways (DPWH).

In 2006, the court ordered DPWH to pay an initial deposit of ₱188,313,599, based on zonal value of ₱1,800 per square meter for the area covered by the initial expropriation petition of DPWH totaling 84,925 square meters of land that was directly traversed by the Floodway plus the provisional value of improvements and/or structures amounting to ₱35,448,599. In December of the same year, the Parent Company received from DPWH the initial amount of ₱127,867,244. Immediately thereafter, in January 2007, the amount of ₱60,446,355 was also directly deposited to the bank as agreed by the parties, for a total of ₱188,313,599.

In 2007, the Parent Company remitted to PRC the amount of ₱107,368,053 as its share in the initial deposit of DPWH. In December 2007, the government filed a second expropriation case involving properties of the Parent Company and PRC adjacent to the lands covered in the first expropriation case. These properties were also affected by the same Iloilo Flood Control Project, which DPWH failed to include in the first expropriation case. For this second expropriation, there was a second (2nd) portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

The case is under protest by the Parent Company and pending court decision. The Parent Company and PRC claimed just compensation amounting to ₱2,598,661,688 for the total land area that was expropriated, the existing improvements thereon, the affected areas for redesigning and restructuring, the professional and technical services, and the necessary provisions for damages.

On December 18, 2017, the Special Nineteenth (19th) Division of the Court of Appeals Visayas issued a decision holding that the respective appeals of plaintiff-appellant Republic of the Philippines and defendants-appellants PRC and the Parent Company were denied. The November 13, 2012 Decision of the Regional Trial Court, Sixth (6th) Judicial Region, Branch 24, Iloilo City, in Civil Case no. 06-29100, and its May 22, 2013 Order are affirmed with modification in the amount of just compensation, which shall earn a legal interest at the rate of 12% per annum from the time of the subject properties taking until June 20, 2013 and, thereafter, or from July 1, 2013 until full payment thereof, the legal rate shall be 6% per annum.

On February 23, 2018, PRC and the Parent Company through their legal counsel filed a Motion for Reconsideration on the said decision. On January 28, 2019, the Supreme Court issued an Entry of Judgment declaring the case as closed and terminated. From the denial of the Motion for Reconsideration by the Court of Appeal Visayas, the Republic filed a petition for certiorari before the Supreme Court. PRC and the Parent Company filed Comment on June 11, 2019 and Motion for Early Resolution on September 20, 2019. To this date, the Supreme Court has yet to act on the Motion despite the Motion for Early Resolution.

b) Other lawsuits and claims

The Group is contingently liable for existing lawsuits and claims from third parties, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Group.

30. EARNINGS (LOSS) PER SHARE

The following table presents information necessary to calculate the earnings (loss) per share:

	2020	2019	2018
Net income (loss)	₱ **545,590**	(₱ 967,360)	₱ 17,244,772
Weighted average number of common shares outstanding during the year	**1,445,549,830**	1,445,549,830	1,445,549,830
Earnings (loss) per share	₱ **0.000**	(₱ 0.001)	₱ 0.012

31. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments consist of cash, trade and other receivables, financial assets at FVOCI, advances to and from related parties, refundable deposits, accounts payable and other liabilities, borrowings, lease liabilities and, retention payable and refundable bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

Financial risk management by the Group is coordinated with its BOD, in close cooperation with the local management. The Group's policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors, and manages its financial risk exposure by various functions pursuant to the segregation of duties principles.

The Group forms a framework of guidelines and regulations for the management of financial risks, which result from its operating activities.

The most significant financial risks to which the Group is exposed to are described below.

Credit risk

Credit risk is the risk that the Group will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Group manages credit risk by setting limits on the amount of risk the Group is willing to accept from counterparties and by monitoring exposures in relation to such limits.

The Group's credit risks are primarily attributable to financial assets, especially on installment contract receivables. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to a large concentration of credit risk.

Credit risk arises from cash, trade and other receivables, advances to related parties (net) and refundable deposit lodged in "Other noncurrent assets".

The Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECL	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	25%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	50%	25%	3
	Amount is over 2 year to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	25%	3
	Amount is over 3 year to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of consolidated statements of financial position, as summarized below:

		December 31, 2020			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	(a)		**₱ 16,583,116**	**₱ –**	**₱ 16,583,116**
Trade and other receivables – note 5	(b)	Lifetime ECL	**588,186,979**	**(7,642,239)**	**580,544,740**
Advances to related parties – note 23	(c)	Lifetime ECL	**575,981,172**	**(30,431,538)**	**545,549,634**
Refundable deposits classified as "Other noncurrent assets"	(d)		**7,680,337**	**–**	**7,680,337**
Total			**₱1,188,431,604**	**(₱38,073,777)**	**₱1,150,357,827**

		December 31, 2019			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱ 12,895,870	₱ –	₱ 12,895,870
Trade and other receivables – note 5	(b)	Lifetime ECL	555,992,039	(5,241,419)	550,750,620
Advances to related parties – note 23	(c)	Lifetime ECL	580,737,792	(28,148,152)	552,589,640
Refundable deposits classified as "Other noncurrent assets"	(d)		6,531,617	–	6,531,617
Total			₱1,156,157,318	(₱33,389,571)	₱1,122,767,747

The credit quality of the Group's financial assets is discussed below:

(a) Cash in banks

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Trade and other receivables

Credit risk from installments contract receivables is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of post-dated checks and direct bank deposit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

In addition, the Group has the right to forfeit all payments made by the customer including the real estate properties sold upon default subject to terms of the contract. The Group has the liberty to dispose forfeited real estate properties subject to terms of the contract.

Furthermore, the credit risk for installment contracts receivable is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. The risk is further mitigated because the corresponding title to subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

In respect to other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(c) Advances to Related Parties

For advances to related parties, the Group has applied the general approach to measure the loss allowance using the management's adopted policy on ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

To measure the ECL, advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for advances to related parties are a reasonable approximation of the loss rates for the financial asset.

The Group is pursuing cash collection of the advances to related parties. In addition, the Group has entered into various arrangements with related parties to secure payment of receivables such as execution of PN on real estate mortgage. In the event the related parties are not in position to pay in cash, collection shall be effected by way of transfer of properties that have been identified and are strategically located in Metro Manila, Cebu, Iloilo, Bulacan and Davao.

(d) Refundable deposits

The Group ensures compliance with the terms and conditions of the contract necessary for the refund of utilities and other deposits.

On that basis, the loss allowance as at December 31, 2020 and 2019 was determined based on credit risk grading, as follows for trade and other receivables, and advances to related parties:

December 31, 2020	ECL rate	Cash in banks	Trade and other receivables	Advances to related parties	Refundable deposits	Total	ECL
Performing	0%	**₱16,583,116**	**₱ 567,358,960**	**₱ 540,982,863**	**₱ 7,680,337**	**₱ 1,132,605,276**	**₱ –**
Doubtful		–	–	–	–	–	–
1-30 days	0.25%	–	–	–	–	–	–
31-90 days	1.25%	–	–	–	–	–	–
91-180 days	2.50%	–	–	–	–	–	–
181-360 days	6.25%	–	**705,548**	–	–	**705,548**	**44,096**
In default							
1-2 years	12.50%	–	**3,852,967**	–	–	**3,852,967**	**481,621**
2-3 years	25.00%	–	**5,229,906**	–	–	**5,229,906**	**1,307,476**
3-5 years	50.00%	–	**10,461,104**	**9,133,542**	–	**19,594,646**	**9,797,323**
Write-off	100%	–	**578,494**	**25,864,767**	–	**26,443,261**	**26,443,261**
		₱16,583,116	**₱588,186,979**	**₱ 575,981,172**	**₱ 7,680,337**	**₱ 1,188,431,604**	**₱38,073,777**

December 31, 2019	ECL rate	Cash in banks	Trade and other receivables	Advances to related parties	Refundable deposits	Total	ECL
Performing	0%	₱12,895,870	₱ 536,274,282	₱545,739,483	₱6,531,617	₱1,101,441,252	₱ –
Doubtful		–	–	–	–	–	–
1-30 days	0.25%	–	–	–	–	–	–
31-90 days	1.25%	–	–	–	–	–	–
91-180 days	2.50%	–	–	–	–	–	–
181-360 days	6.25%	–	650,082	–	–	650,082	40,630
In default							
1-2 years	12.50%	–	–	–	–	–	–
2-3 years	25.00%	–	18,489,181	9,133,542	–	27,622,723	6,905,680
3-5 years	50.00%	–	–	–	–	–	–
Write-off	100%	–	578,494	25,864,767	–	26,443,261	26,443,261
		₱12,895,870	₱555,992,039	₱580,737,792	₱6,531,617	₱1,156,157,318	₱33,389,571

Liquidity risk

To cover the Group's financing requirements, financial readiness is maintained in the form of centrally available liquid fund and committed credit facilities extended by banks in the form of loans and rediscounting of receivables. As part of the Group's liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payment for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

As at December 31, 2020 and 2019, the Group's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

		Maturing in		
December 31, 2020	**On Demand**	**Within 1 year**	**1 to 5 Years**	**Total**
Accounts payable and other liabilities*	**₱51,628,003**	**₱ –**	**₱ –**	**₱ 51,628,003**
Borrowings	**–**	**96,027,677**	**21,938,614**	**117,966,291**
Lease liabilities	**–**	**984,384**	**2,405,414**	**3,389,798**
Advances from related parties	**–**	**–**	**104,024,033**	**104,024,033**
Retention payable and guarantee bonds	**–**	**–**	**26,149,094**	**26,149,094**
	₱51,628,003	**₱97,012,061**	**₱154,517,155**	**₱303,157,219**

December 31, 2019	On Demand	Maturing in Within 1 year	1 to 5 Years	Total
Accounts payable and other liabilities*	₱47,089,806	₱ –	₱ –	₱ 47,089,806
Borrowings	–	65,773,920	19,957,846	85,731,766
Lease liabilities	–	686,947	1,209,496	1,896,443
Advances from related parties	–	–	104,024,033	104,024,033
Retention payable and guarantee bonds	–	–	23,659,157	23,659,157
	₱47,089,806	₱66,460,867	₱148,850,532	₱262,401,205

**excluding deferred output VAT and other taxes payable*

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting dates.

Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, equity price risk and other price risk such as equity risk. The Group's market risk is manageable within conservative bounds. As at December 31, 2020 and 2019, the Group has unquoted shares of stock classified as FVOCI. The cost of the financial asset at FVOCI approximates its fair value.

Equity price risk

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The Group's financial asset at FVOCI has no significant price risk since it has no quoted price in an active market.

Equity instruments designated at FVOCI in listed and non-listed companies are held for strategic rather than trading purposes. The Group does not actively trade these investments.

If the price of financial asset at FVOCI had been 10% higher/lower, other comprehensive income for the years ended December 31, 2020 and 2019 would decrease/increase by ₱5,000,000 and ₱1,250,000, respectively.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

To assure a fair margin of profitability, the Group keeps a reasonable spread between interest rate on installment contracts receivables and interest rates on borrowings. Fluctuation in interest rates has no material effect on Group's sales since the rates are fixed and predetermined at the inception of the contract.

The Group's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. As at December 31, 2020 and 2019, the Group is exposed to market interest rates through its borrowings and cash, installment contract receivables, and advances to related parties which are subject to fixed interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding carrying amounts are shown in the following table:

December 31, 2020	**Interest Rate**	**Interest Terms**	**Within 1 year**	**Within 1 to 7 years**	**Total**
Financial assets					
Cash in banks	**0.125% to 0.25%**	**Fixed at the date of investment**	**₱16,583,116**	**₱ –**	**₱ 16,583,116**
Installment contract receivables, gross	**12%**	**Fixed at the date of sale**	**516,424,058**	**33,556,663**	**549,980,721**
Advances to related parties, gross	**2%**	**Fixed based on PN renewed in 2018 -note 23**	**306,829,457**	**269,151,715**	**575,981,172**
			₱839,836,631	**₱302,708,378**	**₱1,142,545,009**
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	**10% to 15%**	**Fixed based on PN issuance**	**₱ 96,027,677**	**₱ 21,938,614**	**₱ 117,966,291**

December 31, 2019	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱12,895,870	₱ –	₱12,895,870
Installment contract receivables, gross	12%	Fixed at the date of sale	484,920,991	35,397,710	520,318,701
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	–	580,737,792	580,737,792
			₱497,816,861	₱616,135,502	₱1,113,952,363
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	10% to 15%	Fixed based on PN issuance	₱ 65,773,920	₱ 19,957,846	₱ 85,731,766

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's income before income tax:

2020			2019		
Change in interest rate	**Effect on income before tax**	**Effect on equity**	Change in interest rate	Effect on income before tax	Effect on equity
+0.5%	**₱5,122,894**	**₱3,586,026**	+0.5%	₱5,141,103	₱3,598,772
-0.5%	**(₱5,122,894)**	**(₱3,586,026)**	-0.5%	(₱5,141,103)	(₱3,598,772)

32. CAPITAL MANAGEMENT

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

The Group defines capital as share capital and deficit for the purpose of capital management.

The Group regards and monitors as its capital the carrying amount of equity as presented on the face of the Group's consolidated statements of financial position amounting to ₱1,085,943,792 and ₱1,085,275,213 as at December 31, 2020 and 2019, respectively.

The Group's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 0.40:1 to 0.50:1 on a monthly basis as follows:

	2020	2019
Total liabilities	**₱ 565,275,190**	₱ 513,168,675
Total equity	**1,085,943,792**	1,085,275,213
	0.52:1	0.47:1

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements.

33. FAIR VALUE ESTIMATION

Assets and liabilities not measured at fair value

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below:

December 31, 2020	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Installment contracts receivables	**₱ 549,980,721**	**₱ 549,415,901**	**Level 2**	**(a)**
Refundable deposits	**7,680,337**	**7,551,063**	**Level 2**	**(b)**
Receivable from contractors	**7,137,365**	**6,880,975**	**Level 2**	**(b)**
Investment property	**1,072,016**	**240,240,000**	**Level 2**	**(e)**
Advances to related parties	**545,549,634**	**540,272,149**	**Level 2**	**(c)**
	₱1,111,420,073	**₱1,344,360,088**		
Financial liabilities at amortized cost				
Advances from related parties	**₱ 104,024,033**	**₱ 101,984,346**	**Level 2**	**(c)**
Borrowings	**117,966,291**	**117,178,206**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**26,149,094**	**25,209,759**	**Level 2**	**(b)**
Lease liabilities	**3,389,798**	**3,163,214**	**Level 2**	**(d)**
	₱ 251,529,216	**₱ 247,535,525**		

December 31, 2019	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Installment contracts receivables	₱ 520,318,701	₱ 519,149,788	Level 2	(a)
Refundable deposits	6,531,617	6,315,928	Level 2	(b)
Receivable from contractors	6,355,166	5,677,516	Level 2	(b)
Investment property	1,072,016	240,240,000	Level 2	(e)
Advances to related parties	552,589,640	531,131,911	Level 2	(c)
	₱1,086,867,140	₱1,302,515,143		
Financial liabilities at amortized cost				
Advances from related parties	₱ 104,024,033	₱ 101,984,345	Level 2	(c)
Borrowings	85,781,766	84,334,893	Level 2	(d)
Retention payable and guarantee bonds	23,659,157	21,136,385	Level 2	(b)
Lease liabilities	1,896,443	1,707,951	Level 2	(d)
	₱ 215,311,399	₱ 209,163,574		

The fair values of cash, financial asset at FVOCI, and accounts payable and other liabilities approximate their carrying amounts as at reporting dates.

Financial asset at FVOCI amounting to ₱50,000,000 and ₱12,500,000 as at December 31, 2020 and 2019, respectively, is carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

Fair value estimation

(a) The fair value of installment contracts receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 1.71% and 3.14% as at December 31, 2020 and 2019, respectively.

(b) The fair value of receivable from contractors, refundable bonds, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 1.71% to 1.85% in 2020 and 3.14% to 3.83% in 2019.

(c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% in 2020 and 2019.

(d) The fair value of interest bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable interest rates for similar types of loans. Discount rates used range from 1.85% to 5.07% in 2020 and 3.74% to 8.84% in 2019.

(e) The fair value was determined by reference to zonal values of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation about the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes are as follows:

	Balance as at January 1, 2020	**Changes from financing cash flows**	**Balance as at December 31, 2020**
Borrowings	**₱ 85,731,766**	**₱32,234,525**	**₱ 117,966,291**
Advances from related parties	**104,024,033**	**–**	**104,024,033**
Lease liabilities	**1,896,443**	**1,493,355**	**3,389,798**
	₱ 191,652,242	**₱33,727,880**	**₱ 225,380,122**

	Balance as at January 1, 2019	Changes from financing cash flows	Balance as at December 31, 2019
Borrowings	₱ 113,197,495	(₱27,465,729)	₱ 85,731,766
Advances from related parties	102,468,587	1,555,446	104,024,033
Lease liabilities	2,805,171	(908,728)	1,896,443
	₱ 218,471,253	(₱26,819,011)	₱ 191,652,242

* * *

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 1 2 9 7 8

Company Name

P H I L I P P I N E   E S T A T E S   C O R P O R A T I O N

A N D   S U B S I D I A R Y

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

3 5 T H   F L O O R   O N E   C O R P O R A T E

C E N T E R ,   D O Ñ A   J U L I A   V A R G A S   A V E .

C O R .   M E R A L C O   A V E . ,   O R T I G A S

C E N T E R ,   P A S I G   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
phes_finance@yahoo.com	637-3112	NA

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
706	October/08	Dec-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
Jocelyn A. Valle	phes_finance@yahoo.com	637-3112	NA

Contact Person's Address

35th Floor One Corporate Center, Dona Julia Vargas Avenue cor. Meralco Ave., Ortigas Center, Pasig City

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Diaz Murillo Dalupan and Company, the independent auditor, appointed by the stockholders has audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ARTHUR M. LOPEZ
Chairman of the Board

SUBSCRIBED AND SWORN 22 JUN 2020
to before me this ______
Affiant exhibited to me his/her ______

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

DOC. NO. 698
PAGE NO. 76
BOOK NO. 18
SERIES OF 2020

ATTY. JOSE FLORO P. CRISOLOGO
Notary Public
Until Dec. 31, 2020
Adm. Matter ... 2021)
PTR No. ... Q.C.
IBP Lifetime ...
Roll No. ...
MCLE VI-0017... 4-14-2022
Tin No. ...
Add: 5 General de ... Hills
... Sta. Cruz, ... Q.C.

Signed this 11 day of June, 2020

Philippine Estates Corporation and Subsidiary

Financial Statements
December 31, 2019 and 2018

and

Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Avenue
Ortigas Center, Pasig City

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group'), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described in the succeeding pages to be the key audit matters to be communicated in our report.

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Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

First time Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted the new lease standard, PFRS 16, Leases, under the modified retrospective approach which resulted to changes in the Group's lease recognition policies, processes, procedures and controls. The Group's adoption of PFRS 16 is significant to our audit because it involves application of significant management judgement and estimation in the following areas: (1) whether the contract contains a lease; (2) determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease; (3) determining the incremental borrowing rates; and (4) selection and application of accounting policy elections and practical expedients available under modified retrospective approach. This resulted in the recognition of right-of-use assets and lease liabilities amounting to ₱4,115,836 (with accumulated amortization of ₱1,409,686) and ₱2,805,171, respectively, as at January 1, 2019, and recognition of depreciation expense and finance costs of ₱953,839 and ₱254,990, respectively, for the year ended December 31, 2019. The disclosures related to the adoption of PFRS 16 are included in Notes 10 and 28 to the consolidated financial statements.

Our Response

Our audit procedures to address the assessment in adoption of the PFRS 16 included the following:

- Obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered under PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.
- Inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.
- Reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate.
- Tested the parameters used in the determination of the incremental borrowing rate by reference to market data.
- Test computed the lease calculation prepared by management on a sample basis, including the transition adjustments, if any.
- Reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Revenue Recognition and Realization of Gross Profit

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories is recognized based on percentage-of-completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. However, for income tax computation purposes, the realized gross profit is computed based on collections.

Our Response

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- Vouched and verified the sales and its corresponding cost of sales during the year to its supporting documents.
- Obtained the percentage-of-completion of each project from the contractors.
- Reviewed collections of receivables of prior years' sales for the realization of gross profit.
- Reviewed collections of receivables from current sales for the realization of gross profit.
- Verified the accuracy and mathematical calculations of each of the percentage-of-completion collections during the year.
- Performed site visits for sample of properties (focused primarily on projects under development stage) to assessed the stage of completion.

The Group's disclosures about its sales, cost of sales as well as its deferred gross profit are included in Notes 16, 18, and 19.

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

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

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

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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 audits.

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

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

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No.1738-A, Group A, effective until January 30, 2022
Tax Identification No. 257-600-228
PTR No. 8147698, January 18, 2020, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

June 11, 2020

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31	
	2019	2018
ASSETS		
Current Assets		
Cash - note 4	₱ **13,004,316**	₱ 18,536,645
Trade and other receivables (net) - note 5	**508,997,744**	557,681,937
Real estate inventories - note 6	**398,215,592**	652,315,293
Prepayments and other current assets - note 7	**17,347,713**	25,834,843
	937,565,365	1,254,368,718
Noncurrent Assets		
Advances to related parties (net) - note 23	**552,589,640**	269,939,892
Trade and other receivables (net of current portion) - net - note 5	**41,752,876**	30,968,359
Property and equipment (net) - note 10	**41,583,149**	42,954,558
Financial asset at FVOCI - note 8	**12,500,000**	12,500,000
Investment property - note 9	**1,072,016**	1,072,016
Deferred tax assets (net) - note 25	**4,399,617**	3,779,843
Other noncurrent assets - note 11	**7,125,080**	7,141,166
	661,022,378	368,355,834
TOTAL ASSETS	**₱ 1,598,587,743**	₱ 1,622,724,552
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 12	₱ **87,596,142**	₱ 73,377,391
Deferred gross profit - note 16	**138,573,511**	142,196,397
Borrowings - note 13	**65,773,920**	85,552,116
Lease liabilities - note 28	**686,947**	–
Customers' deposits - note 14	**2,901,678**	5,759,604
	295,532,198	306,885,508
Noncurrent Liabilities		
Advances from related parties - note 23	**104,024,033**	102,468,587
Borrowings (net of current portion) - note 13	**19,957,846**	27,645,379
Lease liabilities (net of current portion) - note 28	**1,209,496**	–
Retention payable and refundable bonds - note 15	**23,659,157**	24,444,408
Deferred tax liabilities - note 25	**58,902,665**	65,702,972
Retirement benefits obligation - note 26	**10,027,135**	7,785,795
	217,780,332	228,047,141
	513,312,530	534,932,649
Equity		
Capital stock - note 17	**1,445,549,830**	1,445,549,830
Remeasurement gain on retirement benefits - note 26	**1,919,268**	3,369,577
Deficit	**(362,193,885)**	(361,127,504)
	1,085,275,213	1,087,791,903
TOTAL LIABILITIES AND EQUITY	**₱ 1,598,587,743**	₱ 1,622,724,552

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2019	2018	2017
REAL ESTATE SALES - note 18	₱212,597,813	₱ 306,912,405	₱370,961,767
COST OF REAL ESTATE SOLD - note 19	(96,061,696)	(130,621,844)	(146,684,748)
GROSS PROFIT	116,536,117	176,290,561	224,277,019
DEFERRED GROSS PROFIT	(68,028,081)	(79,615,714)	(83,488,313)
REALIZED GROSS PROFIT DURING THE YEAR	48,508,036	96,674,847	140,788,706
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	59,634,967	28,908,282	17,410,056
TOTAL REALIZED GROSS PROFIT - note 16	108,143,003	125,583,129	158,198,762
OTHER INCOME - note 20	7,584,886	27,420,024	9,439,359
OPERATING EXPENSES - note 21	(90,985,957)	(105,652,745)	(105,751,984)
FINANCE COSTS - note 22	(14,468,118)	(13,517,163)	(13,400,827)
INCOME BEFORE INCOME TAX	10,273,814	33,833,245	48,485,310
PROVISION FOR INCOME TAX - note 25			
Current	18,039,694	7,090,364	1,320,013
Deferred	(6,798,520)	9,498,109	27,871,218
	11,241,174	16,588,473	29,191,231
NET INCOME (LOSS) FOR THE YEAR	(967,360)	17,244,772	19,294,079
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 26	(1,450,309)	(271,821)	365,048
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(₱ 2,417,669)	₱ 16,972,951	₱ 19,659,127
EARNINGS (LOSS) PER SHARE - note 30	(₱ 0.001)	₱ 0.012	₱ 0.013

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital Stock (Note 17)	Remeasurement Gain on Retirement Benefits (net) (Note 26)	Deficit	Total
Balance, January 1, 2017	₱ 1,445,549,830	₱ 3,276,350	(₱ 395,199,637)	₱ 1,053,626,543
Comprehensive income				
Net income for the year	–	–	19,294,079	19,294,079
Remeasurement gain on retirement benefits - note 26	–	365,048	–	365,048
Total comprehensive income for the year	–	365,048	19,294,079	19,659,127
Balance as at December 31, 2017, as previously stated	1,445,549,830	3,641,398	(375,905,558)	1,073,285,670
Effect on adoption of PFRS 9			(2,466,718)	(2,466,718)
Balance as at January 1, 2018, as restated	1,445,549,830	3,641,398	(378,372,276)	1,070,818,952
Comprehensive income (loss)				
Net income for the year	–	–	17,244,772	17,244,772
Remeasurement loss on retirement benefits - note 26	–	(271,821)	–	(271,821)
Total comprehensive income (loss) for the year	–	(271,821)	17,244,772	16,972,951
Balance as at December 31, 2018, as previously stated	**1,445,549,830**	**3,369,577**	**(361,127,504)**	**1,087,791,903**
Effect on adoption of PFRS 16 - note 2	–	–	**(99,021)**	**(99,021)**
Balance as at January 1, 2019, as restated	**1,445,549,830**	**3,369,577**	**(361,226,525)**	**1,087,692,882**
Comprehensive loss				
Net loss for the year	–	–	**(967,360)**	**(967,360)**
Remeasurement loss on retirement benefits - note 26	–	**(1,450,309)**	–	**(1,450,309)**
Total comprehensive loss for the year	–	**(1,450,309)**	**(967,360)**	**(2,417,669)**
Balance as at December 31, 2019	**₱ 1,445,549,830**	**₱ 1,919,268**	**(₱ 362,193,885)**	**₱ 1,085,275,213**

(The accompanying notes are an integral part of these consolidated financial statements.)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 10,273,814**	₱ 33,833,245	₱ 48,485,310
Adjustments for:			
Loss on cancelled contracts - note 21	**17,401,681**	27,905,574	32,248,713
Finance costs - note 22	**14,468,118**	13,517,163	13,400,827
Depreciation - note 10	**4,352,248**	3,165,606	3,384,564
Retirement benefits expense - note 26	**1,669,470**	1,391,987	1,268,331
Interest income - notes 4, 5 and 23	**(7,692,887)**	(8,647,445)	(8,588,254)
Provision for (reversal of) expected credit losses - notes 5 and 23	**3,484,917**	(14,137,623)	(153,468)
Operating income before working capital changes	**43,957,361**	57,028,507	90,046,023
Decrease (increase) in:			
Trade and other receivables	**18,154,772**	(94,695,908)	(265,861,880)
Real estate inventories	**(24,170,299)**	1,496,787	43,253,795
Prepayments and other current assets	**8,487,129**	2,036,728	(1,333,853)
Increase (decrease) in:			
Accounts payable and other liabilities	**14,218,751**	7,553,397	12,983,218
Customers' deposit	**(2,857,926)**	(1,550,252)	5,712,763
Deferred gross profit	**(3,622,886)**	35,276,696	66,017,368
Retention payable and refundable bonds	**(785,251)**	802,729	(1,474,397)
Cash generated from (used in) operations	**53,381,651**	7,948,684	(50,656,963)
Contributions to retirement fund - note 26	**(1,500,000)**	–	–
Interest received	**2,115,228**	2,163,829	1,620,302
Income tax paid	**(18,039,694)**	(3,223,809)	(1,320,013)
Net cash provided by (used in) operating activities	**35,957,185**	6,888,704	(50,356,674)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**663,368**	67,849,768	57,986,434
Additional advances to related parties - note 23	**(607,150)**	(567,044)	(40,422,054)
Additions to property and equipment - note 10	**(274,689)**	(3,535,345)	(1,916,194)
Acquisition of financial asset at FVOCI - note 8	–	–	(12,500,000)
Utilization of (additions to) other noncurrent assets	**16,086**	(492,607)	(18,741)
Net cash provided by (used in) investing activities	**(202,385)**	63,254,772	3,129,445

Forwarded

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2019	2018	2017
Continued			
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional advances from related parties - note 23	**16,560,446**	4,986,402	32,092,370
Settlement of advances from related parties - note 23	**(15,005,000)**	(58,359,096)	(7,350)
Proceeds from borrowings - note 13	**81,890,016**	78,989,229	85,942,157
Payment of borrowings - note 13	**(109,355,745)**	(77,094,189)	(52,975,125)
Payment of lease liabilities	**(908,728)**	–	–
Finance costs - notes 13 and 23	**(14,468,118)**	(13,517,163)	(13,400,827)
Net cash provided by (used in) financing activities	**(41,287,129)**	(64,994,817)	51,651,225
NET INCREASE (DECREASE) IN CASH	**(5,532,329)**	5,148,659	4,423,996
CASH - note 4			
At beginning of year	**18,536,645**	13,387,986	8,963,990
At end of year	**₱ 13,004,316**	₱ 18,536,645	₱ 13,387,986

(The accompanying notes are an integral part of these consolidated financial statements.)