SEC NO. 112978

SEC Registration No.

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35TH FLR ONE CORPORATE CENTRE

JULIA VARGAS COR. MERALCO AVE.

ORTIGAS CENTER, PASIG CITY

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

JOCELYN A. VALLE

Contact Person

8637-3112

Contact Telephone No.

12 31

SEC-17A

FORM TYPE

Annual Meeting

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

708

Total No. of Stockholders

PHP 117,966,291

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

MSEC Number 112978
File Number ______

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

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

(Company's Address)

(02) 8637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 17-A
(Form Type)

Amended Designation (if applicable)

2021

Period Ended Date

(Secondary Licensed Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**.

2. SEC Identification Number **112978** 3. BIR Tax Identification No. **000-263-366**

4. Exact name of issuer as specified in its charter **PHILIPPINE ESTATES CORPORATION**

5. **METRO MANILA, PHILIPPINES** (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **35th Floor, One Corporate Centre, Julia Vargas Avenue cor. Meralco, Avenue Ortigas Center, Pasig City** **1605**
Address of principal office Postal Code

8. Telephone No. **8637-3112** Area Code: **02**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

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

Authorized Capital Stocks: Common shares 5,000,000,000 with par Value of P1.00 per share

No. of shares of Common Stock Issued and Outstanding: **1,819,102,963 Common Shares**

Amount of Debt Outstanding: **₱ 117,961,417** (as per Financial Statements)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON SHARES**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No [ ]

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

Yes [X] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company is as follows

Number of Shares	P 2,205,302,370
Market price as of 12/31/21	0.510
Aggregate Market Value as of 12/31/2021	P 1,124,704,209
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PART 1 – BUSINESS

A. Description of Business:

(1) Business Development

The Company was incorporated on May 30, 1983 as “Philippine Cocoa Estates Corporation” under Securities and Exchange Commission (SEC) Registration No. 112978, with an authorized capital stock of only P1 million. Its primary purpose was to engage in all phases of agriculture. On February 29, 1984 its authorized capital stock was increased to P140 million. In November of that same year, the Company became a publicly listed company.

In 1987, the SEC approved two increases in the authorized capital stock of the Company: the first one on May 8 raising the capital to P180 million; and the second one on October 22, raising it further to P300 million.

In 1996, The Wellex Group, Inc. gained majority control of the Company 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 Company to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, the 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 Company’s shares; and (d) the change in the par value of the shares from P10.00 to P1.00 per share.

Towards achieving its corporate vision, the Company filed an application to increase its authorized capital stock from P300 Million to P5 Billion. Out of this increase of P4.7 Billion, the amount of P1,194,333,800.00 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Company of 45 parcels of land valued at P1,161,833,800.00, while a smaller portion of the subscription, amounting to P32,500,000.00 was paid through conversion of debt into equity. The increase in authorized capital stock was approved by SEC on March 26, 1997.

(2) Business of Issuer

With the acquisition of real properties by virtue of its agreement with Rexlon Realty Group, Inc., Recovery Real Estate Corporation, Ropeman International Corporation, The Wellex Group, Inc. and Pacific Rehouse Corporation, the Company conducted a study to determine the “highest and best use” of its real estate holdings for the purpose of enhancing their value and maximizing the returns to the stockholders.

The following are the projects of the Company:

Completed Projects:

1. ***Pearl of the Orient Tower***.

   A 42-storey office-residential-recreational condominium tower in Roxas Boulevard, Manila.

   (No revenue for 2021)

2. ***Metrotech Industrial Park Valenzuela (formerly; Plastic City Industrial Park).***

   A 30-hectare, modern industrial park in the booming city of Valenzuela.

   (No revenue for 2021)

3. ***Pacific Grand Villas Phase 1.***

   The first phase of the successful Mediterranean-inspired residential community in the highly urbanized city of Lapu-Lapu, Cebu.

   (No revenue for 2021)

4. ***Pacific Grand Villas Phase II.***

   The second completed project in Lapu-Lapu City, Cebu, with bigger lot cuts than Phase 1 and new house models.

   (No revenue for 2021)

5. ***Pacific Grand Villas Phase III.***

   The third in the series of thriving Pacific Grand Villas communities in Lapu-Lapu City, Cebu.

   (No revenue for 2021)

6. ***Chateaux Geneva.***

   A 10-hectare Swiss-Victorian themed community in the prime district of Jaro, Iloilo City.

   (No revenue for 2021)

7. ***Pacific Grand Villas Phase IV.***

   Phase 4 of Pacific Grand Villas features some 356 prime residential lot units. In this project we introduced at least four more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.

Revenue for 2021: ₱ 18,519,000   7.73%

8. Pacific Grand Townhomes Phase 1.

Pacific Grand Townhomes is a middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a pocket community, consisting of only 43 units of elegantly designed houses. This stylish community is proximate to private and public institutions, recreational areas, schools, resorts, business and trade centers.

Revenue for 2021: ₱ 28,641,036   11.95%

9. Costa Smeralda.

The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 units, we introduced in this village for trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers. Inventory in this development is almost exhausted as well.

Revenue for 2021: ₱ 70,041,928   29.22%

ONGOING / CURRENT PROJECTS:

1. Wellford Homes @ Jaro Grand Estates (Phase 3) – Parcel A

This project is our third residential community in Iloilo City. The house and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for-money. Consisting of about 1.7 hectares, the initial offering is an American inspired two bungalow-type house model. These single-level houses are very much suited also for senior citizens and retirees. The project was launched in November 2016, with the land development and house construction almost completed.

Revenue for 2021: ₱ 13,313,085   5.55%

2. Wellford Residences – Mactan

As the Company's answer to the housing backlog in the economic sector in the area, PHES launched Wellford Residences-Mactan. WR–Mactan is a two-tower medium rise condominium project in one of the Company's prime and highly accessible properties in Mactan, Cebu. Located in Barangay Suba-Basbas in the City of Lapu-Lapu, the project will be composed of 197 residential units and 38 parking spaces. It is envisioned to be completed by 4Q 2024.

Revenue for 2021: ₱ 978,903 0.41%

3. Wellford Homes - Malolos

Wellford Homes is a residential development with an area of approximately 6.7 hectares located in Barangay Longos, Malolos City, Bulacan. This horizontal development is American inspired. Housing design reflects the suburban feel with the American ambiance reflected even in the design of the community facilities and amenities. The subdivision is designed to provide generous areas for roads and open spaces, which accounts for nearly 42% of the total developable area. It is an affordable and quality development that offers a master planned community with a total of 554 residential units with two-storey houses and lot-only properties envisioned to be completed by 4Q 2026.

Revenue for 2021: ₱ 108,211,529 45.14%

PROJECTS IN THE PIPELINE

1. Wellford Homes @ Jaro Grand Estates (Phase 3) - Parcel B

In line with the Company's aim of expanding the existing American-inspired subdivision project Wellford Homes I located at Jaro, Iloilo, the Company is expected to launch Wellford Homes II (WHII) by 2022. WHII will be located in an area of around 9.0 hectares and will offer a total of 440 units. It is envisioned to be completed by 2Q 2025. It will offer two (options) of a two (2)-storey single detached unit with gross floor area ranging from 63 to 73 sqm. The Company has started its application for a License to Sell (LTS) with the Department of Human Settlements and Urban Development (DHSUD).

2. Pacific Grand Villas Phase 5

A follow-up to the highly successful Pacific Grand Villas series in Lapu-Lapu City, Mactan, Cebu, Phase 5 is an expansion of the village with modern design theme. The master-planned community will offer larger lot cuts and spacious houses. Situated in the main entrance avenue by the commercial area, prime sections of this phase will offer specially-designed home-buildings, which will be sold together with a luxurious housing component in this low density phase. The project will offer a total of 204 units and is envisioned to be completed by 2Q 2025.

3. Wellford Homes Balagtas

Wellford Homes Balagtas, is one of the upcoming subdivision projects of the Company to be situated in the province of Bulacan with Wellford Homes Sta. Maria and the on-going Wellford Homes Malolos. It will be a residential project that offers a master planned community with a total of 710 residential units in a 10-hectare land, envisioned to be completed by 1Q 2028. Prospective buyers will have three (3) options to choose from, namely, 2-Storey Single Attached, Townhouse, and Duplex Bungalow model units with floor areas ranging from 42 to 72 sqm.

4. Wellford Homes Sta. Maria Phase 1

This is one of the upcoming subdivision projects of the Company to be situated in the province of Bulacan with Wellford Homes Balagtas and the on-going Wellford Homes Malolos. It will be a medium cost development in a 16.0- hectare land located in Sta. Maria, Bulacan, which will offer a total of 1,140 units. The project will offer three (3) products, which are a 2-storey single attached unit, a townhouse, and a lot-only unit. It is envisioned to be completed by 2027.

5. Wellford Homes Sta. Maria Phase 2

This will be the follow-up project to Wellford Homes Sta. Maria Phase 1. Like the 1st phase, this project will be a medium cost development situated in an 18.50-hectare land located in Sta. Maria, Bulacan. It will offer a total of 1,318 units, envisioned to be completed by 2029. The project will offer three (3) products, which are a 2-storey single attached unit, a townhouse, and a lot-only unit.

6. Winfields Village Tanza

This will be the first subdivision development of the Company in the province of Cavite, to be situated in a 19.70- hectare land. It will be a residential project with a total of 1,174 units, envisioned to be completed by 2030. It will feature three (3) options for a 2-storey single attached unit with a typical gross floor area ranging from 58 to 85 sqm. Prospective buyers will have three (3) options of a 2-storey residence to choose from. It will feature a typical lot area of 120 square meters with floor areas ranging from 73 to 85 sqm.

7. Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel C

This project will be a follow-up project to Parcel B. It will be located in a 3.9-hectare land and will offer a total of 231 units. It is envisioned to be completed by 2Q 2025. It will offer three (3) model units that are two (2)-storey single detached and duplex bungalow with gross floor area ranging from 42 to 73 sq. m.

8. Wellford Homes @ Jaro Grand Estates (Phase III) – Parcel D

This project will also be a follow-up project to Parcel B. It will be located in a 3.9-hectare land and will offer a total of 337 units. It is envisioned to be completed by 2Q 2026. It will offer three (3) model units that are two (2)- storey single detached and duplex bungalow with gross floor area ranging from 42 to 73 sq. m.

9. ***Winfields Towncenter***

   This will be a combination of multiple medium rise condominiums to be situated in a 4.7-hectare land in Lapu-Lapu City, Cebu. It will be comprised of 12 buildings that will offer a total of 970 residential units and 171 parking spaces. It is envisioned to be completed by 3Q 2030.

FUTURE PROJECT(S)

1. ***Jaro Grand Estates - South***

Commercial-Institutional / Mixed-use estate strategically located just 3.3 kilometers away from Jaro Plaza, The Jaro Grand Estates (JGE)`is a 100-hectare master-planned community near Iloilo City's major hubs, including colleges and universities, commercial and business areas, hospitals and government centers, air and sea ports. It integrates several land uses into a singular development. JGE is divided into 2 major 45-hectare enclaves: The Jaro Grand Estates - North, comprising of at least five themed residential villages upon full development, and The Jaro Grand Estates -South which is master-planned for commercial mixed-use developments. When completed, the 40-hectare plus JGE - South is envisioned to feature its own commercial and restaurant strips, office and business centers, education facilities, and a hotel and tourist hub.

Competition:

The Company expects to compete with the biggest real estate developers all over the country. By strategically positioning itself in fast growing markets where land is still plenty and relatively less expensive, by adhering to innovativeness and high standards of design and construction, the Company anticipates its projects to set the trend in property building. The Company has institutionalized its property management system and after-sales service to ensure that its developments will remain highly valued long after their turnover to buyers.

For its residential projects, the registrant targets are the lower middle to middle-income families composed mostly of professionals and overseas Filipino workers.

Competitive business conditions and the registrant's competitive position in the industry and methods of competition.

Banks are more aggressive now in extending working capital to developers and financing to buyers. The government too is very visible in promoting its lending programs to answer the backlog in housing. The Company has solid relationship with both private and government institutions for its clients' financing requirements.

In light of these, and the resilience of Filipinos to internal and external changes, the overall outlook on the Philippine economy as it relates to the real estate industry remains optimistic. Indeed, new projects being offered in the market signifying renewed confidence of buyers and investors.

The Company is continually putting on stream various projects for implementation to take advantage of the continuing bullish outlook in the economy and the real estate industry.

The Company’s projects are located not just in one area, but in several developed areas all over the country, thereby enhancing its market base.

Despite the looming COVID 19 pandemic, the real estate industry continues to thrive, both for the local market and Filipinos overseas, whether OFW's or those who have relatives who are citizens abroad, or who happen to be married to foreigners. For the local market, there remains a unhurried but steady demand for millions of houses that is still unserved. There is a trend towards providing more affordable packages in order to meet the real need of a wider market base instead of targeting the high-end market. Although it may be true that there is a high-end housing market, it has become more restrained, has less sales velocity and demands bigger upfront capital input. Currently we cater more to the middle-income residential market. Competition in pricing has become stiffer as well. We introduced more affordable house-and-lot packages whose prices and terms are easier for the wider market.   Currently, our projects are mainly in Lapu-Lapu City, Cebu, Iloilo City and recently in Malolos Bulacan. The Company sees itself primarily as a developer of prime properties, not only in Metro Manila, but also in urban areas outside the capital, like Cebu, Iloilo and Bulacan. The registrant also plans to extend operations in rapidly growing areas in the south and across the countryside as well. The Company believes there remains a large untapped market in these locations offering tremendous opportunities for high-value properties. These areas also offer less competitors and relatively less expensive land component.

In Lapu-Lapu City, Cebu, our current major competitors and their projects are as follows: CEBU DEVELOPERS - (1) Primary Homes, Inc. - - Projects: Brookefield, and Collinwood; and (2) MSY Holdings - - Bayswater ; NATIONAL DEVELOPERS - (1) Filinvest - - Project: Aldea del Sol; (2) Camella Homes/Villar Group - - Project: Montserrat. The Cebu developers have the benefit of being familiar locally. Primary Homes is the sister company of Primary Structures which is an established construction company in Cebu and possibly the biggest construction company in Central and Southern Philippines. MSY Holdings, established in 2003 by Mariquita Salimbangon-Yeung, is a conglomerate engaged in landholdings and farming, memorial park development, resort and hotel development, and residential real estate. Filinvest and Camella/Villar Group are known developers in various market segments and categories all over the country.

In Iloilo City, our current major competitors and their projects are as follows: (1) Property Company of Friends, Inc. or ProFriends - - Montecillo Villas; (2) Crown Asia/Villar Group - - Savannah. ProFriends is an active developer with hundreds of hectares of completed and ongoing projects in Luzon. Crown Asia/Villar Group is a known developer in various segments and categories all over the country.

In Malolos, Bulacan, our current major competitors and their projects are as follows: (1) Asian Land Strategies Corp. - - Projects: Dream Crest Homes and Grand Royale; (2) Fil-Earthscape Properties Corp. - - Projects: Springfield Residences, Greenfields and Bloomfields. Asian Land Strategies Corp. is a local developer based in Bulacan established in 1994, builds for about 24,000 homes in Bulacan area. Fil-Earthscape Properties Corp is also based in Bulacan with less than 1 ha each project and new in the industry.

Despite the increasing competition, we remain competitive because we are able to continuously offer innovative designs and packaging, including terms of payment to buyers, and incentives to our sellers/brokers. Very significantly, our projects have been known to be of good quality, for which we have been once recognized and given an award as Leading Developer in Region 7 for Open Market Housing.

Sources and availability of raw materials:

The Company's construction of real estate projects is done through contractors. Contract packages are outsourced under competitive bidding, and we select contractors with proven experience, and the ones who can give us the best value for money. Part of our construction agreements with them is the detailing of the bill of materials that will be used for the projects, ensuring the desired quality. All materials and supplies are readily available in the places where we have projects. There are no particular suppliers or contractors upon which we are dependent on.

Transactions with and/or dependence on related parties:

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, 2021 and 2020 are as follows:

December 31, 2021	**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)*	**₱ 192,820,924**	**₱ 462,770**	**₱ 3,856,618**	**₱ –**	**₱ 197,140,312**
Forum Holdings Corp. *(b)*	**38,330,030**	**91,992**	**766,601**	**–**	**39,188,623**
Kennex Container Corp. *(b)*	**35,813,305**	**85,952**	**716,266**	**–**	**36,615,523**
Orient Pacific Corp. *(b)*	**34,127,821**	**60,087**	**500,721**	**–**	**34,688,629**
Construction *(c)*	**4,870,977**	**38,642**	**96,464**		**5,006,083**
Pacific Rehouse Corporation *(f)*	**891,363**	**100**	**–**	**(17,477)**	**873,986**
Metro Alliance Holdings and Equities Corporation *(e)*	**268,260,352**	**1,262,402**	**5,260,007**	**–**	**274,782,761**
Stockholders					
International Polymer Corp.*(b)(d)*	**866,400**	**–**	**–**	**(866,400)**	**–**
	575,981,172	**2,001,945**	**11,196,677**	**(883,877)**	**588,295,917**
Allowance for ECL	**(30,431,538)**	**(4,566,771)**	**–**	**–**	**(34,998,309)**
	₱ 545,549,634	**(₱2,564,826)**	**₱11,196,677**	**(₱ 883,877)**	**₱ 553,297,608**

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
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

Advances to related parties as at December 31 consist of:

	2021	2020
Current	₱ –	₱271,831,148
Noncurrent	**553,499,982**	269,323,636
	₱553,499,982	₱541,154,784

Details of the Group's advances from related parties as at December 31, 2021 and 2020 are as follows:

December 31, 2021	**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**
The Wellex Group, Inc.	**7,972,400**	**–**	**(34,161)**	**7,938,239**
Concept Moulding Corp.	**3,830,646**	**–**	**–**	**3,830,646**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
Inland Container Corporation	**–**	**2,500,000**	**(1,500,000)**	**1,000,000**
Stockholders				
International Polymer Corp.	**–**	**3,352**		**3,352**
	₱104,024,033	**₱ 2,503,352**	**(₱ 1,534,161)**	**₱104,993,224**

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
The Wellex Group, Inc.	7,972,400	–	–	7,972,400
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
	₱104,024,033	₱ –	₱ –	₱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 andoffsetting 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 interestof 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. On February 1, 2021, PCC and Parent Company the reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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 athree-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. On February 1, 2021, FHC, KCC and OPC, and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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. On February 1, 2021, NARCC and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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, 2021 and 2020 (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 ₱10,520,014 and ₱5,260,007 as at December 31, 2021 and 2020, respectively.

f) Pacific Rehouse Corporation (PRC)

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

g) Remuneration of Key Management Personnel

The remuneration of key management personnel of the Parent Company under aggregate amountspecified in PAS 24, '*Related Party Disclosures*' for the years ended December 31 is as follows:

	2021	2020	2019
Short-term employee benefits	**₱ 3,408,000**	₱ 3,060,000	₱ 3,672,000
Post-employment benefits	**282,603**	306,000	306,000
Share-based payments	**–**	–	–
Other long-term benefits	**–**	–	–
	₱ 3,690,603	₱ 3,366,000	₱ 3,978,000

h.) Transaction with the retirement fund

The Group has no transactions with its retirement plan other than its benefits paid and contributionsto the fund for the years ended December 31, 2021 and 2020.

Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held:

The Company does not hold any patent, trademark, copyright, franchise, concession, or royalty agreement. Our project names, i.e. subdivision names, are submitted to, and approved by the Department of Human Settlements and Urban Development (DHSUD), which limits the use of project names on a first come-first served basis. The project names serve as the marks or labels of our products (real estate projects), but as of now they are not materially significant yet to merit special accounting valuation or accounting claim as asset for disclosure purposes.

Effect of existing or probable governmental regulations on the business:

The Company seeks to comply with all governmental requirements concerning its business. Lengthy processing period in the issuance of permits and clearances poses a detriment in terms of marketing and selling the Company's projects.

All projects of the Company are approved and duly covered by pertinent permits.

Cost and effect of compliance with environmental laws:

The Company's development plans provide for full compliance with environmental safety and protection in accordance with law. The Company provides the necessary sewage systems and ecological enhancements such as open space landscaping with greenery.

Need for any governmental approval of principal products and services:

The Company secures the necessary permits and licenses from various government agencies for the development and selling of its projects. Among such permits are the Environmental Compliance Certificate (ECC) from the Department of Environment and Natural Resources (DENR), Development Permit from local government unit, and License to Sell (LTS) from the Department of Human Settlements and Urban Development (DHSUD).

Item 2. Properties

The Company has the following real estate properties:

PROJECT/ PROPERTY	*LOCATION*	*AREA*	*REMARKS*
Pacific Grand Villas 1	Mactan Island Cebu	10.2 has (531 lots)	Completed
Pacific Grand Villas 2	Mactan Island Cebu	8.70 has (261 lots)	Completed
Pacific Grand Villas 3	Mactan Island Cebu	8.40 has	Completed
Pacific Grand Villas 4	Mactan Island Cebu	6.70 has	
4A			Completed
4B			Completed
Pacific Grand Townhomes	Mactan Island Cebu	7,359 sqm.	Completed
MetroTech Industrial Park (formerly Plastic City Industrial Park)	Valenzuela City	30 has (110 lots)	Completed
Chateaux Geneva (JV w/ PRC)	Jaro, Iloilo City	10 has (421 lots)	Completed

Pearl of the Orient Tower (formerly Embassy Pointe Tower) (JV w/ Pearl of the Orient Realty & Devt. Corp.)	Roxas Blvd.	7,600 sqm. (91 units)	Completed
Costa Smeralda (Coastal Villas)	Jaro, Iloilo	8.9 has	99.85% Complete
Wellford Homes Parcel A	Jaro, Iloilo	10 has (106 units)	Completed
Wellford Residences-Madison Bldg.	Cebu City	80 units	
Wellford Homes Malolos	Bulacan	6.75 has	32% Complete

Facilities owned by the Company are generally in good condition.

For the year 2021, the Company secured another credit line/loan from Luzon Development Bank in the amount of ₱12.5million in April and ₱12.0million in Sept., obtained for working capital requirements. The notes carry interest rate of 10% p.a. and payable in 3 years, with interest payable monthly in advance. The loan is secured with real estate properties.

Item 3. Legal Proceedings

a) Claims from expropriated property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation cased 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, on 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 Pacific Rehouse Corporation and Philippine Estates Corporation 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 PHES through their legal counsel filed a Motion for Reconsideration on the said decision which was denied, hence the appeal to the Supreme Court. On January 28, 2019, the Supreme Court issued an Entry of Judgment on the appeal filed by PHES and PRC, 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. PHES & PRC filed Comment on June 11, 2019 and Motion for Early Resolution on September 20, 2019. To this date, the Honorable Supreme Court has yet to act on the Motion.

b) Other lawsuits and claims

The Parent Company 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 Parent Company.

Item 4. Submission of Matters to a Vote of Security Holders

During the Annual Stockholders’ Meeting held on November 5, 2021, the following matters formed part of the Agenda and were submitted to the vote of, and were subsequently approved by a unanimous vote of the stockholders owning 65% of the shares issued and outstanding:

a. Call to Order.
b. Certification of Quorum.
c. Approval of the Minutes of the Annual Stockholders' Meeting held in 2020.
d. Confirmation of All Acts of the Board of Directors, Management and Committees.
e. Presentation of the President's Report and Annual Audited Financial Statement for 2020.
f. Election of the members of the Board of Directors.
g. Appointment of External Auditor.
h. Appointment of External Counsel
i. Other matters.
   -Amendment of Article FOURTH of the Articles of Incorporation (Change of Principal Address)
   - Amendment of Article IX of By-Laws (Amendments)
j. Adjournment.

(a) Elected members of the Board of Directors:

NAMES	AGE	CITIZENSHIP

ARTHUR M. LOPEZ	75	FILIPINO
ARTHUR R. PONSARAN	78	FILIPINO
BYONG HYUN SUH*	65	KOREAN
DEE HUA T. GATCHALIAN	73	FILIPINO
ELVIRA A. TING	61	FILIPINO
JOSAIAS DELA CRUZ*	60	FILIPINO
KENNETH T. GATCHALIAN	45	FILIPINO
RENATO C. FRANCISCO*	73	FILIPINO
RICHARD L. RICARDO	58	FILIPINO
RUBEN TORRES*	80	FILIPINO
SERGIO R. ORTIZ-LUIS, JR	78	FILIPINO

**** Independent Directors***

(b) Elected External Auditor: Diaz Murillo Dalupan & Company

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS:

Some of the directors and executive officers were involved in certain proceedings specifically: Lily Y. Part vs Elvira A. Ting, Arthur R. Ponsaran, Joaquin P. Obieta, Lisandro Abadia, Yolanda T. dela Cruz, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur M. Lopez, Renato B. Magadia, James B. Palit-Ang and May Castillo, for violation of P.D. 957 and Syndicated Estafa. The same is pending with the Office of the City Prosecution of Iloilo City, and was consequently dismissed by the same office for lack of merit. The complainant in the same case elevated the matter to the Department of Justice on Petition for review.

The case pending before the Office of the City Prosecutor of lloilo City was dismissed in compliance with the Compromise Agreement. With regard to the pending appeal before the Department of Justice, complainant submitted a Motion to Dismiss with Affidavit of Desistance attached on the motion. The DOJ has not yet acted on the Motion to Dismiss.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

- The shares of the Company are traded at the Philippine Stock Exchange.

  The high and low sale prices for each quarter within the last two (2) fiscal years are as follows:

	2021		**2020**	
	High	*Low*	*High*	*Low*
Q1	0.63	0.37	0.46	0.32

Q2	0.79	0.48	0.35	0.29
Q3	0.72	0.48	0.31	0.28
Q4	0.67	0.46	0.43	0.31

- ***The share price as of December 31, 2021 was P0.51.***

2. Holders

The number of holders of common shares as of December 31, 2021 was 708.

Names of the Top Twenty (20) shareholders as of December 31, 2021, the number of shares held (fully paid and partially paid shares), and the percentage of total shares outstanding held by each.

RANK	STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
1	THE WELLEX GROUP, INC.	143,892,990	845,579,230	989,472,220	34.225
2	PCD NOMINEE CORPORATION (FILIPINO)	759,324,250	73,749,700	833,073,950	28.815
3	REXLON REALTY GROUP, INC.	200,000,000	260,000,000	460,000,000	15.911
4	RECOVERY REAL ESTATE CORP.	150,000,000	200,000,000	350,000,000	12.106
5	ROPEMAN INTERNATIONAL CORP.	178,270,000	0	178,270,000	6.166
6	RECOVERY DEVELOPMENT CORP.	6,001,800	50,000,000	56,001,800	1.937
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	8,743,010	0	8,743,010	0.302
8	JIANXI LI	2,570,000	0	2,570,000	0.089
9	RICHARD RICARDO	2,460,000	0	2,460,000	0.085
10	VICENTE C. CO	1,575,000	0	1,575,000	0.054
11	INTERNATIONAL POLYMER CORP.	1,436,000	0	1,436,000	0.050
12	RENATO B. MAGADIA	1,000,000	0	1,000,000	0.035
13	ANTHONY SAMUEL LEE	900,000	0	900,000	0.031
14	JULIET BANGAYAN	545,000	0	545,000	0.019
15	RODOLFO S. ESTRELLADO	500,000	0	500,000	0.017
16	ELVIRA A. TING	500,000	0	500,000	0.017
17	BENISON L. CO	364,000	0	364,000	0.013
18	KENNETH T. GATCHALIAN	320,000	0	320,000	0.011
19	CAROLINA G. AQUINO	250,000	0	250,000	0.009
20	BETTY S. CHAN	250,000	0	250,000	0.009

3. Dividends

(a) No cash dividends were declared on the Company's common equity for the last three fiscal years.

(b) In accordance with the Revised Corporation Code, PHES is authorized to declare cash, property, and stock dividends or a combination thereof subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares. For cash and property dividend declarations, only the approval of the board is required. For stock dividend declarations, an approval of the board as well as shareholders representing at least two-thirds (2/3) of the corporation's outstanding capital stock is required. In case the stock dividends will be coming from an increase in authorized capital stock, such declaration shall be subject to SEC approval. Holders of outstanding shares on a dividend record date for such shares have the right to the full dividend declared without regard to any subsequent transfer of shares. In adherence with the Revised Corporation Code, the corporation is only allowed to declare dividends out of its unrestricted retained earnings.

On July 14, 2021, the Board approved the adoption of a new dividend policy effective 2021 of maintaining an annual cash and/or share dividend pay-out of up to ten percent (10%) of its net profit after tax from the preceding year, subject to: (i) the requirements of applicable laws and regulations, such as the availability of unrestricted retained earnings; (ii) the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and (iii) the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments.

4. Recent Sale of Unregistered Securities

There has been no sale of unregistered securities within the past three (3) years.

Item 6. Management's Discussion and Analysis or Plan of Operation

A) FULL FISCAL YEAR:

Results of Operations:

In 2021, the Company was able to post a consolidated net sales of ₽ 239.71M compared to ₽ 217.94M sales of 2020 showing an increase of 9.99% or ₽ 21.77M.

Realized Gross Profit increased by 6.27% or ₱4.68M from ₱79.34M this 2021 compared to ₱74.66M in 2020. While, Net Income after Tax increased to ₱11.53M compared from ₱0.54M in 2020, an increase of 2013.24% or ₱10.98M. This was primarily due to a decrease in deferred tax by -549.52% or ₱-11.83M from ₱2.15M in 2020 to ₱-9.68M in 2021.

The Company's current ratio registered at 3.78:1. Current Assets reached ₱ 1.36B while Current Liabilities registered at ₱ 0.36B. Debt-to-equity ratio registered at 0.39:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at ₱ 2.05B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	**2021**	**2020**
Return on Sales	3.25%	3.17%
Past Due Ratio	5%	6%
Gross Profit Rate	54.73%	58.67%
Working Capital Turnover	0.25	0.28
Sales Projection	614M	420M
Sales Variance	-60.96%	-48.11%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash – the increase of 2186.89% was basically attributable to the proceeds of working capital loans from Luzon Development Bank, Qwick Financing Inc. and Philippine Bank of Communications and the net proceeds from the Stock Rights Offer.

b. Current Trade and Other Receivables – the increase of 7.65% was due to sales from Wellford Homes - Malolos.

c. Prepayments and Other Current Assets - the decrease of 42.17% was due to application of creditable withholding tax for the year's income tax due per Income Tax Return.

d. Trade and other receivables (net of current portion) - the decrease of 10% was due to write off of old accounts.

e. Advances to related parties - the increase of 105.57% was due to interest charge based on the Promissory Note.

f. Property and equipment (net) - the decrease of 7.16% was due to depreciation of fixed assets.

g. Deferred Tax Assets - the decrease of 13.94% was due to the reversal of allowance on expected credit loss.

h. Other Noncurrent Assets – the increase of 16.37% was due to additional security deposits on the renewal of lease and utility deposits.

i. Accounts payable and other liabilities - the increase of 20.31% was due to additional security deposits on the renewal of lease and utility deposits

j. Deferred Gross Profit – the increase of 7.64% was due to sales reported for the period which are not yet completed as at reporting date and to be realized thereafter, based on the percentage of completion of the real estate inventories sold

k. Lease Liabilities - the decrease of 29.04% was due to the amortization recognized on the right-of-use-assets.

l. Customers' Deposits – the decrease of 22.41% was due to increase in reported sales from the reservations made in prior's year.

m. Retention Payable and Refundable Bonds - the decrease of 8.76% was due to the payment of retention payable to contractors.

n. Retirement Benefits Obligation - the decrease of 10.49% was due to decrease in present value of the retirement benefits obligation.

o. Deferred Tax Liabilities – the decrease of 15.88% was due to the decrease of excess of financial realized gross profit over the taxable realized gross profit.

p. Capital stock - the increase of 25.84% was due from the proceeds of stock rights offer.

q. Remeasurement Gain on Retirement Benefits- the increase of 111.66% was due to an increase of amounts recognized in OCI for the year's actuarial valuation.

10. ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

Results of Operations:

In 2020, the Company was able to post a consolidated net sales of ₱ 217.94M compared to ₱ 212.59M sales of 2019 showing an increase of 2.51% or ₱ 5.35M.

Realized Gross Profit decreased by -30.96% or ₱-33.49M from ₱74.66M this 2020 compared to ₱108.14M in 2019. However, Net Income after Tax increased to ₱0.55M compared from ₱-0.97M in 2019, an increase of 156.40% or ₱1.51M. This was primarily due to a decrease in current tax of -76.61% or ₱-13.82M from ₱18.04M in 2019 to ₱4.22M in 2020.

The Company's current ratio registered at 3.67:1. Current Assets reached ₱ 1.24B while Current Liabilities registered at ₱ 0.34B. Debt-to-equity ratio registered at 0.52:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at ₱ 1.65B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

f. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

g. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

h. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

i. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

j. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	**2020**	**2019**
Return on Sales	3.17%	4.83%
Past Due Ratio	6%	5%
Gross Profit Rate	58.67%	54.82%
Working Capital Turnover	0.28	0.13
Sales Projection	6M	412M
Sales Variance	-48.11%	-48.40%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash – the increase of 29.47% was basically attributable to the proceeds of working capital loans from Luzon Development Bank.

b. Current Trade and Other Receivables – the increase of 6.06% was due to sales from Wellford Homes - Malolos.

c. Prepayments and Other Current Assets - the decrease of 26.45% was due to application of creditable withholding tax for the year's income tax due per Income Tax Return.

d. Financial Asset - the increase of 300% was due to an additional investment in Waterfront Manila Premier Development, Inc.

e. Deferred Tax Assets - the increase of 25.04% was due to the effects of CREATE a newly approved corporate income tax rate.

f. Other Noncurrent Assets – the increase of 11.21% was due to additional security deposits on the renewal of lease and utility deposits.

g. Borrowings – the increase of 37.60% was the result of loans availed from Luzon Development Bank for working capital.

h. Lease Liabilities - the increase of 78.75% was due to the additional right-of-use asset.

i. Customers' Deposits – the increase of 66.41% was due to an increase in sales reservation fees.

j. Retention Payable and Refundable Bonds - the increase of 10.52% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contracts of all on-going project

k. Retirement Benefits Obligation - the increase of 19.98% was due to an expense recognized based on actuarial valuation for 2020.

l. Deferred Tax Liabilities – the increase of 5.61% was due to the effects of CREATE a newly approved corporate income tax rate.

m. Remeasurement Gain on Retirement Benefits- the increase of 6.41% was due to an increase of amounts recognized in OCI for the year's actuarial valuation

In 2019, the Company was able to post a consolidated net sales of ₱ 212.60M compared to ₱ 306.91M sales of 2018 showing a decrease of -30.73% or ₱ 94.31M.

The Company's current ratio registered at 3.17:1. Current Assets reached ₱ 0.94B while Current Liabilities registered at ₱ 0.30B. Debt-to-equity ratio registered at 0.47:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at ₱ 1.60B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	**2019**	**2018**
Return on Sales	4.83%	11.02%
Past Due Ratio	5%	5%
Gross Profit Rate	54.82%	57.44%
Working Capital Turnover	0.13	0.33
Sales Projection	412M	489M
Sales Variance	-48.40%	-37.42%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash – the decrease of 29.85% was basically attributable to the payments of prior years' payables and current payables incurred particularly on the newly set up sales office in Malolos.

b. Current Trade and Other Receivables – the decrease of 8.73% was due to the slump in sales.

c. Real Estates Inventories – the decrease of 38.95% was due to a reclassification from raw land inventory to advances to affiliates.

d. Prepayments and Other Current Assets - the decrease of 32.85% was due to application of creditable withholding tax for the year's income tax due.

e. Non-Current Trade and Other Receivables – the increase of 34.82% was due to an increase of old accounts from external customers

f. Advances to Related Parties – the increase of 104.71% was due to a reclassification from raw land inventory to advances to affiliates.

g. Deferred Tax Assets – the increase of 16.40% was due to higher corporate income tax paid per ITR than on the tax due per financial statements for the year.

h. Accounts Payable and Other Liabilities – the increase of 19.38% was due to an increase of advance payments made by the customers for their titling fees.

i. Borrowings – the decrease of 24.26% was due to payment of matured loans.

j. Customers' Deposits – the decrease of 49.62% was due to increase in reported sales from the reservations made in prior's year.

k. Retirement Benefits Obligation - the increase 28.79% was due to an expense recognized based on actuarial valuation for 2019.

l. Deferred Tax Liabilities – the decrease of 10.35% was due to excess of taxable realized gross profit over financial realized gross profit.

m. Remeasurement Gain on Retirement Benefits- the decrease 43.04% was due to an increase of changes in financial assumptions for the year's actuarial valuation

In 2018, the Company was able to post a consolidated net sales of P 306.91M compared to P 370.96M sales of 2017 showing a decrease of 17.27% or P 64.05M.

The Company's current ratio registered at 4.09:1. Current Assets reached P 1.25B while Current Liabilities registered at P 0.31B. Debt-to-equity ratio registered at 0.49:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at P 1.62B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	2018	2017
Return on Sales	5.53%	5.30%
Past Due Ratio	5%	17%
Gross Profit Rate	57.44%	60.46%
Working Capital Turnover	0.33	0.46
Sales Projection	489M	500M
Sales Variance	-37.42%	-25.81%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash – the increase of 38.46% was basically attributable to improved collection on sales, and proceeds from loans.

b. Current Trade Receivables – the increase of 27.85% was due to new sales recorded during the year.

c. Non-Current Trade and Other Receivables – the decrease of 65.11% was due to improved collections on sales and restatement of old accounts.

d. Deferred Tax Assets – the decrease of 64.69% was due to the application Net Operating Loss Carry-Over (NOLCO) and Minimum Corporate Income Tax (MCIT) for the year.

e. Accounts Payable and Other Liabilities – the increase of 11.48% was due to increase in payable to suppliers on credit terms.

f. Deferred Gross Profit – the increase of 32.99% was due to sales reported for the period which are not yet completed as at reporting date and to be realized thereafter, based on the percentage of completion of the real estate inventories sold.

g. Customers' Deposits – the decrease of 21.21% was due to increase in reported sales that has not been booked as sales due to its low payment milestone.

h. Advances to/from Related Parties – the increase of 5.00% was due to advances to related parties.

i. Deferred Tax Liabilities – the increase of 10.53% was due to excess of financial realized gross profit over taxable realized gross profit.

j. Retirement Benefits Obligation - the increase 29.64% was due to the expense recognized for the year based on valuation for 2018.

PLAN OF OPERATION

Even while the Philippines continued to deal with the problems brought about by the Covid-19 pandemic, the Company managed to complete the land development of the first parcel of Wellford Homes Jaro. In line with the foregoing, the application for the Certificate of Completion of the said project has been filed with the Department of Human Settlements and Urban Development (DHSUD), and is currently awaiting release. The Company has also recently launched its newest project in Iloilo, known as Wellford Homes Jaro Parcel B.

Since Cebu province was severely affected recently by typhoon Odette, the Company has initially focused its efforts in the rehabilitation of its projects in the said province, while simultaneously working on completing the remaining deliverables for the Phase 4 of Pacific Grand Villas. Here in Luzon, the Company has significantly completed the land development of portions of Phases 1 and 2 of Wellford Homes Malolos in Bulacan, and is set to award the initial batch of townhouses and single-attached units for construction.

Although the Company was able to complete most of the housing units scheduled for delivery in 2021, the Covid-19 pandemic affected the operations of several contractors, with some being forced to cease their operations completely. This resulted in the takeover of several construction works, particularly several rows of townhouses in Pacific Grand Townhomes. However, bidding and awarding of units for construction continue, as the Company aims to fulfill delivery of units on time, as promised to buyers and despite the difficulties brought about by the pandemic. Furthermore, the Company has completed the construction, interior design works, and landscaping of all the model houses in Wellford Homes Malolos, in its bid to improve sales take-up of the project.

The Company also recently awarded the construction of Wellford Residences – Mactan, which will commence by the second quarter of 2022. The first residential tower and amenity building are expected to be completed by 2024.

As the country's economy slowly recovers, the Government has gradually started to allow more industries to resume operations. The Company is adapting to the new normal by slowly conducting limited face to face events, and at the same time, by continuously enhancing its online marketing presence. We recently conducted face-to-face Annual Sellers' Awarding and Ground Breaking Ceremonies in both Iloilo and Cebu, after more than 2 years of purely online selling and marketing activities.

New Residential and Commercial Projects

For the coming year, the Company is looking to launch two (2) new residential projects, both contiguous to existing projects.

The Company has secured all but the License to Sell for its Wellford Homes Jaro Parcel B, which is expected to be released by the end of the 2nd quarter of 2022. This particular project will provide new and more diverse inventory for Iloilo, as the remaining units for sale in Jaro Grand Estates are mostly from the duplex units in Wellford Homes Jaro Parcel A.

Pacific Grand Villas Phase 5 will be a purely residential phase, with fewer but bigger lot cuts and bigger houses to be offered than in the previous phases of Pacific Grand Villas. The initial government permits for PGV Phase 5 have already been acquired. The Company is looking to secure all the necessary permits by the third quarter of 2022, in time for the launch of the project before the year-end

For the next 5 years, the Company has identified several properties in its pipeline, ready for planning and development, such as Wellford Homes Sta. Maria, which is a 40-hectare horizontal mixed-use development, Wellford Homes Balagtas, a 10-hectare horizontal residential development, and Winfields Village Tanza Cavite, a 19.7-hectare horizontal development.

With the highest concentration of business establishments and industrial parks in the area, Sta. Maria is now considered the economic hub of eastern Bulacan. It also houses numerous public and private schools and colleges, as well as the Philippine Arena, renowned as the largest indoor arena in the world, which has been used for various major events ranging from church gatherings, to sports, and live performances.

In Iloilo, Wellford Homes Parcels C & D will be follow-up projects to the recently launched Wellford Homes Parcel B, with both upcoming projects following the American theme of the existing developments in the area.

In addition to these exciting upcoming projects is the proposed mixed-use development in Cebu to be called Winfields Towncenter. This will be a combination of mid-rise residential and commercial towers, a first in its area in Mactan.

Other Notes to Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer’s liquidity;**

  At present, the uncertainty that may have a material impact on sales is the economic situation. The seemingly improving economic situation has already translated into a significant buying mood for the real estate market. Overall, there are no contingencies that may affect future operations of the Company. In such eventuality, the resolution of this is dependent to a large extent, on the efficacy of the fiscal measures and other actions.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

  The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company despite of the effect of pandemic COVID-19.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

  There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reported period.

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

  Despite the negative economic effects of the pandemic, there will be continued demand for housing as the vaccine rollout is made. Hence, the Company aims to expand its inventory of projects through the acquisition of land in selected areas where economic growth is expected to show resiliency (i.e. Bulacan and Cavite). In this regard, the board of the Company has approved to undertake a Stock Rights Offering ("SRO") to raise capital for land acquisition.

  The proceeds will be used to acquire land to be developed by the Company.

- **Any known trends, events or uncertainties (Material Impact on Sales)**

  Due to the global pandemic, there were significant material impacts on sales.

- **Any significant elements of income or loss (from continuing operations)**

  The Company considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as at and for the year ended December 31, 2021. However, it could have a material impact on its 2021 financial results and even years thereafter. Considering the evolving nature of this pandemic, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

  Projects are launched at no particular time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

  Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks and other financial institutions, private or government. The Company periodically reviews its capital structure and existing obligations.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Annual Report.

Item 8. Changes in or Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with the Company's external auditors on accounting and financial disclosures.

Independent Public Accountant

The Company's independent public accountant is the accounting firm of Diaz, Murillo, Dalupan and Co. The same external auditor might be recommended by the Board of Directors at the Annual Meeting of Stockholders. The representatives of the external auditor are expected to be present at the Meeting, where they will have the opportunity to make a statement if they so desire.

	YEAR	AMOUNT
1. Audit and Audit-Related Fees		
a. Audit of Financial Statement	2021	₱ 635,250
	2020	605,000
2. No audit fees for other related services		
3. Tax Fees	2021	nil
	2020	nil
4. All other fees		
a. No other fees were billed and paid during the last two (2) fiscal years.		

The external auditor regularly tenders an audit engagement proposal that the Company's Audit Committee reviews. The Audit Committee looks into the audit plan, scope and frequency of the audit and regularly holds committee meetings with the external auditor.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. Respective business experience of the Members of the Board of Directors and Officers covering the past five (5) years:

   a. **DEE HUA T. GATCHALIAN –** 73 years old, Filipino **((Director)**
      - President – Wellex Industries, Inc.
      - Vice President/Director – The Wellex Group, Inc.
      - Chairwoman and President – Westland Pacific Properties Corp.
      - Chairwoman and President – Palawan Estates Corp

   b. **KENNETH T. GATCHALIAN –** 45 years old, Filipino **(Vice Chairman)**
      - Director – Wellex Industries, Inc.
      - Director – The Wellex Group, Inc.
      - Treasurer/Director – Forum Pacific, Inc.
      - President/Director – Waterfront Philippines, Inc.

   c. **ELVIRA A. TING –** 61 years old, Filipino **(President/CEO)**
      - Vice Chairperson / Director – Forum Pacific, Inc.
      - Vice President/Director – Wellex Industries, Inc.
      - Director/ Treasurer – Waterfront Philippines, Inc.
      - Treasurer /Director – Acesite Philippines, Inc.
      - Vice President / Director – Recovery Dev‟t Corp.
      - Chairperson and President – Orient Pacific Corp. and Crisanta Realty Development Corporation.
      - Treasurer / Director – The Wellex Group, Inc.

   d. **ARTHUR M. LOPEZ** – 75 years old, Filipino **(Chairman)**
      - President - Philippine Hotel Owners Association, Inc.
      - Consultant – Bellevue Resort, Bellevue Suites, Double Dragon Properties Corporation and Wellworth Properties and Development Corporation
      - Chairman – Acesite Philippines Hotel Corporation, Legoli Holdings Inc. and Arleff Holdings Inc.
      - Director – Waterfront Philippines, Inc

   e. **ARTHUR R. PONSARAN -** 78 years old, Filipino **(Director)**
      - Managing Partner – Corporate Counsels, Phils. Law Offices
      - Director – Forum Pacific, Inc., Acesite (Phils.) Hotel Corporation
      - Corporate Secretary – Waterfront Philippines Incorporation, Wilcon Corporation
      - Chairman – Value Management & Options Corp. and Marfour Credit Corporation.

   f. **BYOUNG HYUN SUH –** 65 years old, Korean **(Independent Director)**
      - President – Pan Islands, Inc.
      - Independent Director – Forum Pacific, Inc.
      - Independent Director – Wellex Industries, Incorporated
      - Independent Director – Metro Alliance Holdings & Equities Corp
      - Director – World Okta Federation
      - President - Bonamis Pharmacy Phil's Corp.

   g. **RICHARD L. RICARDO -** 58 years old, Filipino **(Director/Treasurer)**
      - Vice President for Strategic Initiatives – The Wellex Group, Inc.

- Vice President for Corporate Affairs – Acesite (Phils.) Hotel Corporation
- Corporate Affairs Officer – Waterfront Philippines, Inc.
- Director – Wellex Industries, Inc.
- Director – Forum Pacific Inc.
- Vice President for Corporate Affairs – Metro Alliance Holdings & Equities Corp.

h. **JOSAIAS DELA CRUZ** – 60 years old, Filipino **(Independent Director)**
- Independent Director (2021 Nominee) - Wellex Industries, Inc.
- Vice President / Treasurer – Wegen Distributed Energy Philippines Holdings Corp
- Sole Proprietor - JTDC Spinmeister Laundry Service.

i. **RENATO C. FRANCISCO -** 73 years old, Filipino **(Independent Director)**
- Director – Acesite (Phils.) Hotel Corporation.
- Independent Director – Forum Pacific, Inc.

j. **RUBEN TORRES -- 80** years old, Filipino **(Independent Director)**
- Chairman/CEO - Services Exporters Risk Management & Consultancy Co (SERMC)
- Independent Director - Waterfront Philippines, Inc.
- Independent Director- Acesite Philippines Hotel Corporation
- Independent Director - Wellex Industries, Inc.
- President - Pacific Concorde Corporation
- Corporate Treasurer - Wellex Mining Corporation
- Director - Waterfront Manila Premier Development, Inc.
- Independent Director - Forum Pacific, Inc.
- VP-International Affairs - Trade Union Congress of the Philippines
- Chairman - Taguig Lake City Development Corporation
- Chairman - Alliance Energy Power and Development Inc.
- Chairman - Triton Construction and Development Corporation
- President - BPO Workers Association of the Phil.
- Senior Partner - Torres Caparas Torres Law Offices.

k. **SERGIO R. ORTIZ-LUIS, JR**.- 78 years old, Filipino **(Director)**
- President/CEO – Philippine Exporters Confederation, Inc.
- Director – Waterfront Philippines, Inc.
- Vice Chairman - Alliance Global, Inc.
- Director – Acesite (Phils.) Hotel Corp.
- Honorary Chair/Treasurer – Phil. Chamber of Commerce & Industry
- Founding Director - Int'l. Chamber of Commerce of the Phils.
- Director - Manila Exposition Complex, Inc. (WTC)
- Director – The Wellex Group.

l. **ARSENIO A. ALFILER, JR.** 73 years old, Filipino **(Corporate Secretary)**
- Partner – Corporate Counsels, Phils. Law Offices.
- Corporate Secretary – Forum Pacific, Inc., Acesite (Phils.) Hotel Corporation.
- Asst. Corporate Secretary – Waterfront Philippines, Inc., Iloilo City Development Bank

m. **MARIEL FRANCISCO** – 40 years old, Filipino **(Asst. Corporate Secretary)**
- Senior Associate – Corporate Counsels, Philippines Law Offices

- Corporate Secretary – Wellex Industries, Inc.
- Assistant Corporate Secretary – Acesite (Phils.) Hotel Corporation, Forum Pacific, Inc.

n. **JOCELYN A. VALLE –** 59 years old, Filipino **(Corporate Compliance Officer)**
   - Finance Head – Philippine Estates Corporation

o. **GLENN GERALD PANTIG –** 46 years old, Filipino **(Chief Operating Officer)**
   - Chief Operating Officer - Philippine Estates Corporation.

p. ERWIN BRYAN S. KANAPI - 42 years old, Filipino **(Chief RiskOfficer, DPO and CO for AMLC)**
   - Head of the Legal Department - Philippine Estates Corporation

1. The term of office of the Directors is one (1) year. All of the directors and executive officers, except for Messrs. Sergio R. Ortiz-Luis, Jr., James B. Palit-Ang and Richard L. Ricardo have served for eighteen (18) years. We take note of SEC Memorandum Circular No. 9 Series of 2011, regarding the Term Limits for Independent Directors and we are presently reviewing the term limits of our current Independent Directors.

2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.

3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms Dee Hua T. Gatchalian is the mother of Kenneth T. Gatchalian.

4. None of the directors or officers of the registrant has been involved in any bankrupt petition, or a violation of a Securities or Commodities Law nor has been convicted by final judgment, nor has been subjected to any order or decree.

Item 10. Executive Compensation

1. Estimated Compensation:

Name and Principal position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2021	₱ 840,000.00	0.00	₱ 70,000.00
PANTIG, GLENN GERALD Chief Operating Officer	2021	₱ 1,200,000.00	0.00	₱ 100,000.00
JAMES B. PALIT-ANG VP – Property Mgt.	2021	₱ 156,000.00	0.00	₱ 13,000.00
JOCELYN A. VALLE Finance Head	2021	₱ 504,000.00	0.00	₱ 42,000.00

FERDINAND P. HALILI Operations Head	2021	₱ 504,000.00	0.00	₱ 42,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2021	₱ 360,000.00	0.00	P 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2021 is P 3,861,000.

Erwin Bryan S. Kanapi was replaced James Palit-Ang as Chief Risk Officer effective May 17, 2021. Mr. Palit-Ang has died on March 23, 2021.

Each member of the Board of Directors is given P 10,000.00 per diem for attendance in a special or regular board meeting.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners:

Class	***Name and Address of Record/Beneficial Owner***	***Citizenship***	***Amount and Nature Record/Beneficial Ownership ("r" or "b")***	***% to Total***
Common	RECOVERY REAL ESTATE CORP. * 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 200,000,000 "r"	10.377%
Common	REXLON REALTY GROUP, INC. ** 22nd FLR. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY	FILIPINO	P 265,000,000 "r"	13.836%
Common	ROPEMAN INT'L., CORP. *** #7 T. SANTIAGO STREET CANUMAY, VALENZUELA METRO MANILA	FILIPINO	P 178,270,000 "r"	12.332%
Common	THE WELLEX GROUP, INC. **** 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 355,287,797.50 "r"	9.954%

2. Security Ownership of Management

Class	***Name and Address of Record/Beneficial Owner***	***Citizenship***	***Amount and Nature Record/Beneficial Ownership ("r" or "b")***	***% to Total***

Common	Elvira A. Ting	Filipino	500,000
0.035%	President/CEO		
Common	Kenneth T. Gatchalian	Filipino	320,000
0.022%	Vice Chairman		
Common	Josaias Dela Cruz	Filipino	100
0.000%	Independent Director.		
Common	Dee Hua T. Gatchalian	Filipino	2,000
0.000%	Director		
Common	Arthur M. Lopez	Filipino	1,000
0.000%	Chairman		
Common	Renato C. Francisco	Filipino	100
0.000%	Independent Director		
Common	Ruben Torres	Filipino	100
0.000%	Independent Director		
Common	Sergio R. Ortiz-Luis, Jr.	Filipino	1,000
0.000%	Director		
Common	Arthur R. Ponsaran	Filipino	1,000
0.000%	Director		
Common	Richard L. Ricardo	Filipino	2,460,000
0.085%	Director/Treasurer		
Common	Byoung Hyun Suh	Korean	1,000
0.000%	Independent Director		

- Beneficial ownership of all directors and officers as a group unnamed = 3,286,300 shares.
- Voting Trust Holders of 5% or more
  There are no voting trust holders of 5% or more of the securities of the registrant.
- Changes in Control
  There has been no change in the control of the registrant since the beginning of its fiscal year.

* Recovery Real Estate Corporation is represented by Ms. Dee Hua T. Gatchalian
** Rexlon Realty Group, Inc. is represented by Ms. Dee Hua T. Gatchalian
*** Ropeman International Corporation is represented by Ms. Dee Hua T. Gatchalian
**** The Wellex Group, Inc. is represented by Ms. Dee Hua T. Gatchalian

Item 12. Certain Relationships and Related Transactions.

The Company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which, 25,035,115 were owned by Benguet Management Corporation ("Benguet"). In December

1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. ("Wellex"). At present, Wellex holds 989,472,220.00 shareholdings in the Company.

Item 13. Exhibits and Reports on SEC Form 17-C

Report on SEC Form 17-C was filed by the Company on Sept. 22, 2021 with the following information:

"Please be informed that the annual meeting of the stockholders of PHILIPPINE ESTATES CORPORATION held on November 5, 2021, the following matters were taken up and acted upon by the Board and the Stockholders in the manner indicated:

1. The stockholders elected the members of the Board of Directors to serve for the term 2020-2021. Those elected regular members of the Board were:

   Ms. Elvira A. Ting
   Mr. Kenneth T. Gatchalian
   Mr. Arthur M. Lopez
   Ms. Dee Hua T. Gatchalian
   Mr. Richard L. Ricardo
   Atty. Arthur R. Ponsaran
   Mr. Josaias T. Dela Cruz (Independent Director)
   Mr. Sergio R. Ortizs-Luis, Jr.
   Mr. Byoung Hyun Suh (Independent Director)
   Judge Renato Francisco (Independent Director)
   Atty. Ruben Torres (Independent Director)

2. The stockholders designated Diaz Murillo Dalupan & Company as the Corporation's external auditors.

3. The stockholders designated Corporate Counsels, Philippines – Law Offices as the Corporation's external counsel.

   At the meeting of the Board held immediately after the Stockholders' meeting, the newly elected Directors elected the following Corporate Officers:

a) Chairman	- Arthur M. Lopez
b) Vice Chairman	- Kenneth T. Gatchalian
c) President	- Elvira A. Ting
d) Lead Independent Director	- Ruben Torres
e) Chief Operation Officer	- Glenn Gerald D. Pantig
f) Treasurer/Investor Relations Officer	- Richard L. Ricardo
g) Corporate Secretary	- Arsenio A. Alfiler Jr.
h) Asst. Corporate Secretary	- Mariel Francisco
i) Chief Risk Officer/Data Protection Officer/Compliance Officer for Anti-Money Laundering Council	- Erwin Bryan Kanapi
j) Chief Audit Executive	- Byoung Hyun Suh
k) Compliance Officer	- Jocelyn A. Valle

AUDIT COMMITTEE

Byoung Hyun Suh (Chairman)
Sergio Ortiz-Luis, Jr. (Member)
Josaias Dela Cruz (Member)

EXECUTIVE COMMITTEE

Elvira A. Ting (Chairman)
Arthur Lopez (Member)
Dee Hua T. Gatchalian (Member)
Kenneth Gatchalian (Member)
Richard Ricardo (Member)

CORPORATE GOVERNANCE COMMITTEE

Ruben Torres (Chairman)
Byoung Y. Suh (Member)
Renato Francisco (Member)
Josaias Dela Cruz (Member)

BOARD RISK OVERSIGHT COMMITTEE

Josaias Dela Cruz (Chairman)
Ruben Torres (Member)
Sergio Ortiz-Luis, Jr. (Member)

RELATED PARTY TRANSACTIONS (RPT) COMMITTEE

Renato Francisco (Chairman)
Josaias Dela Cruz (Member)
Arthur Ponsaran (Member

PART IV – CORPORATE GOVERNANCE

For submission on May 30, 2022

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this SEC FORM 17-A for the year 2021 is signed on behalf of the issue by the undersigned thereunto duly authorized, in the City of Pasig on May 5, 2022.

By:

ARTHUR M. LOPEZ
Chairman

ELVIRA A. TING
President & CEO

RICHARD L. RICARDO
Treasurer

JOCELYN A. VALLE
Finance Head/Corp. Information Officer

SUBSCRIBED AND SWORN to before me this ______ day of MAY 0 5 2022, 2022 affiants exhibited to me their respective competent evidences of identity as follows:

Name	Tax Identification Number	Issuer
Arthur M. Lopez	050-181-980-515	Bureau of Internal Revenue
Elvira A. Ting	117-922-153-000	Bureau of Internal Revenue
Richard L. Ricardo	140-857-860-000	Bureau of Internal Revenue
Jocelyn A. Valle	110-820-293-000	Bureau of Internal Revenue

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Series of 2022

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 8123747; Pasig City; 1-5-2022
IBP Membership No. 181778; RSM
Roll No. 69675
MCLE Compliance No. VII – 0000167, 7/12/19
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Gmail Phes Finance <phesfinance@gmail.com>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph> Fri, May 13, 2022 at 9:47 AM
To: PHILESTATES96@gmail.com
Cc: PHESFINANCE@gmail.com

Hi PHILIPPINE ESTATES CORPORATION,

Valid files

- EAFS000263366AFSTY122021.pdf
- EAFS000263366TCRTY122021-51.pdf
- EAFS000263366OTHTY122021.pdf
- EAFS000263366ITRTY122021.pdf
- EAFS000263366RPTTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-NPMSQX3N032VVV34NNYXYTQPN0999L7LF**
Submission Date/Time: **May 13, 2022 09:47 AM**
Company TIN: **000-263-366**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

PHILIPPINE ESTATES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **PHILIPPINE ESTATES CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PHILIPPINE ESTATES CORPORATION** is complete and correct in all material respects. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Philippine Estates Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ARTHUR M. LOPEZ
Chairman of the Board

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

SUBSCRIBED AND SWORN TO before me a Notary Public for and in the City of **Pasig City**, this ____ day of MAY 0 5 2022, by ____________ who presented his/her ____________ as valid proof of identity.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 8123747; Pasig City; 1-5-2022
IBP Membership No. 181778; RSM
Roll No. 69675
MCLE Compliance No. VII – 0000167, 7/12/19
Appointment No. 158 (2021-2022)
Julia vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 424
Page No. 86
Book No. 5
Series of 2022

Signed this 5th day of May, 2022

Statement Required by Section 8-A, Revenue Regulations No. V-1

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

None of the partners in this firm have any financial interest in the Parent Company or any family relationships with its president, directors or principal stockholders.

The supplementary information on taxes and licenses is presented in Note 34 to the Parent Company financial statements.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

Philippine Estates Corporation

Financial Statements
December 31, 2021 and 2020

and

Independent Auditors' Report

Independent Auditors' Report

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

Report on the Audits of Parent Company Financial Statements

Opinion

We have audited the Parent Company financial statements of **Philippine Estates Corporation** (the 'Parent Company'), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to Parent Company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS)), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the financial statements.

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 *Auditors' Responsibilities for the Audits of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the 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 Parent Company 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.

Emphasis of Matter

We draw attention to Note 2 to the Parent Company's financial statements which indicate that the Parent Company's financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs had these provisions and interpretation been adopted are discussed in Note 2. Our opinion is not modified in respect of this matter.

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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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company financial statements of the current period. These matters were addressed in the context of our audits of the Parent Company 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.

Revenue Recognition and Realization of Gross Profit

The Parent Company'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 Parent Company'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 Parent Company'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, 2021, but does not include the Parent Company 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, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the Parent Company 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 Parent Company 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 Parent Company 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 Financial Statements

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

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

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

Auditors' Responsibilities for the Audits of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company's internal control.

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

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

- Evaluate the overall presentation, structure and content of the Parent Company financial statements, including the disclosures, and whether the Parent Company 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 Parent Company 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.

Report on Supplementary Information required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of **Philippine Estates Corporation** taken as a whole. The supplementary information in Note 34 to the Parent Company financial statements is presented for purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic Parent Company financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the Parent Company basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the Parent Company basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Financial Position

	As at December 31	
	2021	2020
ASSETS		
Current Assets		
Cash - note 4	**₱ 384,943,845**	₱ 16,747,021
Trade and other receivables (net) - note 5	**581,156,088**	539,850,712
Advances to related parties (net) - note 23	–	271,831,148
Real estate inventories - note 6	**387,371,414**	390,734,889
Prepayments and other current assets - note 7	**7,317,455**	12,653,242
	1,360,788,802	1,231,817,012
Noncurrent Assets		
Trade and other receivables (net of current portion) - note 5	**36,626,542**	40,694,028
Advances to related parties (net) - note 23	**553,499,982**	269,323,636
Investment in a subsidiary - note 8	**7,800,000**	7,800,000
Financial assets at FVOCI - note 9	**50,000,000**	50,000,000
Property and equipment (net) - note 10	**37,511,125**	40,402,837
Deferred tax assets (net) - note 24	**4,734,409**	5,501,261
Other noncurrent assets - note 11	**9,152,573**	7,855,619
	699,324,631	421,577,381
TOTAL ASSETS	**₱2,060,113,433**	₱1,653,394,393
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 12	**₱ 107,558,169**	₱ 89,342,353
Borrowings - note 13	**90,769,256**	96,027,677
Lease liabilities - note 27	**1,091,736**	984,384
Deferred gross profit - note 16	**156,073,566**	144,998,054
Customers' deposits - note 14	**3,746,616**	4,828,637
	359,239,343	336,181,105
Noncurrent Liabilities		
Retention payable and refundable bonds - note 15	**23,857,933**	26,149,094
Borrowings (net of current portion) - note 13	**27,192,161**	21,938,614
Lease liabilities (net of current portion) - note 27	**1,313,678**	2,405,414
Advances from related parties - note 23	**104,993,224**	104,024,033
Retirement benefits obligation - note 25	**10,768,780**	12,030,231
Deferred tax liabilities - note 24	**52,331,787**	62,209,661
	220,457,563	228,757,047
	579,696,906	564,938,152
Equity		
Capital stock - note 17	**1,819,102,963**	1,445,549,830
Remeasurement gain on retirement benefits (net) - note 25	**4,322,581**	2,042,257
Deficit	**(343,009,017)**	(359,135,846)
	1,480,416,527	1,088,456,241
TOTAL LIABILITIES AND EQUITY	**₱2,060,113,433**	₱1,653,394,393

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Comprehensive Income

	For the Years Ended December 31		
	2021	2020	2019
REAL ESTATE SALES - note 18	**₱239,705,802**	₱217,943,438	₱212,597,813
COST OF REAL ESTATE SOLD - note 19	**(108,517,729)**	(90,084,118)	(96,061,696)
GROSS PROFIT	**131,188,073**	127,859,320	116,536,117
DEFERRED GROSS PROFIT	**(87,067,522)**	(90,046,386)	(68,028,081)
REALIZED GROSS PROFIT DURING THE YEAR	**44,120,551**	37,812,934	48,508,036
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**35,218,959**	36,844,770	59,634,967
TOTAL REALIZED GROSS PROFIT - note 16	**79,339,510**	74,657,704	108,143,003
OTHER INCOME (net) - note 20	**17,231,517**	12,432,352	8,726,579
OPERATING EXPENSES - note 21	**(68,123,292)**	(61,773,704)	(90,964,469)
FINANCE COSTS - note 22	**(16,062,657)**	(16,096,807)	(14,468,118)
INCOME BEFORE INCOME TAX	**12,385,078**	9,219,545	11,436,995
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24			
Current	**5,934,879**	4,218,929	18,039,694
Deferred	**(9,676,630)**	2,152,643	(6,798,520)
	(3,741,751)	6,371,572	11,241,174
NET INCOME FOR THE YEAR	**16,126,829**	2,847,973	195,821
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 25	**2,280,324**	122,989	(1,450,309)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱ 18,407,153**	₱ 2,970,962	(₱ 1,254,488)
EARNINGS PER SHARE - note 29	**₱ 0.0089**	₱ 0.0020	₱ 0.0001

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Changes in Equity

	Capital Stock (Note 17)	**Remeasurement Gain on Retirement Benefits** (net) (Note 25)	**Deficit**	**Total**
Balance as at January 1, 2019, as restated	₱ 1,445,549,830	₱ 3,369,577	(₱ 362,179,640)	₱ 1,086,739,767
Comprehensive income (loss)				
Net income for the year	–	–	195,821	195,821
Remeasurement loss for the year	–	(1,450,309)	–	(1,450,309)
Total comprehensive income (loss) for the year	–	(1,450,309)	195,821.00	(1,254,488)
Balance as at January 1, 2020	1,445,549,830	1,919,268	(361,983,819)	1,085,485,279
Comprehensive income				
Net income for the year	–	–	2,847,973	2,847,973
Remeasurement gain for the year	–	122,989	–	122,989
Total comprehensive income for the year	–	122,989	2,847,973	2,970,962
Balance as at January 1, 2021	**1,445,549,830**	**2,042,257**	**(359,135,846)**	**1,088,456,241**
Issuance of capital stock - note 17	**373,553,133**	**–**	**–**	**373,553,133**
Comprehensive income				
Net income for the year	**–**	**–**	**16,126,829**	**16,126,829**
Remeasurement gain for the year	**–**	**2,134,449**	**–**	**2,134,449**
Effect of change in income tax rate - note 25	**–**	**145,875**	**–**	**145,875**
Total comprehensive income for the year	**–**	**2,280,324**	**16,126,829**	**18,407,153**
Balance as at December 31, 2021	**₱ 1,819,102,963**	**₱ 4,322,581**	**(₱ 343,009,017)**	**₱ 1,480,416,527**

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Cash Flows

	For the Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 12,385,078**	₱ 9,219,545	₱ 11,436,995
Adjustments for:			
Loss on cancelled contracts - note 21	**6,542,785**	4,956,411	17,401,681
Finance costs - notes 13 and 27	**16,062,657**	16,096,807	14,468,118
Depreciation - note 10	**4,146,502**	4,276,937	4,352,248
Retirement benefits expense - note 25	**2,284,481**	2,178,794	1,669,470
Interest income - notes 4, 5 and 23	**(14,554,765)**	(13,166,315)	(7,692,887)
Reversal of provision for ECL - note 5	**(136,651)**	–	–
Provision for ECL - notes 5 and 23	**–**	2,400,820	2,343,224
Operating income before working capital changes	**26,730,087**	25,962,999	43,978,849
Decrease (increase) in:			
Trade and other receivables	**(43,644,024)**	(37,151,351)	18,154,771
Real estate inventories	**3,363,475**	7,480,703	(24,170,299)
Prepayments and other current assets	**5,335,787**	4,550,616	8,487,130
Increase (decrease) in:			
Retention payable and guarantee bonds	**(2,291,161)**	2,489,937	(785,251)
Deferred gross profit	**11,075,512**	6,424,543	(3,622,886)
Accounts payable and other liabilities	**18,215,816**	2,227,103	14,218,751
Customers' deposit	**(1,082,021)**	1,926,959	(2,857,926)
Cash generated from operating activities	**17,703,471**	13,911,509	53,403,139
Contributions to retirement fund - note 25	**(700,000)**	–	(1,500,000)
Interest received - notes 4 and 5	**3,358,088**	2,300,394	2,115,228
Income tax paid	**(5,934,879)**	(4,218,929)	(18,039,694)
Net cash provided by operating activities	**14,426,680**	11,992,974	35,978,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**883,877**	37,875,000	663,368
Additional advances to related parties	**(2,032,398)**	(22,271,456)	(607,990)
Additions to property and equipment - note 10	**(1,254,790)**	(311,071)	(274,689)
Utilization of (additions to) other noncurrent assets	**(1,296,954)**	(1,148,720)	16,086
Acquisition of financial assets at FVOCI - note 9	–	(37,500,000)	–
Net cash used in investing activities	**(3,700,265)**	(23,356,247)	(203,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**102,716,175**	91,770,246	81,890,016
Payment of lease liabilities	**(984,384)**	(942,199)	(908,728)
Payment of finance costs - notes 13 and 27	**(16,062,657)**	(16,096,807)	(14,468,118)
Payments of borrowings - note 13	**(102,721,049)**	(59,535,721)	(109,355,745)
Additional advances from related parties - note 23	**2,503,352**	–	16,560,446
Payment of advances from related parties - note 23	**(1,534,161)**	–	(15,005,000)
Issuance of capital stock - note 17	**373,553,133**	–	–
Net cash provided by (used in) financing activities	**357,470,409**	15,195,519	(41,287,129)
NET INCREASE (DECREASE) IN CASH	**368,196,824**	3,832,246	(5,511,681)
CASH - note 4			
At beginning of year	**16,747,021**	12,914,775	18,426,456
At end of year	**₱ 384,943,845**	₱ 16,747,021	₱ 12,914,775

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

PHILIPPINE ESTATES CORPORATION
Notes to Parent Company Financial Statements
As at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021

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, Cavite, Cebu and Iloilo.

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

The Parent Company's financial statements as at and for the year ended December 31, 2021, with its comparatives for 2020 and 2019, were approved and authorized for issue by the Board of Directors (BOD) on May 5, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Parent Company 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 financial statements of the Parent Company 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:

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 Parent Company 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, 2021 and the revenue from real estate sales in 2021. 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, 2021 as well as a decrease in the revenue from real estate sales in 2021. 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, 2021 as well as increase in interest expense in 2021.

These are the separate financial statements of the Parent Company. The Parent Company also prepares consolidated financial statements that include the financial statements of its subsidiary. The Group's consolidated financial statements could be obtained from the Parent Company's registered address as disclosed in Note 1.

The Parent Company is required by the SEC to prepare both separate and consolidated financial statements which are available for public use under full PFRS.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Parent Company's financial assets at FVOCI, which are stated at fair value. 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 financial statements are presented in Philippine peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

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, 2021.

COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16). The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Parent Company adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Parent Company as a lessee, these amendments had no impact on the financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16). The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Parent Company shall also disclose information about: (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and (b) their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Parent Company.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021

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

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 recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

Property, Plant and Equipment: Proceeds 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. The amendments are effective for annual periods beginning on or after January 1, 2022.

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 recognizing 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. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018–2020

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries 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, Taxation in Fair Value Measurements* – 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 annual improvements are effective for annual periods beginning on or after January 1, 2022.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12). The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Parent Company.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2). The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

Classification of Liabilities as Current or Non-current (Amendments to PAS 1). The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice.

PFRS 17, *Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Parent Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

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 Parent Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Parent Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2021 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Parent Company financial statements when these amendments are adopted.

Financial Instruments

Initial Recognition, Measurement and Classification

The Parent Company recognizes financial assets and financial liabilities in the 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 Parent Company classifies its financial assets as subsequently measured at amortized cost, 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 Parent Company's business model for managing the financial assets. The Parent Company'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 Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

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

The Parent Company 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 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, 2021 and 2020, included under financial assets at amortized cost are the Parent Company'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, 2021 and 2020, the Parent Company elected to classify irrevocably its unquoted equity investments under this category (see Note 9).

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, 2021 and 2020, included under financial liabilities at amortized cost are the Parent Company'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 27).

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 Parent Company until full completion of the contract while refundable bonds pertains to construction, renovation and/or fencing bonds collected from buyer which will be released by the Parent Company upon completion of construction and/or renovation.

Lease liabilities

Lease liabilities represent the Parent Company'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 Parent Company's 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 Parent Company statements of comprehensive income.

Impairment of Financial Assets

The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company applies a simplified approach and general approach, respectively, in calculating ECL. The Parent Company recognizes a loss allowance using the 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 Parent Company'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 ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL 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 Parent Company 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 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company'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 and
- 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 Parent Company 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 Parent Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company, in full (without taking into account any collateral held by the Parent Company).

Irrespective of the above analysis, the Parent Company considers that default has occurred when a financial asset is more than one (1) year past due unless the Parent Company 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 Parent Company 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 Parent Company'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 Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their 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 Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level 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 financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

For the purpose of fair value disclosures, the Parent Company 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 32 to the 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 Parent Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the 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 statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company 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 Parent Company's 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 Parent Company provides for an allowance for the decline in the value and recognizes the write-down as an expense in the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company on the local purchase of goods or services from a VAT-registered person. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

The Parent Company's input tax and other prepaid taxes are initially recognized at face value and subsequently measured at face value less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, is maintained by the Parent Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Parent Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Interest in Joint Operation

The Parent Company has entered into 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 Parent Company undertakes its activities under joint operations, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company's 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 Parent Company does not recognize its share of the gains and losses until it resells those assets to a third party.

Investment in a Subsidiary

Subsidiary is an entity over which the Parent Company has control. The Parent Company controls the subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Investment in a subsidiary is initially measured at cost. Subsequent to initial recognition, investment in a subsidiary is carried in the Parent Company separate financial statements at cost less any accumulated impairment losses.

The Parent Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in a subsidiary. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Parent Company's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in a subsidiary and is recognized in statements of comprehensive income.

Based on the management's impairment review of the Parent Company's assets, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in a subsidiary as at December 31, 2021 and 2020.

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 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 assets that represent lessee's right to use an asset over the lease term. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available 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.

Expenses that provide incremental future economic benefits to the Parent Company are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the Parent Company 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 fixture	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.

Impairment of Non-financial Assets

At the end of each reporting period, the Parent Company reviews the carrying amounts of its investments in a subsidiary and, property and equipment 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 Parent Company 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, 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 Parent Company 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 reporting date.

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

Revenue Recognition

The Parent Company 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 Parent Company’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 Parent Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is shown net of value-added tax 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 Parent Company 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 Parent Company statements of financial position. Deferred gross profit is realized and transferred to the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company. The estimated expenditures work the full development of sold real estate property, as determined by the technical staff of the Parent Company, are charged to the 'Cost of real estate sold'.

The Parent Company 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 Parent Company statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the Parent Company 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 income 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits obligation is measured on an undiscounted basis and is expensed as the related service is provided.

Retirement benefits obligation

The Parent Company 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 benefits 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company's incremental borrowing rate. Generally, the Parent Company 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 Parent Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Parent Company 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 Parent Company elects 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 Parent Company's reports its primary segment information. Financial information on business segments is presented in Note 26.

Basic Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the profit by the weighted average number of common shares outstanding during the year.

Provisions and Contingencies

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the 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 Parent Company 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 Parent Company statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company financial statements.

Events After the Reporting Date

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Parent Company financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Parent Company financial statements. The estimates and assumptions used in the Parent Company 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 Parent Company's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

The Parent Company has entered into Joint Venture Agreement with related parties for the development of real estate properties, whereby the Parent Company acts as Developer. The following guidance was set by the Parent Company 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 Parent Company's interest in joint venture represents cost incurred to develop and sell the real estate properties contributed by co-venturers, in the Parent Company's ordinary course of business. Accordingly, the Parent Company accounted its share in the joint venture as real estate inventories.

Lease of office space

The Parent Company has entered into contract of lease for its office space it occupies. In determining the substance of the lease, the Parent Company 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 Company's leases for its office space have substance of lease, thus, the Parent Company 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 Parent Company reviews and assesses its input tax for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation, entitlement to claim VAT paid as input tax credit against output tax liabilities, future vatable revenue, and the possibility of VAT refund. Based on management assessment, input VAT is fully realizable since this can be claimed as a tax credit against the output VAT on its vatable sales.

The Company's input VAT amounted to Nil and ₱859,473 as at December 31, 2021 and 2020, respectively (see Note 7).

Operating Segments

The Parent Company's operating business segment are organized and managed separately according to location of business activities. The Parent Company classifies business segments based on location of its real property projects as in the different geographical areas. Management considers the performance in Metro Manila, Cebu, Iloilo and Davao as its operating business segment (see Note 26).

Investment in a Subsidiary

Based on the management's impairment review of the investment in a subsidiary, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in a subsidiary as at December 31, 2021 and 2020.

Impairment of property and equipment

Property and equipment 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 are impaired as at December 31, 2021 and 2020.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Parent Company's defense in these matters and are based upon analysis of potential results. The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Parent Company 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 Parent Company financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the Parent Company financial statements as at December 31, 2021 and 2020.

Significant Accounting Estimates and Assumptions

Revenue and Cost Recognition

The Parent Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Parent Company'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 ₱79,339,510, ₱74,657,704 and ₱108,143,003 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 16).

Estimating Allowance for ECL

The Parent Company 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 Parent Company's historical observed default rates. The Parent Company'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 Parent Company's trade and other receivables, and advances to related parties are disclosed in Note 32.

The carrying amount of the Parent Company's trade and other receivables, and advances to related parties amounted to ₱1,171,282,612 and ₱1,121,699,524 as at December 31, 2021 and 2020, respectively (see Notes 5 and 23).

Allowance for ECL recognized in the Parent Company's statements of financial position amounted to ₱33,370,355 and ₱33,507,006 as at December 31, 2021 and 2020, respectively (see Notes 5 and 23).

Estimating Useful Lives of Assets

The Parent Company 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 and equipment would increase recorded operating expenses and decrease noncurrent assets.

The carrying value of property and equipment as at December 31, 2021 and 2020 amounted to ₱37,511,125 and ₱40,402,837, respectively (see Note 10).

Deferred Tax Assets

The Parent Company 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 Parent Company's deferred tax assets, net of unrecognized deferred tax asset, as at December 31, 2021 and 2020 amounted to ₱4,734,409 and ₱5,501,261, respectively (see Note 24).

Retirement Benefits Obligation

The determination of the Parent Company'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 25 to the financial statements include among others, discount rates and rates of salary increase. While the Parent Company's believes that the assumptions made in the determination of retirement benefits are reasonable, significant change in assumptions materially affect the retirement obligation.

The Parent Company 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 Parent Company's retirement benefits obligation as at December 31, 2021 and 2020 amounted to ₱10,768,780 and ₱12,030,231, respectively (see Note 25).

4. CASH

Cash as at December 31 consists of:

	2021	2020
Cash on hand	₱ 256,446	₱ 253,446
Cash in banks	384,687,399	16,493,575
	₱ 384,943,845	₱ 16,747,021

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2021 and 2020.

Interest income earned from cash in banks amounted to ₱14,364, ₱32,565, and ₱16,109 in 2021, 2020 and 2019, respectively, and recognized as part of "Other income (net)" in the Parent Company statements of comprehensive income (see Note 20).

There is no restriction on the Parent Company's cash in banks as at December 31, 2021 and 2020.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2021	2020
Current		
Installment contract receivables	₱ 563,736,634	₱ 516,424,058
Advances to homeowners	12,724,267	13,112,159
Advances to employees	6,237,284	8,895,600
Other receivables	5,963,491	9,061,134
	588,661,676	547,492,951
Allowance for ECL	(7,505,588)	(7,642,239)
	₱ 581,156,088	₱ 539,850,712
Noncurrent		
Installment contract receivables from:		
External customers	₱ 25,884,158	₱ 29,216,144
Related parties – note 23	4,340,519	4,340,519
Receivable from contractors	6,401,865	7,137,365
	36,626,542	40,694,028
	₱ 617,782,630	₱ 580,544,740

Movements in the allowance for ECL as at December 31 are as follows:

	2021	2020
Balance as at beginning of year	₱ 7,642,239	₱5,241,419
Reversal of provision during the year – note 20	(136,651)	–
Provision during the year – note 20	–	2,400,820
Balance as at end of year	₱ 7,505,588	₱7,642,239

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 2021 and 2020. Interest income earned amounted to ₱3,343,724, ₱2,267,829, and ₱2,099,119 in 2021, 2020 and 2019, respectively (see Note 20).

The Parent Company 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, 2021 and 2020 amounted to ₱77,291,375 and ₱38,462,694, 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, 2021 and 2020 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2021	2020
At cost:		
Raw land inventory	**₱201,852,292**	₱178,781,328
Projects under development	**121,400,510**	133,227,033
House and lot	**64,118,612**	78,726,528
	₱387,371,414	₱390,734,889

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 Parent Company's real estate inventories consist of:

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

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

a) *Chateaux Geneva*

The Parent Company completed in 2005 its residential subdivision project in Iloilo called Chateaux Geneva. This project is a joint operation project 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 Parent Company also entered into a joint operation 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 Parent Company 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 statements of comprehensive income.

The cost of inventories recognized as expense and included in 'Cost of real estate sold' in the statements of comprehensive income amounted to ₱108,517,729, ₱90,084,118 and ₱96,061,696 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2021 and 2020, 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, 2021 and 2020 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2021	2020
Creditable withholding tax	**₱3,749,071**	₱ 7,635,045
Deferred input tax	**2,670,898**	3,591,689
Prepaid expenses	**897,486**	567,035
Input tax	**–**	859,473
	₱7,317,455	₱ 12,653,242

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. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary as at December 31 consists of:

	2021	2020
Mariano Arroyo Development Corp. (MADCorp)		
Percentage of ownership	**100%**	100%
Carrying amount	**₱ 7,800,000**	₱ 7,800,000

MADCorp. (the 'Subsidiary') was incorporated in the Philippines and registered with the SEC on October 18, 2001.

The principal activity of the subsidiary is to engage in the business of dealing in 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 registered office address of the subsidiary is located at 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Ave., Ortigas Center, Pasig City.

In 1996, the subsidiary's land, which was being leased to the Parent Company, was conveyed to the identified farmer beneficiaries by the Department of Agrarian Reform (DAR) upon settlement by a local bank of the corresponding compensation of ₱9.313 million plus interest. Since 1997, the subsidiary had no commercial operations.

Summarized financial information of the Parent Company's subsidiary as at December 31 is as follows:

	2021	2020	2019
Assets	**₱ 320,116**	₱ 4,886,887	₱ 7,080,732
Liabilities	**539,411**	508,959	489,962
Equity (Capital deficiency)	**(₱ 219,295)**	₱ 4,377,928	₱ 6,680,311
Revenue	**₱ –**	₱ –	₱ –
Expenses	**(4,597,223)**	(2,302,383)	(1,163,181)
Net loss	**(₱ 4,597,223)**	(₱ 2,302,383)	(₱ 1,163,181)

9. FINANCIAL ASSETS AT FVOCI

The Parent Company's financial assets at FVOCI consist of investment in unquoted shares of stock amounting to ₱50,000,000 as at December 31, 2021 and 2020, which represent ownership in Waterfront Manila Premier Development, Inc. This investment is irrevocably designated at FVOCI as the Parent Company 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:

	2021	2020
Balance as at beginning of year	**₱ 50,000,000**	₱ 12,500,000
Additional investment	–	37,500,000
Balance as at end of year	**₱ 50,000,000**	₱ 50,000,000

The Parent Company's financial assets at FVOCI as at December 31, 2021 and 2020 are not held as collateral for its financial liabilities.

10. PROPERTY AND EQUIPMENT (net)

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

December 31, 2021	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Right-of-use assets**	**Computer software**	**Total**
Cost						
At beginning of year	**₱81,063,188**	**₱6,326,324**	**₱42,801,856**	**₱4,383,277**	**₱350,000**	**₱134,924,645**
Additions	**11,607**	**1,058,696**	**184,487**	**–**	**–**	**1,254,790**
At end of year	**81,074,795**	**7,385,020**	**42,986,343**	**4,383,277**	**350,000**	**136,179,435**
Accumulated depreciation						
At beginning of year	**44,987,790**	**6,045,255**	**42,264,011**	**1,195,585**	**29,167**	**94,521,808**
Depreciation – note 21	**2,260,587**	**327,200**	**417,651**	**1,024,397**	**116,667**	**4,146,502**
At end of year	**47,248,377**	**6,372,455**	**42,681,662**	**2,219,982**	**145,834**	**98,668,310**
Carrying amount as at December 31, 2021	**₱33,826,418**	**₱1,012,565**	**₱ 304,681**	**₱2,163,295**	**₱204,166**	**₱37,511,125**

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

Fully depreciated property and equipment still in use as at December 31, 2021 and 2020 amounted to ₱87,084,457 and ₱57,016,118, respectively.

Reclassification pertains to the Parent Company's accounting system which was reclassified from other assets.

The Parent Company's transportation equipment with a carrying amount of ₱1,034,255 was held as collateral on its borrowings as at December 31, 2021 and 2020, respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2021 and 2020 are held as collateral for its liabilities and are free from any encumbrances.

Based on the impairment review of the property and equipment, the Parent Company believes that there is no indication that an impairment loss had occurred as at December 31, 2021 and 2020.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2021	2020
Refundable deposits	**₱ 8,977,291**	₱ 7,680,337
Other assets	**175,282**	175,282
	₱ 9,152,573	₱ 7,855,619

Refundable deposits consist mainly of security and utility deposits.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2021	2020
Accounts payable	**₱ 21,692,407**	₱ 18,760,012
Government liabilities	**46,205,290**	38,051,388
Accrued expenses	**5,022,409**	4,983,738
Other payables	**34,638,063**	27,547,215
	₱107,558,169	₱ 89,342,353

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

Deferred output VAT arises from the Parent Company'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:

	2021	2020
Current	**₱ 90,769,256**	₱ 96,027,677
Noncurrent	**27,192,161**	21,938,614
	₱117,961,417	₱ 117,966,291

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

	2021	2020
Balance at beginning of year	**₱117,966,291**	₱ 85,731,766
Additions	**102,716,175**	91,770,246
Payments	**(102,721,049)**	(59,535,721)
Balance at end of year	**₱117,961,417**	₱117,966,291

Total interest on borrowings charged as "Finance costs" in the Parent Company statements of comprehensive income amounted to ₱15,842,173, ₱15,867,361 and ₱14,213,128 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 22).

The details of borrowings of the Parent Company are as follows:

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance 2021	2020	Conditions
Luzon Development Bank							
06/28/2015	Working capital	10/28/2021	10%	35,000,000	**₱–**	6,444,064	[a]
05/26/2017	Working capital	10/26/2021	10%	15,000,000	**–**	3,631,981	[a]
01/18/2018	Working capital	05/13/2022	10%	20,000,000	**2,473,363**	8,008,986	[a]
05/12/2021	Working capital	04/12/2024	10%	12,500,000	**10,037,780**	–	[a]
11/21/2019	Working capital	03/21/2022	11%	20,000,000	**2,747,691**	13,010,319	[a]
05/09/2021	Working capital	05/02/2024	11%	12,000,000	**10,568,453**	–	[a]
12/10/2020	Working capital	11/10/2021	10%	11,594,000	**–**	10,702,736	[a]
08/06/2020	Working capital	09/06/2021	10%	8,624,000	**–**	6,577,102	[a]
08/06/2020	Working capital	09/06/2023	11%	17,000,000	**10,586,570**	15,863,456	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	**5,958,695**	9,059,043	[a]
03/04/2020	Working capital	07/04/2021	11%	14,200,000	**–**	8,511,211	[a]
Philippine Bank of Communications							
06/17/2021	Working capital	12/17/2022	9%	17,376,554	**11,842,019**	–	[b]
08/04/2021	Working capital	02/23/2022	9%	15,596,199	**12,309,350**	–	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	**17,719,545**	–	[b]
Qwick							
08/08/2019	Working capital	03/07/2021	15%	8,266,961	**–**	4,349,024	[c]
03/13/2020	Working capital	08/26/2021	15%	5,466,806	**–**	5,461,547	[c]
09/10/2020	Working capital	03/15/2022	15%	7,326,253	**7,277,219**	7,277,219	[c]
02/02/2021	Working capital	08/10/2022	15%	6,060,113	**6,021,926**	–	[c]
02/18/2021	Working capital	05/30/2022	15%	4,587,997	**4,565,870**	–	[c]
05/12/2021	Working capital	30/11/2022	15%	7,169,483	**7,160,141**	–	[c]
10/05/2021	Working capital	03/30/2023	15%	7,807,598	**7,797,286**	–	[c]
Asia United Bank							
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	**895,509**	–	[d]
Central Visayas Financial Corporation							
08/09/20219	Working capital	03/03/2021	15%	2,212,313	**–**	1,544,870	[e]
01/20/2020	Working capital	08/28/2021	15%	7,381,376	**–**	7,381,376	[e]
02/28/2020	Working capital	06/30/2021	15%	7,063,267	**–**	7,063,266	[e]
03/13/2020	Working capital	09/15/2021	15%	3,114,545	**–**	3,080,091	[e]
				₱294,965694	**₱117,961,417**	₱117,966,291	

a. *Luzon Development Bank*

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to 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, 2021and 2020 (see Note 6).

b. *Philippine Bank of Communications*

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration ₱51,666,182 as at December 31, 2021 (see Note 5).

c. Qwick

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱25,625,193 and ₱17,240,970 as at December 31, 2021 and 2020, respectively (see Note 5).

d. Asia United Bank

Note payable amounted to ₱924,800 and was secured by chattel mortgage with carrying amount of ₱1,034,255 as at December 31, 2021 (see Note 10).

e. Central Visayas Financial Corporation

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱21,221,724 as at December 31, 2020 (see Note 5). The note was fully paid in 2021.

The Parent Company'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, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,746,616 and ₱4,828,637, respectively.

15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

	2021	2020
Retention payable	**₱ 13,893,982**	₱ 16,152,803
Refundable bonds	**9,963,951**	9,996,291
	₱ 23,857,933	₱ 26,149,094

Retention payable pertains to ten percent (10%) of each progress payment retained by the Parent Company until full completion of the contract. The full amount of retention will be released by the Parent Company to the contractors after the full completion and acceptance of satisfactory works by the Parent Company 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 Parent Company 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, 2021 and 2020, deferred gross profit amounted to ₱156,073,566 and ₱144,998,054, respectively. Realized gross profit for current and prior year sales amounted to ₱79,339,510, ₱74,657,704 and ₱108,143,003 in 2021, 2020 and 2019, respectively.

17. CAPITAL STOCK

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

	2021	2020
Common stock: ₱1 par value		
Authorized: 5,000,000,000 shares	**₱5,000,000,000**	₱5,000,000,000
Subscribed	**₱2,891,099,660**	₱1,445,549,830
Less: Subscription receivables	**(1,071,996,697)**	–
Issued and outstanding	**₱1,819,102,963**	₱1,445,549,830

The Parent Company 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 Parent Company increased its authorized capital stock to ₱140 million. The Parent Company 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 Parent Company 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 Parent Company 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 or other property; (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 Parent Company'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 Parent Company 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.

Share Rights Offer

In a special meeting held on March 25, 2021, the BOD authorized the Rights Offer of 1,445,549,830 common shares with par value of ₱1.00 per share, by way of stock rights offering to eligible existing common shareholders of the Parent Company at the proportion of one (1) right share for every one (1) existing common share held as of record date. All rights shares will be issued from the Parent Company's unissued authorized capital stock.

After the issuance of 1,445,549,830 common shares subject to rights offer, a total of 2,891,099,660 common shares shall be issued and outstanding. The rights offer will represent 50% of the issued and outstanding common shares.

On November 15, 2021, the Parent Company received the Notice of Approval from the PSE for the Rights Offer. The offer period shall commence on December 6, 2021 and will end on December 13, 2021.

The gross proceeds from the Rights Offer are expected to be ₱1,445,549,830. The net proceeds from the Rights Offer after deducting taxes and PSE fees, are expected to be₱1,423,000,000.

The net proceeds from the Rights Offer are intended for the acquisition of land properties for the Parent Company's pipeline of projects and the remaining balance to be used for general corporate purposes.

During the year the Parent Company issued 373,553,133 shares at ₱1 per share or ₱373,553,133 from share rights offering.

Number of shares owned by public totaled 2,205,302,370 and 760,980,740 shares or a public ownership of 76.28 % and 52.64% as at December 31, 2021 and 2020, respectively.

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

	Market value per share
December 31, 2021	**₱0.51**
December 31, 2020	0.425
December 31, 2019	0.430

18. REAL ESTATE SALES

The details of real estate sales for the years ended December 31 are as follows:

	2021	2020	2019
Full accrual	**₱ 56,296,109**	₱ 87,911,248	₱ 65,847,239
Uncompleted projects (POC)	**183,409,693**	130,032,190	146,750,574
	₱ 239,705,802	₱ 217,943,438	₱ 212,597,813

19. COST OF REAL ESTATE SOLD

The details of cost of real estate sold for the years ended December 31 are as follows:

	2021	2020	2019
Full accrual	**₱17,506,136**	₱ 20,502,891	₱ 21,252,995
Uncompleted projects (POC)	**91,011,593**	69,581,227	74,808,701
	₱108,517,729	₱ 90,084,118	₱ 96,061,696

20. OTHER INCOME (CHARGES) - net

Other income (charges) - net for the years ended December 31 consists of:

	2021	2020	2019
Finance income from:			
Advances to affiliates – note 23	**₱ 11,196,677**	₱ 10,865,921	₱ 5,577,659
Installment contract receivables – note 5	**3,343,724**	2,267,829	2,099,119
Cash in banks – note 4	**14,364**	32,565	16,109
Reversal of (provision for) ECL – notes 5 and 23	**136,651**	(2,400,820)	(2,343,224)
Stock rights offering expenses	**(3,423,729)**	–	–
Miscellaneous income	**5,963,830**	1,666,857	3,376,916
	₱17,231,517	₱ 12,432,352	₱ 8,726,579

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

21. OPERATING EXPENSES

Operating expenses for the years ended December 31 consists of:

	2021	2020	2019
Salaries and wages	**₱ 18,200,229**	₱ 15,814,691	₱ 21,645,351
Commissions	**9,667,971**	7,028,261	11,559,372
Loss on cancelled contracts	**6,542,785**	4,956,411	17,401,681
Taxes and licenses	**5,811,234**	6,610,553	7,825,855
Representation and entertainment	**4,707,921**	5,005,844	5,817,047
Depreciation – note 10	**4,146,502**	4,276,937	4,352,248
Professional and legal fees	**3,328,202**	2,063,435	2,618,947
Communication, light and water	**2,518,091**	2,273,370	2,513,800
Employee benefits	**2,326,878**	1,926,752	2,839,756
Retirement benefits – note 25	**2,284,481**	2,178,794	1,669,470
Advertising	**1,230,064**	1,686,689	3,542,336
Travel and transportation	**1,151,417**	1,599,877	2,140,689
Supplies	**1,079,076**	1,174,614	891,996
Repairs and maintenance	**699,874**	710,874	780,124
Dues and subscription	**680,148**	691,749	670,424
Penalty fee, interests and surcharges	**571,954**	1,310	1,224,160
Security services	**528,792**	548,844	296,895
Rental – note 27	**275,865**	141,464	92,423
Director fees	**206,786**	38,928	160,000
Janitorial services	**184,968**	218,221	17,061
Insurance	**161,818**	305,682	160,430
Trainings and seminars	**26,518**	–	61,467
Sports and recreation	**–**	–	208,872
Miscellaneous	**1,791,718**	2,520,404	2,474,065
	₱ 68,123,292	₱ 61,773,704	₱ 90,964,469

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

22. FINANCE COSTS

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

	2021	2020	2019
Borrowings – note 13	**₱ 15,842,173**	₱ 15,867,361	₱14,213,128
Lease liabilities – note 27	**220,484**	229,446	254,990
	₱ 16,062,657	₱ 16,096,807	₱14,468,118

23. RELATED PARTY TRANSACTIONS

The Parent Company 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 Parent Company's advances to related parties as at December 31, 2021 and 2020 are as follows:

December 31, 2021	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)*	**₱ 192,820,924**	**₱ 462,770**	**₱ 3,856,618**	**₱ –**	**₱ 197,140,312**
Forum Holdings Corp. *(b)*	**38,330,030**	**91,993**	**766,601**	**–**	**39,188,624**
Kennex Container Corp. *(b)*	**35,813,305**	**85,952**	**716,266**	**–**	**36,615,523**
Orient Pacific Corp. *(b)*	**25,036,076**	**60,087**	**500,721**	**–**	**25,596,884**
Noble Arch Realty and Construction *(c)*	**4,829,180**	**38,642**	**96,464**		**4,964,286**
Pacific Rehouse Corporation *(f)*	**891,363**	**100**	**–**	**(17,477)**	**873,986**
Metro Alliance Holdings and Equities Corporation *(e)*	**268,260,352**	**1,262,402**	**5,260,007**	**–**	**274,782,761**
Stockholders					
International Polymer Corp. *(b)(d)*	**866,400**	**–**	**–**	**(866,400)**	**–**
Subsidiary					
Mariano Arroyo Dev't Corp	**171,921**	**30,453**	**–**		**202,374**
	567,019,551	**2,032,399**	**11,196,677**	**(883,877)**	**579,364,750**
Allowance for ECL	**(25,864,767)**	**–**	**–**	**–**	**(25,864,767)**
	₱ 541,154,784	**₱ 2,032,399**	**₱11,196,677**	**(₱883,877)**	**₱553,499,982**

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)*	24,563,697	–	472,379	–	25,036,076
Noble Arch Realty and Construction *(c)*	4,718,322	17,992	92,866	–	4,829,180
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
Subsidiary					
Mariano Arroyo Dev't Corp	152,924	18,997	–	–	171,921
	571,757,174	22,271,456	10,865,921	(37,875,000)	567,019,551
Allowance for ECL	(25,864,767)	–	–	–	(25,864,767)
	₱545,892,407	₱22,271,456	₱10,865,921	(₱37,875,000)	₱ 541,154,784

Advances to related parties as at December 31 consist of:

	2021	2020
Current	**₱ –**	₱271,831,148
Noncurrent	**553,499,982**	269,323,636
	₱ 553,499,982	₱541,154,784

Details of the Parent Company's advances from related parties as at December 31, 2021 and 2020 are as follows:

December 31, 2021	**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**
The Wellex Group, Inc.	**7,972,400**	**–**	**(34,161)**	**7,938,239**
Concept Moulding Corp.	**3,830,646**	**–**	**–**	**3,830,646**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
Inland Container Corporation	**–**	**2,500,000**	**(1,500,000)**	**1,000,000**
Stockholders				
International Polymer Corp.	**–**	**3,352**	**–**	**3,352**
	₱104,024,033	**₱ 2,503,352**	**(₱1,534,161)**	**₱104,993,224**

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
The Wellex Group, Inc.	7,972,400	–	–	7,972,400
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
	₱104,024,033	₱ –	₱ –	₱104,024,033

The Parent Company obtained noninterest-bearing and unsecured cash advances from other companies under common control to support its operations and will be settled through cash payment. 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 Parent Company 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 Parent Company. 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. On February 1, 2021, PCC and Parent Company the reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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

In 2009, FHC, IPC, KCC, OPC and HPC executed respective unsecured promissory notes (PN) to cover their respective advances to the Parent Company 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 Parent Company 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 February 1, 2021, FHC, KCC and OPC, and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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 Parent Company through interest bearing cash advances. In 2009, NARCC executed respective unsecured PN to cover their respective advances to the Parent Company 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 Parent Company through Deed of Absolute Sale executed by the Parent Company and Union Bank of the Philippines. On December 21, 2018, NARCC and the Parent Company 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. On February 1, 2021, NARCC and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

d) *Installment contract receivables from IPC*

In addition to the advances made to related parties, the Parent Company 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, 2021 and 2020 (see Note 5).

e) *Metro Alliance Holdings and Equities Corporation (MAHEC)*

The Parent Company 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 ₱10,520,014 and ₱5,260,007 as at December 31, 2021 and 2020, respectively.

f) Remuneration of key management personnel

The remuneration of key management personnel of the Parent Company under aggregate amount specified in PAS 24, '*Related Party Disclosures*' for the years ended December 31 is as follows:

	2021	2020	2019
Short-term employee benefits	**₱ 3,408,000**	₱ 3,060,000	₱ 3,672,000
Post-employment benefits	**282,603**	306,000	306,000
Share-based payments	**–**	–	–
Other long-term benefits	**–**	–	–
	₱3,690,603	₱ 3,366,000	₱ 3,978,000

g) Transaction with the retirement fund

The Parent Company has no transactions with its retirement plan other than its benefits paid and contributions to the fund for the years ended December 31, 2021 and 2020.

24. 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 Parent Company statement of comprehensive income is as follows:

	2021	2020	2019
Income before income tax	**₱ 12,385,078**	₱ 9,219,545	₱ 11,436,995
Tax at applicable statutory rate:	**3,096,270**	2,765,864	3,431,099
Tax effect of:			
Non-deductible expenses	**2,960,052**	2,895,232	7,084,941
Interest income subjected to final tax	**(3,591)**	(9,770)	(4,833)
Change in unrecognized deferred tax asset	**(1,708,513)**	720,246	702,967
Change in income tax rate	**(8,084,969)**	–	–
	(₱ 3,741,751)	₱ 6,371,572	₱ 11,214,174

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

	2021	2020
Deferred tax assets		
Allowance for ECL	**₱ 8,342,589**	₱ 10,052,102
Retirement benefits obligation	**4,133,055**	4,484,322
Lease liabilities	**601,354**	1,016,939
	13,076,998	15,553,363
Less: Unrecognized deferred tax asset	**(8,342,589)**	(10,052,102)
	₱ 4,734,409	₱ 5,501,261
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱ 50,350,102**	₱ 60,378,100
Remeasurement gain on retirement benefits	**1,440,861**	875,253
Right-of-use assets	**540,824**	956,308
	₱ 52,331,787	₱ 62,209,661

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 ₱711,483, ₱52,709, and (₱621,561) for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 25).

Effect of change in income tax rate on deferred income tax recognized in other comprehensive income amounted to ₱145,875 (see Note 25).

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax Incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Parent 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 ₱5,000,000 and with total assets not exceeding ₱100,000,000, 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. The imposition of improperly accumulated earnings is repealed.

The impact of the CREATE Act in the Parent Company's financial statements as at and for the year ended December 31, 2020 are as follows:

	National Internal Revenue Code (NIRC) of 1997	CREATE Act*	Impact of CREATE Act
Statement of Financial Position			
Deferred tax assets	₱ 15,553,363	₱ 12,961,136	**(₱ 2,592,227)**
Unrecognized DTA	(10,052,102)	(8,376,751)	**1,675,351**
Remeasurement loss on retirement benefits	2,042,257	2,188,132	**145,875**
Deferred tax liabilities	62,209,661	51,841,385	**(10,368,276)**
Statement 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	(7,152,882)	**9,305,525**
Remeasurement loss on retirement benefits	122,989	268,864	**145,875**

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

25. RETIREMENT BENEFITS OBLIGATION

The Parent Company 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 Parent Company 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 Parent Company'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 Parent Company's latest actuarial valuation is as at December 31, 2021.

The movement in the retirement benefits obligation for the years ended December 31, 2021 and 2020 is as follows:

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Retirement benefits obligation**
January 1, 2021	**₱ 12,414,054**	**(₱ 383,823)**	**₱ 12,030,231**
Retirement expense:			
Current service costs	**1,808,765**	**–**	**1,808,765**
Interest expense (income)	**491,597**	**(15,881)**	**475,716**
	1,808,765	**(15,881)**	**2,284,481**
Benefits paid	**(665,600)**	**665,600**	**-**
Contributions	**-**	**(700,000)**	**(700,000)**
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	**(1,405,092)**	**–**	**(1,405,092)**
Experience/return	**(1,460,187)**	**19,347**	**(1,440,840)**
	(2,865,279)	**19,347**	**(2,845,932)**
As at December 31, 2021	**₱ 11,183,537**	**(₱ 414,757)**	**₱ 10,768,780**

	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)
December 31, 2020	₱ 12,414,054	(₱ 383,823)	₱ 12,030,231

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

	2021	2020
Balance at beginning of year	**₱ 2,042,257**	₱ 1,919,268
Amounts recognized in OCI	**2,845,932**	175,698
Effect of change in income tax rate	**145,875**	–
	5,034,064	2,094,966
Attributable tax	**(711,483)**	(52,709)
Balance at end of year	**₱ 4,322,581**	₱ 2,042,257

Remeasurement gain (loss), net of related tax amounting to ₱711,483, ₱52,709 and (₱621,561) (see Note 24), in the statements of comprehensive income for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2,280,324, ₱122,989, and (₱1,450,309), respectively. Effect of change in income tax rate on deferred income tax recognized in other comprehensive income amounted to ₱145,875 (see Note 24).

The total retirement benefits expense recognized is included in operating expenses for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2,284,481, ₱2,178,794, and ₱1,669,470, respectively (see Note 21).

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

	2021	2020
Cash and cash equivalents	**₱ 355,530**	₱ 328,057
Government bonds and securities	**59,227**	55,766
	₱ 414,757	₱ 383,823

The Parent Company'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, 2021 and 2020.

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

	2021	2020
Interest income	**₱ 15,881**	₱ 28,311
Loss on plan assets, excluding amounts included in net interest cost	**(19,347)**	(26,585)
	(₱3,466)	₱ 1,726

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

	2021	2020
Discount rate	**5.09%**	3.96%
Salary rate increase	**5.00%**	5.00%

The discount rate at December 31, 2021 and 2020 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 retirement benefits obligation to changes in the weighted principal assumptions is as follows:

December 31, 2021	**Impact on retirement benefits obligations**		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**100 bps**	**Decrease by 11.0%**	**Decrease by 9.1%**
Salary increase rate	**100 bps**	**Increase by 10.9%**	**Decrease by 9.2%**

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%

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 retirement benefits obligation to significant actuarial assumptions the same method (present value of the retirement benefits 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 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 retirement benefits retirement plan, the Parent Company 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 10.0 years and 10.1 years in 2021 and 2020, respectively.

The Parent Company does not expect any contributions to post-employment benefit plans for the years ending December 31, 2022 and 2021.

Expected maturity analysis of undiscounted retirement benefits obligation:

2021	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefits obligation	**₱ –**	**₱3,261,615**	**₱3,358,033**	**₱3,409,792**	**₱10,029,440**

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

26. BUSINESS SEGMENT INFORMATION

The Parent Company's operating business segment are organized and managed separately according to location of business activities. The Parent Company'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 Parent Company 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 Parent Company 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, 2021	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Parent Company Total
Revenue							
Realized gross profit	₱ –	₱38,998,356	₱7,983,558	₱ 32,357,596	₱ –	₱ –	₱ 79,339,510
Other income	7,923,929	808,335	108,971	3,451,876	828,906	4,109,500	17,231,517
	7,923,929	39,806,691	8,092,529	35,809,472	828,906	4,109,500	96,571,027
Expenses							
Depreciation	2,736,740	441,033	414,358	554,371	–	–	4,146,502
Loss on cancelled contracts	–	4,803,720	–	1,739,065	–	–	6,542,785
Other expenses	30,831,193	8,714,367	3,632,801	11,656,400	163,500	151,263	55,149,524
	33,567,933	13,959,120	4,047,159	13,949,836	163,500	151,263	65,838,111
Segment income (loss)	(25,644,004)	25,847,571	4,045,370	21,859,636	665,406	3,958,237	30,732,216
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
Net income (loss) for the year	(₱ 40,028,907)	₱25,798,678	₱3,935,427	₱ 21,797,988	₱ 665,406	₱ 3,958,237	₱ 16,126,829
Segment assets	₱1,062,102,763	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,047,579,024
Investment in a subsidiary	7,800,000	–	–	–	–	–	7,800,000
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
Total assets	₱1,074,637,172	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,060,113,433
Segment liabilities	₱122,669,428	₱137,074,660	₱61,635,147	₱128,756,375	₱457,696	₱373,403	₱450,966,709
Borrowings	117,961,417	–	–	–	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
Total liabilities	₱251,399,625	₱137,074,660	₱61,635,147	₱128,756,375	₱457,696	₱373,403	₱579,696,906

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Parent Company Total
Revenue						
Realized gross profit	₱ 194,566	₱27,602,149	₱ 1,823,250	₱45,037,739	₱ –	₱ 74,657,704
Other income	9,432,237	591,865	164	2,408,086	–	12,432,352
	9,626,803	28,194,014	1,823,414	47,445,825	–	87,090,056
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	31,713,855	6,198,882	1,489,030	10,802,705	157,090	50,361,562
	35,590,459	9,413,583	1,518,723	12,915,055	157,090	59,594,910
Segment income (loss)	(25,963,656)	18,780,431	304,691	34,530,770	(157,090)	27,495,146
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	(₱50,392,489)	₱18,737,529	₱ 163,167	₱ 34,496,856	(₱ 157,090)	₱ 2,847,973
Segment assets	₱490,235,905	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,640,093,132
Investment in subsidiary	7,800,000	–	–	–	–	7,800,000
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱503,537,166	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	1,653,394,393
Segment liabilities	₱170,798,905	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱434,941,630
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱300,795,427	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱564,938,152

Although Davao and Valenzuela segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2021 and 2020, 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.

27. LEASE COMMITMENTS

The Parent Company 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 Parent Company recognized the assets as 'right-of-use assets' and corresponding lease liabilities.

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

	2021	2020
Current	**₱ 1,091,736**	₱ 984,384
Noncurrent	**1,313,678**	2,405,414
	₱ 2,405,414	₱ 3,389,798

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

	2021	2020
Not later than one year	**₱ 1,246,094**	₱ 1,204,868
Later than one year but not later than five years	**1,425,616**	2,671,711
Future minimum lease payments	**2,671,710**	3,876,579
Amounts representing finance charges	**(266,296)**	(486,781)
	₱ 2,405,414	₱ 3,389,798

The net carrying amount of the right-of-use assets recognized as at December 31, 2021 and 2020 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱220,484, ₱229,446 and ₱254,990 for the years ended December 31, 2021, 2020 and 2019 respectively (see Note 22).

The Parent Company 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 and billboard space amounted to ₱275,865, ₱141,464 and ₱92,423, for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 21).

28. 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 (2^{nd}) 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 (19^{th}) 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 (6^{th}) 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 Parent Company 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 Parent Company.

29. EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share for the years ended December 31:

	2021	2020	2019
Net income	**₱ 16,126,829**	₱ 2,847,973	₱ 195,821
Weighted average number of common shares outstanding during the year	**1,819,102,963**	1,445,549,830	1,445,549,830
Earnings per share	**₱ 0.0089**	₱ 0.0020	₱ 0.0001

30. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Parent Company. 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 Parent Company’s approach to risk issues in order to make relevant decisions.

The Parent Company is exposed to a variety of financial risks, which result both from its operating and investing activities. The Parent Company’s principal financial instruments consist of cash in banks, trade and other receivables, financial asset at FVOCI, advances to and from related parties, 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 Parent Company’s operations.

Financial risk management by the Parent Company is coordinated with its BOD, in closed cooperation with the local management. Parent Company’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 Parent Company’s results and financial position. The Parent Company actively measures, monitors and manages its financial risk exposure by various functions pursuant to the segregation of duties principles.

The Parent Company 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 Parent Company is exposed to are described below:

Credit risk

Credit risk is the risk that the Parent Company will incur loss from customers or counter parties that fail to discharge their contractual obligation.

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

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

The Parent Company'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 Parent Company 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 statement of financial position, as summarized below:

		December 31, 2021			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	(a)		**₱384,687,399**	**₱ –**	**₱ 384,687,399**
Trade and other receivables – note 5	(b)	Lifetime ECL	**625,288,218**	**(7,505,588)**	**617,782,630**
Advances to related parties – note 23	(c)	Lifetime ECL	**579,364,749**	**(25,864,767)**	**553,499,982**
Refundable deposits classified as “Other noncurrent assets” - note 11	(d)		**8,977,291**	**–**	**8,977,291**
Total			**₱ 1,598,317,657**	**(₱33,370,355)**	**₱1,564,947,302**

		December 31, 2020			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks– note 4	(a)		₱ 16,493,575	₱ –	₱ 16,493,575
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	567,019,551	(25,864,767)	541,154,784
Refundable deposits classified as “Other noncurrent assets” - note 11	(d)		7,680,337	–	7,680,337
Total			₱ 1,179,380,442	(₱33,507,006)	₱1,145,873,436

The credit quality of the Parent Company’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 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 Parent Company also undertakes credit review procedures for certain installment payment structures. The Parent Company’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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company has applied the general approach to measure the loss allowance using the management's adopted policy on ECL. The Parent Company 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 Parent Company 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 Parent Company is pursuing cash collection of the advances to related parties. In addition, the Parent Company 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 and Davao.

(d) Refundable Deposits

The Parent Company 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, 2021 and 2020 was determined based on months past due, as follows for advances to related parties:

December 31, 2021	**ECL rate**	**Cash in banks**	**Trade and other receivables**	**Advances to related parties**	**Refundable deposits**	**Total**	**ECL**
Performing	0%	**₱384,687,399**	**₱ 605,583,592**	**₱ 553,499,982**	**₱8,977,291**	**₱1,552,748,264**	**₱ –**
Doubtful							
1-30 days	0.25%	–	**180,802**	–	–	**180,802**	**452**
31-90 days	1.25%	–	**162,767**	–	–	**162,767**	**2,035**
91-180 days	2.50%	–	**250,486**	–	–	**250,486**	**6,262**
181-360 days	6.25%	–	**741,464**	–	–	**741,464**	**46,342**
In default							
1-2 years	12.50%	–	**3,461,480**	–	–	**3,461,480**	**432,685**
2-3 years	25.00%	–	**2,900,990**	–	–	**2,900,990**	**725,248**
3-5 years	50.00%	–	**11,428,143**	–	–	**11,428,143**	**5,714,072**
Write-off	100%	–	**578,494**	**25,864,767**	–	**26,443,261**	**26,443,261**
		₱384,687,399	**₱625,288,218**	**₱ 579,364,749**	**₱8,977,291**	**₱ 1,598,317,657**	**₱33,370,355**

December 31, 2020	ECL rate	Cash in banks	Trade and other receivables	Advances to related parties	Refundable deposits	Total	ECL
Performing	0%	₱16,493,575	₱ 567,358,961	₱541,154,784	₱7,680,337	₱ 1,132,687,657	₱ –
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	44,097
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%	–	10,461,103	–	–	10,461,103	5,230,551
Write-off	100%	–	578,494	25,864,767	–	26,443,261	26,443,261
		₱16,493,575	₱588,186,979	₱567,019,551	₱7,680,337	₱ 1,179,380,442	₱33,507,006

Liquidity risk

To cover the Parent Company'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 Parent Company's liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Parent Company 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, 2021 and 2020, the Parent Company's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes government liabilities) which are presented below:

		Maturing in		
December 31, 2021	**On Demand**	**Within 1 year**	**1 to 5 years**	**Total**
Accounts payable and other liabilities*	**₱61,352,879**	**₱ –**	**₱ –**	**₱61,352,879**
Borrowings	–	**90,769,256**	**27,192,161**	**117,961,417**
Lease liabilities	–	**1,091,736**	**1,313,678**	**2,405,414**
Advances from related parties	–	–	**104,993,224**	**104,993,224**
Retention payable and guarantee bonds	–	–	**23,857,933**	**23,857,933**
	₱61,352,879	**₱91,860,992**	**₱157,356,996**	**₱310,570,867**

**excluding government liabilities*

		Maturing in		
December 31, 2020	On Demand	Within 1 year	1 to 5 years	Total
Accounts payable and other liabilities*	₱51,290,965	₱ –	₱ –	₱51,290,965
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
	₱51,290,965	₱97,012,061	₱154,517,155	₱302,820,181

**excluding government liabilities*

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 Parent Company's market risk is manageable within conservative bounds. As at December 31, 2021 and 2020, the Parent Company 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 Parent Company'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 Parent Company 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, 2021 and 2020 would decrease/increase by ₱5,000,000.

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 Parent Company 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 Parent Company's sales since the rates are fixed and predetermined at the inception of the contract.

The Parent Company'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, 2021 and 2020, the Parent Company 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, 2021	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	₱384,687,399	₱ –	₱384,687,399
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	563,736,634	30,224,677	593,961,311
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	579,364,749	–	579,364,749
			₱1,527,788,782	₱ 30,224,677	₱ 1,558,013,459
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱90,769,256	₱27,192,161	₱117,961,417

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	₱16,493,575	₱ –	₱ 16,493,575
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	297,695,915	269,314,636	567,010,551
			₱830,613,548	₱302,871,299	₱1,133,484,847
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

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

2021			2020		
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%	**₱7,200,260**	**₱ 5,400,195**	+0.5%	₱5,077,593	₱3,554,315
-0.5%	**(₱7,200,260)**	**(₱5,400,195)**	-0.5%	(₱5,077,593)	(₱3,554,315)

31. CAPITAL MANAGEMENT

The Parent Company's capital management objectives are to ensure the Parent Company'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 Parent Company defines capital as share capital and deficit for the purpose of capital management.

The Parent Company regards and monitors as its capital the carrying amount of equity as presented on the face of the Parent Company statements of financial position amounting to ₱1,480,883,200 and ₱1,088,456,241 as at December 31, 2021 and 2020, respectively.

The Parent Company's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 0.45:1 to 0.55:1 on a monthly basis as follows:

	2021	2020
Total liabilities	**₱ 579,696,906**	₱ 564,938,152
Total equity	**1,480,416,527**	1,088,456,241
	0.39:1	0.52:1

The Parent Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Parent Company 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 Parent Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Parent Company is not subject to any externally imposed capital requirements.

32. FAIR VALUE INFORMATION

The carrying amounts and fair values of the categories of assets and liabilities presented in the Parent Company statement of financial position are shown below:

December 31, 2021	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Installment contracts receivables	**₱ 593,961,311**	**₱ 593,467,862**	**Level 2**	**(a)**
Refundable deposits	**8,977,291**	**8,830,727**	**Level 2**	**(b)**
Receivable from contractors	**6,401,865**	**6,072,267**	**Level 2**	**(b)**
Advances to related parties	**553,499,982**	**532,006,903**	**Level 2**	**(c)**
	₱1,162,840,449	**₱1,140,377,759**		
Financial liabilities at amortized cost				
Advances from related parties	**₱ 104,993,224**	**₱ 100,916,209**	**Level 2**	**(c)**
Borrowings	**117,961,417**	**116,561,437**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**23,857,933**	**23,000,902**	**Level 2**	**(b)**
Lease liabilities	**2,405,414**	**2,337,780**	**Level 2**	**(d)**
	₱ 249,217,988	**₱ 242,816,328**		

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)
Advances to related parties	541,154,784	535,873,928	Level 2	(c)
	₱1,105,953,207	₱1,099,721,867		
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		

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

Financial asset at FVOCI amounting to ₱50,000,000 as at December 31, 2021 and 2020, 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 1.66% and 1.71% as at December 31, 2021 and 2020, 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 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 2020.

(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 2021 and 2020.

(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 was 2.68% in 2021 and 1.85% to 5.07% in 2020.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Balance as at January 1, 2021	**Changes from financing cash flows**	**Balance as at December 31, 2021**
Borrowings	**₱ 117,966,291**	**(₱ 4,874)**	**₱ 117,961,417**
Advances from related parties	**104,024,033**	**969,191**	**104,993,224**
Lease liabilities	**3,389,798**	**(984,384)**	**2,405,414**
	₱ 225,380,122	**(₱ 20,067)**	**₱ 225,360,055**

	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

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

On December 10, 2010, the BIR issued Revenue Regulations (RR) No.15-2010, which amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

a) *Output Value-Added Tax*

The Parent Company declared output VAT for the year ended December 31, 2021 as follows:

	Gross revenues	Output VAT
Subject to 12% VAT	**₱ 86,096,820**	**₱ 10,331,618**
Zero-rated	**–**	**–**
Exempt	**75,882,485**	**–**
	₱161,979,305	**₱ 10,331,618**

Pursuant to Section 109 of TRAIN Law, exempt sales pertain to sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business, sale of real property utilized for socialized housing as defined by Republic Act No. 7279, sale of house and lot, and other residential dwellings with the selling price of not more than Two million pesos (₱2,000,000).

b) *Input Value-Added Tax*

The reconciliation of input VAT for the year ended December 31, 2021 is as follows:

At beginning of year	**₱ 859,473**
Current purchases and payments for:	
Goods other than capital goods	**525,094**
Services/goods other than for resale or manufacture	**7,694,285**
	9,078,852
VAT payments	**(501,959)**
Claims against output VAT	**(8,576,893)**
At end of year	**₱ –**

c) *Taxes on Importation*

The Parent Company did not pay nor accrue custom duties or tariff fees as the Company did not import any goods or equipment for the year ended December 31, 2021.

d) *Excise Tax*

The Parent Company did not pay nor accrue any excise tax as there was no related transaction that requires the payment of the said tax for the year ended December 31, 2021.

e) *Documentary Stamp Tax*

The Parent Company paid documentary stamp tax from availment of borrowings amounting to ₱423,384 for the year ended December 31, 2021.

f) Taxes and Licenses

Details of taxes and licenses for the year ended December 31, 2021 are as follows:

Permits	**₱3,958,961**
Real property tax	**1,200,562**
Community tax certificate	**21,560**
Annual registration	**2,000**
Other taxes	**204,767**
	₱5,387,850

g) Withholding Taxes

Details of withholding taxes paid and accrued for the year ended December 31, 2021 are as follows:

Expanded withholding tax	**₱ 2,693,056**
Withholding tax on compensation	**482,137**
	₱ 3,175,193

h) Deficiency Tax Assessment and Tax Cases

For the year ended December 31, 2021, the Parent Company paid deficiency tax assessment on income tax and value added tax amounting to ₱301,195 for the audit of taxable year 2018.

The Parent Company had no other outstanding tax cases under investigation, litigation and/or prosecution in courts or bodies outside BIR as at December 31, 2021.

i) Other Information

All other information prescribed to be disclosed by BIR has been disclosed in this Note.

* * *

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
A A F S	C R M D	N A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
phes_finance@yahoo.com	8637-3112	09178338243

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
708	February/18	December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jocelyn A. Valle	phesfinance@gmail.com	8637-3112	NA

Contact Person's Address

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

Note1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

Philippine Estates Corporation and Subsidiary

Financial Statements
December 31, 2021 and 2020

and

Independent Auditors' Report

PHILIPPINE ESTATES

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, 2021 and 2020, 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

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 8123747; Pasig City; 1-5-2022
IBP Membership No. 181778; RSM
Roll No. 69675
MCLE Compliance No. VII – 0000167, 7/12/19
Appointment No. 158 (2021-2022)
Julia vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

SUBSCRIBED AND SWORN TO before me a Notary Public for and in the City of Pasig City, this ____ day of MAY 0 5 2022, by ________________ who presented his/her ________________ as valid proof of identity.

Signed this 5th day of May, 2022

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Book No. 5
Series of 2022

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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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicate that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs had these provisions and interpretation been adopted are discussed in Note 2. Our opinion is not modified in respect of this matter.

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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.

Revenue Recognition and Realization of Gross Profit

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, 2021, 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, 2021 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. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31		
	2021	2020	2019 *(As restated - Note 33)*
ASSETS			
Current Assets			
Cash - note 4	**₱ 385,033,386**	₱ 16,836,562	₱ 13,004,316
Trade and other receivables (net) - note 5	**581,156,088**	539,850,712	508,997,744
Advances to related parties (net) - note 23	**-**	276,397,919	-
Real estate inventories - note 6	**387,371,414**	390,734,889	398,215,592
Prepayments and other current assets - note 7	**7,317,455**	12,653,242	17,203,858
	1,360,878,343	1,236,473,324	937,421,510
Noncurrent Assets			
Trade and other receivables (net of current portion) - note 5	**36,626,542**	40,694,028	41,752,876
Advances to related parties (net of current portion) - note 23	**553,297,609**	269,151,715	552,589,640
Property and equipment (net) - note 10	**37,511,125**	40,402,837	41,583,149
Financial asset at FVOCI - note 8	**50,000,000**	50,000,000	12,500,000
Investment property - note 9	**162,394**	162,394	162,394
Deferred tax assets (net) - note 24	**4,734,409**	5,501,261	4,399,617
Other noncurrent assets - note 11	**9,220,754**	7,923,800	7,125,080
	691,552,833	413,836,035	660,112,756
TOTAL ASSETS	**₱ 2,052,431,176**	₱ 1,650,309,359	₱ 1,597,534,266
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other liabilities - note 12	**₱ 107,895,207**	₱ 89,679,391	₱ 87,452,288
Deferred gross profit - note 16	**156,073,566**	144,998,054	138,573,511
Borrowings - note 13	**90,769,256**	96,027,677	65,773,920
Lease liabilities - note 27	**1,091,736**	984,384	686,947
Customers' deposits - note 14	**3,746,616**	4,828,637	2,901,678
	359,576,381	336,518,143	295,388,344
Noncurrent Liabilities			
Advances from related parties - note 23	**104,993,224**	104,024,033	104,024,033
Borrowings (net of current portion) - note 13	**27,192,161**	21,938,614	19,957,846
Lease liabilities (net of current portion) - note 27	**1,313,678**	2,405,414	1,209,496
Retention payable and refundable bonds - note 15	**23,857,933**	26,149,094	23,659,157
Deferred tax liabilities - note 24	**52,331,787**	62,209,661	58,902,665
Retirement benefits obligation - note 25	**10,768,780**	12,030,231	10,027,135
	220,457,563	228,757,047	217,780,332
	580,033,944	565,275,190	513,168,676
Equity			
Capital stock - note 17	**1,819,102,963**	1,445,549,830	1,445,549,830
Remeasurement gain on retirement benefits - note 25	**4,322,581**	2,042,257	1,919,268
Deficit	**(351,028,312)**	(362,557,918)	(363,103,508)
	1,472,397,232	1,085,034,169	1,084,365,590
TOTAL LIABILITIES AND EQUITY	**₱ 2,052,431,176**	₱ 1,650,309,359	₱ 1,597,534,266

(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		
	2021	2020	2019
REAL ESTATE SALES - note 18	**₱ 239,705,802**	₱ 217,943,438	₱ 212,597,813
COST OF REAL ESTATE SOLD - note 19	**(108,517,729)**	(90,084,118)	(96,061,696)
GROSS PROFIT	**131,188,073**	127,859,320	116,536,117
DEFERRED GROSS PROFIT	**(87,067,522)**	(90,046,386)	(68,028,081)
REALIZED GROSS PROFIT DURING THE YEAR	**44,120,551**	37,812,934	48,508,036
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**35,218,959**	36,844,770	59,634,967
TOTAL REALIZED GROSS PROFIT - note 16	**79,339,510**	74,657,704	108,143,003
OTHER INCOME (net) - note 20	**12,664,746**	10,148,966	7,584,886
OPERATING EXPENSES - note 21	**(68,153,744)**	(61,792,701)	(90,985,957)
FINANCE COSTS - note 22	**(16,062,657)**	(16,096,807)	(14,468,118)
INCOME BEFORE INCOME TAX	**7,787,855**	6,917,162	10,273,814
PROVISION FOR INCOME TAX - note 24			
Current	**5,934,879**	4,218,929	18,039,694
Deferred	**(9,676,630)**	2,152,643	(6,798,520)
	(3,741,751)	6,371,572	11,241,174
NET INCOME (LOSS) FOR THE YEAR	**11,529,606**	545,590	(967,360)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 25	**2,280,324**	122,989	(1,450,309)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱ 13,809,930**	₱ 668,579	(₱ 2,417,669)
EARNINGS (LOSS) PER SHARE - note 30	**₱ 0.006**	₱ 0.000	(₱ 0.001)

(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 25)	Deficit	Total
Balance as at January 1, 2019, as previously stated	₱ 1,445,549,830	₱ 3,369,577	(₱ 361,226,526)	₱ 1,087,692,881
Prior period adjustment - note 33	–	–	(909,622)	(909,622)
Balance as at January 1, 2019, as previously restated	1,445,549,830	3,369,577	(362,136,148)	1,086,783,259
Comprehensive loss:				
Net loss for the year	–	–	(967,360)	(967,360)
Remeasurement loss on retirement benefits - note 25	–	(1,450,309)	–	(1,450,309)
Total comprehensive loss for the year	–	(1,450,309)	(967,360)	(2,417,669)
Balance as at January 1, 2020	1,445,549,830	1,919,268	(363,103,508)	1,084,365,590
Comprehensive income:				
Net income for the year	–	–	545,590	545,590
Remeasurement gain on retirement benefits - note 25	–	122,989	–	122,989
Total comprehensive income for the year	–	122,989	545,590	668,579
Balance as at January 1, 2021	**1,445,549,830**	**2,042,257**	**(362,557,918)**	**1,085,034,169**
Issuance of capital stock - note 17	**373,553,133**	**–**	**–**	**373,553,133**
Comprehensive income:				
Net income for the year	**–**	**–**	**11,529,606**	**11,529,606**
Remeasurement gain on retirement benefits - note 25	**–**	**2,134,449**		**2,134,449**
Effect of change in income tax rate - note 24	**–**	**145,875**	**–**	**145,875**
Total comprehensive income for the year	**–**	**2,280,324**	**11,529,606**	**13,809,930**
Balance as at December 31, 2021	**₱ 1,819,102,963**	**₱ 4,322,581**	**(₱ 351,028,312)**	**₱ 1,472,397,232**

(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		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 7,787,855**	₱ 6,917,162	₱ 10,273,814
Adjustments for:			
Loss on cancelled contracts - note 21	**6,542,785**	4,956,411	17,401,681
Finance costs - note 22	**16,062,657**	16,096,807	14,468,118
Depreciation - note 10	**4,146,502**	4,276,937	4,352,248
Retirement benefits expense - note 25	**2,284,481**	2,178,794	1,669,470
Interest income - notes 4, 5 and 23	**(14,554,765)**	(13,166,315)	(7,692,887)
Provision for ECL - notes 5 and 23	**4,430,120**	4,684,206	3,484,917
Operating income before working capital changes	**26,699,635**	25,944,002	43,957,361
Decrease (increase) in:			
Trade and other receivables	**(43,644,025)**	(37,151,352)	18,154,772
Real estate inventories	**3,363,475**	7,480,703	(24,170,299)
Prepayments and other current assets	**5,335,787**	4,550,615	8,487,129
Increase (decrease) in:			
Accounts payable and other liabilities	**18,215,816**	2,227,104	14,218,751
Customers' deposit	**(1,082,021)**	1,926,959	(2,857,926)
Deferred gross profit	**11,075,512**	6,424,543	(3,622,886)
Retention payable and refundable bonds	**(2,291,161)**	2,489,937	(785,251)
Cash generated from operations	**17,673,018**	13,892,511	53,381,651
Contributions to retirement fund - note 25	**(700,000)**	–	(1,500,000)
Interest received	**3,358,088**	2,300,394	2,115,228
Income tax paid	**(5,934,879)**	(4,218,929)	(18,039,694)
Net cash provided by operating activities	**14,396,227**	11,973,976	35,957,185
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**883,877**	37,875,000	663,368
Additional advances to related parties - note 23	**(2,001,945)**	(22,252,458)	(607,150)
Additions to property and equipment - note 10	**(1,254,790)**	(311,071)	(274,689)
Utilization of (additions to) other noncurrent assets	**(1,296,954)**	(1,148,720)	16,086
Acquisition of financial asset at FVOCI - note 8	**–**	(37,500,000)	–
Net cash used in investing activities	**(3,669,812)**	(23,337,249)	(202,385)

Forwarded

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2021	2020	2019
Continued			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**102,716,175**	91,770,246	81,890,016
Payment of lease liabilities	**(984,384)**	(1,171,645)	(1,163,718)
Payment of finance costs - note 13 and 28	**(16,062,657)**	(15,867,361)	(14,213,128)
Payment of borrowings - note 13	**(102,721,049)**	(59,535,721)	(109,355,745)
Additional advances from related parties - note 23	**2,503,352**	–	16,560,446
Settlement of advances from related parties - note 23	**(1,534,161)**	–	(15,005,000)
Issuance of capital stock - note 17	**373,553,133**	–	–
Net cash provided by (used in) financing activities	**357,470,409**	15,195,519	(41,287,129)
NET INCREASE (DECREASE) IN CASH	**368,196,824**	3,832,246	(5,532,329)
CASH - note 4			
At beginning of year	**16,836,562**	13,004,316	18,536,645
At end of year	**₱ 385,033,386**	₱ 16,836,562	₱ 13,004,316

(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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021

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, 2021 including its comparatives for 2020 and 2019 were approved and authorized for issue by its Board of Directors (BOD) on May 5, 2022.

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.

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, 2021 and the revenue from real estate sales in 2021. 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, 2021 as well as a decrease in the revenue from real estate sales in 2021. 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, 2021 as well as increase in interest expense in 2021.

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	
	2021	2020
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, 2021.

COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16). The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Group as a lessee, these amendments had no impact on the consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16). The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about: (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and (b) their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021

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.

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 recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

Property, Plant and Equipment: Proceeds 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. The amendments are effective for annual periods beginning on or after January 1, 2022.

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 recognizing 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. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018–2020

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries 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, Taxation in Fair Value Measurements* – 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 annual improvements are effective for annual periods beginning on or after January 1, 2022.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12). The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Parent Company.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements..

Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2). The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

Classification of Liabilities as Current or Non-current (Amendments to PAS 1). The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice.

PFRS 17, *Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Parent Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

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, 2021 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, 2021 and 2020, 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, 2021, and 2020 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, 2021 and 2020, included under 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 32 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 initially recognized at face value and subsequently measured 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 are available 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 of the Parent Company 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 elects 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 26.

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 amounted to Nil and ₱859,473 as at December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020.

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 ₱79,339,510, ₱74,657,704 and ₱108,143,003 for the years ended December 31, 2021, 2020 and 2019, 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 30.

The carrying amount of the Group's trade and other receivables, and advances to related parties amounted to ₱1,170,080,239 and ₱1,126,094,374 as at December 31, 20201and 2020, respectively (see Notes 5 and 23).

Allowance for ECL recognized in the Group's consolidated statements of financial position amounted to ₱42,503,897 and ₱38,073,777 as at December 31, 2021 and 2020, 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, 2021 and 2020 amounted to ₱37,511,125 and ₱40,402,837, 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, 2021 and 2020 amounted to ₱ 4,734,409 and ₱5,501,261, respectively (see Note 24).

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, 2021 and 2020 amounted to ₱10,768,780 and ₱12,030,231, respectively (see Note 25).

4. CASH

Cash as at December 31 consist of:

	2021	2020
Cash on hand	**₱ 256,446**	₱ 253,446
Cash in banks	**384,776,940**	16,583,116
	₱385,033,386	₱16,836,562

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2021 and 2020.

Interest income earned from cash in banks amounted to ₱14,364, ₱32,565, and ₱16,109 in 2021, 2020 and 2019, respectively, and recognized as part of 'Other income (net)' 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, 2021 and 2020.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2021	2020
Current		
Installment contract receivables	**₱563,736,634**	₱ 516,424,058
Advances to homeowners	**12,724,267**	13,112,159
Advances to employees	**6,237,284**	8,895,600
Other receivables	**5,963,491**	9,061,134
	588,661,676	547,492,951
Allowance for ECL	**(7,505,588)**	(7,642,239)
	₱581,156,088	₱ 539,850,712
Noncurrent		
Installment contract receivables from:		
External customers	**₱ 25,884,158**	₱ 29,216,144
Related parties – note 23	**4,340,519**	4,340,519
Receivable from contractors	**6,401,865**	7,137,365
	36,626,542	40,694,028
	₱617,782,630	₱ 580,544,740

Movements in the allowance for ECL are as follows:

	2021	2020
Balance as at beginning of year	**₱7,642,239**	₱5,241,419
Reversal of provision during the year – note 20	**(136,651)**	–
Provision during the year – note 20	**–**	2,400,820
Balance as at end of year	**₱7,505,588**	₱7,642,239

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 2021 and 2020. Interest income earned amounted to ₱3,343,724, ₱2,267,829, and ₱2,099,119 in 2021, 2020 and 2019, 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, 2021 and 2020 amounted to ₱77,291,375 and ₱38,462,694, 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, 2021 and 2020 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2021	2020
At cost:		
Raw land inventory	**₱201,852,292**	₱ 178,781,328
Projects under development	**121,400,510**	133,227,033
House and lot	**64,118,612**	78,726,528
	₱387,371,414	₱ 390,734,889

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 ₱108,517,729, ₱90,084,118 and ₱96,061,696 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2021 and 2020, 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, 2021 and 2020 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2021	2020
Creditable withholding tax	**₱3,749,071**	₱ 7,635,045
Deferred input tax	**2,670,898**	3,591,689
Prepaid expenses	**897,486**	567,035
Input tax	**–**	859,473
	₱7,317,455	₱ 12,653,242

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 as at December 31, 2021 and 2020, 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:

	2021	2020
Balance as at beginning of year	**₱ 50,000,000**	₱ 12,500,000
Additional investment	**–**	37,500,000
Balance as at end of year	**₱ 50,000,000**	₱ 50,000,000

The Group's financial assets at FVOCI as at December 31, 2021 and 2020 are not held as collateral for its financial liabilities.

9. INVESTMENT PROPERTY

The Group's investment property pertains to the remaining 138,952 sq.m. land located in Davao which was not covered by the Comprehensive Agrarian Reform Law amounting to ₱162,394 as at December 31, 2021 and 2020.

No revenue nor direct expenses arose on the investment property for the years ended December 31, 2021 and 2020.

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

The aggregate fair value of the investment properties amounted to ₱180,637,600 based on the appraisal done by an independent appraiser on December 17, 2021. The fair value of investment properties was arrived at using a sales comparison approach. Sales comparison approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

The Group's investment property as at December 31, 2021 and 2020 is not held as collateral for its liabilities and are free from any encumbrances.

There are no restrictions on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group has not entered into any contractual commitments to purchase, construct or develop investment property as at December 31, 2021 and 2020.

10. PROPERTY AND EQUIPMENT (net)

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

December 31, 2021	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Right-of-use assets**	**Computer software**	**Total**
Cost						
At beginning of year	**₱81,063,188**	**₱6,326,324**	**₱42,801,856**	**₱4,383,277**	**₱350,000**	**₱134,924,645**
Additions	**11,607**	**1,058,696**	**184,487**	**–**	**–**	**1,254,790**
At end of year	**81,074,795**	**7,385,020**	**42,986,343**	**4,383,277**	**350,000**	**136,179,435**
Accumulated depreciation						
At beginning of year	**44,987,790**	**6,045,255**	**42,264,011**	**1,195,585**	**29,167**	**94,521,808**
Depreciation – note 21	**2,260,587**	**327,200**	**417,651**	**1,024,397**	**116,667**	**4,146,502**
At end of year	**47,248,377**	**6,372,455**	**42,681,662**	**2,219,982**	**145,834**	**98,668,310**
Carrying amount as at December 31, 2021	**₱33,826,418**	**₱1,012,565**	**₱ 304,681**	**₱2,163,295**	**₱204,166**	**₱37,511,125**

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

Fully depreciated property and equipment still in use as at December 31, 2021 and 2020 amounted to ₱87,084,457 and ₱57,016,118, respectively.

Reclassification pertains to the Group's accounting system which was reclassified from other assets.

The Group's transportation equipment with a carrying amount of ₱1,034,255 was held as collateral on its borrowings as at December 31, 2021 (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2021 and 2020 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, 2021 and 2020.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2021	2020
Refundable deposits	**₱8,977,291**	₱7,680,337
Other assets	**243,463**	243,463
	₱9,220,754	₱7,923,800

Refundable deposits consist mainly of security and utility deposits.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2021	2020
Accounts payable	**₱ 21,692,407**	₱18,760,012
Deferred output VAT and other taxes payable	**46,205,290**	38,051,388
Accrued expenses	**5,359,447**	5,320,776
Other payables	**34,638,063**	27,547,215
	₱107,895,207	₱89,679,391

Accounts payable pertain to the amounts due to suppliers which are payable within thirty (30) to ninety (90) days from the date of purchase 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:

	2021	2020
Current	**₱ 90,769,256**	₱ 96,027,677
Noncurrent	**27,192,161**	21,938,614
	₱117,961,417	₱ 117,966,291

The details of borrowings of the Group are as follows:

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance 2021	Outstanding balance 2020	Conditions
Luzon Development Bank							
06/28/2015	Working capital	10/28/2021	10%	35,000,000	**₱–**	6,444,064	[a]
05/26/2017	Working capital	10/26/2021	10%	15,000,000	**–**	3,631,981	[a]
01/18/2018	Working capital	05/13/2022	10%	20,000,000	**2,473,363**	8,008,986	[a]
05/12/2021	Working capital	04/12/2024	10%	12,500,000	**10,037,780**	–	[a]
11/21/2019	Working capital	03/21/2022	11%	20,000,000	**2,747,691**	13,010,319	[a]
09/05/2021	Working capital	02/05/2024	10%	12,000,000	**10,568,453**	–	[a]
12/10/2020	Working capital	11/10/2021	10%	11,594,000	**–**	10,702,736	[a]
08/06/2020	Working capital	09/06/2021	10%	8,624,000	**–**	6,577,102	[a]
08/06/2020	Working capital	09/06/2023	11%	17,000,000	**10,586,570**	15,863,456	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	**5,958,695**	9,059,043	[a]
03/04/2020	Working capital	07/04/2021	11%	14,200,000	**–**	8,511,211	[a]
Philippine Bank of Communications							
06/17/2021	Working capital	12/17/2022	9%	17,376,554	**11,842,019**	–	[b]
08/04/2021	Working capital	02/23/2022	9%	15,596,199	**12,309,350**	–	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	**17,719,545**	–	[b]
Qwick							
08/08/2019	Working capital	03/07/2021	15%	8,266,961	**–**	4,349,024	[c]
03/13/2020	Working capital	08/26/2021	15%	5,466,806	**–**	5,461,547	[c]
09/10/2020	Working capital	03/15/2022	15%	7,326,253	**7,277,219**	7,277,219	[c]
02/02/2021	Working capital	08/10/2022	15%	6,060,113	**6,021,926**	–	[c]
02/18/2021	Working capital	05/30/2022	15%	4,587,997	**4,565,870**	–	[c]
05/12/2021	Working capital	30/11/2022	15%	7,169,483	**7,160,141**	–	[c]
10/05/2021	Working capital	03/30/2023	15%	7,807,598	**7,797,286**	–	[c]
Asia United Bank							
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	**895,509**	–	[d]
Central Visayas Financial Corporation							
08/09/20219	Working capital	03/03/2021	15%	2,212,313	**–**	1,544,870	[e]
01/20/2020	Working capital	08/28/2021	15%	7,381,376	**–**	7,381,376	[e]
02/28/2020	Working capital	06/30/2021	15%	7,063,267	**–**	7,063,266	[e]
03/13/2020	Working capital	09/15/2021	15%	3,114,545	**–**	3,080,091	[e]
				₱294,965694	**₱117,961,417**	₱117,966,291	

a. Luzon Development Bank

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to 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, 2021and 2020 (see Note 6).

b. Philippine Bank of Communications

These borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration ₱51,666,182 as at December 31, 2021 (see Note 5).

c. Qwick

These borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱25,625,193 and ₱17,240,970 as at December 31, 2021 and 2020, respectively (see Note 5).

d. Asia United Bank

Note payable amounted to ₱924,800 and was secured by chattel mortgage with carrying amount of ₱1,034,255 as at December 31, 2021 (see Note 10).

e. Central Visayas Financial Corporation

These borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱21,221,724 as at December 31, 2020 (see Note 5). These were fully paid in 2021.

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

	2021	2020
Balance at beginning of year	**₱117,966,291**	₱ 85,731,766
Additions	**102,716,175**	91,770,246
Payments	**(102,721,049)**	(59,535,721)
Balance at end of year	**₱117,961,417**	₱117,966,291

Total interest on borrowings charged as “Finance costs” in the consolidated statements of comprehensive income amounted to ₱15,842,173, ₱15,867,361 and ₱14,213,128 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 22).

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, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,746,616 and ₱4,828,637, respectively.

15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

	2021	2020
Retention payable	**₱13,893,982**	₱16,152,803
Refundable bonds	**9,963,951**	9,996,291
	₱23,857,933	₱26,149,094

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, 2021 and 2020, deferred gross profit amounted to ₱156,073,566 and ₱144,998,054, respectively. Realized gross profit for current and prior year sales amounted to ₱79,339,510, ₱74,657,704 and ₱108,143,003 in 2021, 2020 and 2019, respectively.

17. CAPITAL STOCK

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

	2021	2020
Common stock: ₱1 par value		
Authorized: 5,000,000,000 shares	**₱5,000,000,000**	₱5,000,000,000
Subscribed	**₱2,891,099,660**	₱1,445,549,830
Less: Subscription receivables	**(1,071,996,697)**	–
Issued and outstanding	**₱1,819,102,963**	₱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.

Share Rights Offer

In a special meeting held on March 25, 2021, the BOD authorized the Rights Offer of 1,445,549,830 common shares with par value of ₱1.00 per share, by way of stock rights offering to eligible existing common shareholders of the Parent Company at the proportion of one (1) right share for every one (1) existing common share held as of record date. All rights shares will be issued from the Parent Company’s unissued authorized capital stock.

After the issuance of 1,445,549,830 common shares subject to rights offer, a total of 2,891,099,660 common shares shall be issued and outstanding. The rights offer will represent 50% of the issued and outstanding common shares.

On November 15, 2021, the Parent Company received the Notice of Approval from the PSE for the Rights Offer. The offer period shall commence on December 6, 2021 and will end on December 13, 2021.

The gross proceeds from the Rights Offer are expected to be ₱1,445,549,830. The net proceeds from the Rights Offer after deducting taxes and PSE fees, are expected to amount to ₱1,423,000,000.

The net proceeds from the Rights Offer are intended for the acquisition of land properties for the Group’s pipeline of projects and the remaining balance to be used for general corporate purposes.

Movement in capital stock as at December 31, 2021 is as follow:

	2021
Issued and outstanding, beginning	**₱1,445,549,830**
Additional subscription	**373,553,133**
Issued and outstanding, ending	**₱1,819,102,963**

Number of shares owned by public totaled 2,205,302,370 and 760,980,740 shares or a public ownership of 76.28 % and 52.64% as at December 31, 2021 and 2020 respectively.

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

	Market value per share
December 31, 2021	**₱0.51**
December 31, 2020	0.425
December 31, 2019	0.430

18. REAL ESTATE SALES

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

	2021	2020	2019
Full accrual	**₱ 56,296,109**	₱ 87,911,248	₱ 65,847,239
Uncompleted projects (POC)	**183,409,693**	130,032,190	146,750,574
	₱239,705,802	₱217,943,438	₱212,597,813

19. COST OF REAL ESTATE SOLD

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

	2021	2020	2019
Full accrual	**₱ 17,506,136**	₱20,502,891	₱21,252,995
Uncompleted projects (POC)	**91,011,593**	69,581,227	74,808,701
	₱108,517,729	₱90,084,118	₱96,061,696

20. OTHER INCOME (CHARGES) – net

Details of other income (charges) - net for the years ended December 31 are as follows:

	2021	2020	2019
Finance income from:			
Advances to affiliates – note 23	**₱11,196,677**	₱10,865,921	₱5,577,659
Installment contract receivables – note 5	**3,343,724**	2,267,829	2,099,119
Cash in banks – note 4	**14,364**	32,565	16,109
Provision for ECL – notes 5 and 23	**(4,430,120)**	(4,684,206)	(3,484,917)
Stock rights offering expenses	**(3,423,729)**	–	–
Miscellaneous income	**5,963,830**	1,666,857	3,376,916
	₱ 12,664,746	₱ 10,148,966	₱7,584,886

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

21. OPERATING EXPENSES

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

	2021	2020	2019
Salaries and wages	**₱18,200,229**	₱15,814,691	₱21,645,351
Commissions	**9,667,971**	7,028,261	11,559,372
Loss on cancelled contracts	**6,542,785**	4,956,411	17,401,681
Taxes and licenses	**5,828,972**	6,629,326	7,844,113
Representation and entertainment	**4,709,921**	5,005,844	5,820,047
Depreciation - note 10	**4,146,502**	4,276,937	4,352,248
Professional and legal fees	**3,328,202**	2,063,435	2,618,947
Communication, light and water	**2,518,091**	2,273,370	2,513,800
Employee benefits	**2,326,878**	1,926,752	2,839,756
Retirement benefits – note 25	**2,284,481**	2,178,794	1,669,470
Advertising	**1,230,064**	1,686,689	3,542,336
Travel and transportation	**1,151,417**	1,599,877	2,140,919
Supplies	**1,079,076**	1,174,614	891,996
Repairs and maintenance	**699,874**	710,874	780,124
Dues and subscription	**680,148**	691,749	670,424
Penalty fee, interests and surcharges	**571,954**	1,310	1,224,160
Security services	**528,792**	548,844	296,895
Rental – note 27	**275,865**	141,464	92,423
Directors' fees	**206,786**	38,928	160,000
Janitorial services	**184,968**	218,221	17,061
Insurance	**161,818**	305,682	160,430
Meetings, trainings and seminars	**26,518**	–	61,467
Sports and recreation	**–**	–	208,872
Miscellaneous	**1,802,432**	2,520,628	2,474,065
	₱68,153,744	₱61,792,701	₱ 90,985,957

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:

	2021	2020	2019
Borrowings – note 13	**₱ 15,842,173**	₱ 15,867,361	₱14,213,128
Lease liabilities – note 27	**220,484**	229,446	254,990
	₱ 16,062,657	₱ 16,096,807	₱14,468,118

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 as at December 31, 2021 and 2020 are as follows:

December 31, 2021	**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)*	**₱ 192,820,924**	**₱ 462,770**	**₱ 3,856,618**	**₱ –**	**₱ 197,140,312**
Forum Holdings Corp. *(b)*	**38,330,030**	**91,993**	**766,601**	**–**	**39,188,624**
Kennex Container Corp. *(b)*	**35,813,305**	**85,952**	**716,266**	**–**	**36,615,523**
Orient Pacific Corp. *(b)*	**34,127,821**	**60,087**	**500,721**	**–**	**34,688,629**
Noble Arch Realty and Construction *(c)*	**4,870,977**	**38,642**	**96,464**		**5,006,083**
Pacific Rehouse Corporation *(f)*	**891,363**	**100**	**–**	**(17,477)**	**873,986**
Metro Alliance Holdings and Equities Corporation *(e)*	**268,260,352**	**1,262,402**	**5,260,007**	**–**	**274,782,761**
Stockholders					
International Polymer Corp.*(b)(d)*	**866,400**	**–**	**–**	**(866,400)**	**–**
	575,981,172	**2,001,946**	**11,196,677**	**(883,877)**	**588,295,918**
Allowance for ECL	**(30,431,538)**	**(4,566,771)**	**–**	**–**	**(34,998,309)**
	₱ 545,549,634	**(₱2,564,825)**	**₱11,196,677**	**(₱ 883,877)**	**₱ 553,297,609**

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

Advances to related parties as at December 31 consist of:

	2021	2020
Current	**₱ –**	₱276,397,919
Noncurrent	**553,499,982**	269,151,715
	₱553,499,982	₱545,549,634

Details of the Group's advances from related parties as at December 31, 2021 and 2020 are as follows:

December 31, 2021	**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**
The Wellex Group, Inc.	**7,972,400**	**–**	**(34,161)**	**7,938,239**
Concept Moulding Corp.	**3,830,646**	**–**	**–**	**3,830,646**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
Inland Container Corporation	**–**	**2,500,000**	**(1,500,000)**	**1,000,000**
Stockholders				
International Polymer Corp.	**–**	**3,352**		**3,352**
	₱104,024,033	**₱ 2,503,352**	**(₱ 1,534,161)**	**₱104,993,224**

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
The Wellex Group, Inc.	7,972,400	–	–	7,972,400
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
	₱104,024,033	₱ –	₱ –	₱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 three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, PCC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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 reissued a promissory note indicating an extension of term for three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, FHC, KCC and OPC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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 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 reissued a promissory note indicating an extension of term for three (3) years, starting January 31, 2018 and will mature on January 31, 2021 on the remaining balance. On February 1, 2021, NARCC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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, 2021 and 2020 (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 ₱10,520,014 and ₱5,260,007 as at December 31, 2021 and 2020, respectively.

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

The remuneration of key management personnel of the Parent Company under aggregate amount specified in PAS 24, '*Related Party Disclosures*' for the years ended December 31 is as follows:

	2021	2020	2019
Short-term employee benefits	**₱ 3,408,000**	₱ 3,060,000	₱ 3,672,000
Post-employment benefits	**282,603**	306,000	306,000
Share-based payments	**–**	–	–
Other long-term benefits	**–**	–	–
	₱3,690,603	₱ 3,366,000	₱ 3,978,000

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, 2021 and 2020.

24. 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:

	2021	2020	2019
Income before tax	**₱ 7,787,855**	₱ 6,917,162	₱10,273,814
Tax at applicable statutory rate:	**2,176,825**	2,075,149	3,082,144
Tax effect of:			
Nondeductible expenses	**2,960,452**	2,895,232	7,112,842
Expired NOLCO	**3,833**	5,859	5,464
Interest income subjected to final tax	**(3,591)**	(9,770)	(4,833)
Change in unrecognized deferred tax assets	**(1,256,643)**	1,405,102	1,045,557
Change in income tax rate	**(7,622,627)**	–	–
	(₱3,741,751)	₱ 6,371,572	₱11,241,174

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

	2021	2020
Deferred tax assets		
Allowance for ECL	**₱10,169,297**	₱11,422,133
Retirement benefits obligation	**4,133,055**	4,484,322
Lease liabilities	**601,354**	1,016,939
NOLCO	**13,187**	16,994
	14,916,893	16,957,382
Less: Unrecognized deferred tax assets	**(10,182,484)**	(11,456,121)
	₱ 4,734,409	₱ 5,501,261
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱50,350,102**	₱60,378,100
Remeasurement gain on retirement benefits	**1,440,861**	875,253
Right-of-use assets (net)	**540,824**	956,308
	₱52,331,787	₱62,209,661

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 ₱711,483, ₱52,709, and (₱621,561) for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 25).

Effect of change in income tax rate on deferred income tax recognized in other comprehensive income amounted to ₱145,875 (see Note 25).

As at December 31, 2021, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year Incurred	Expiration Date	2020	Additions	Expired	Claimed	**2021**
2021	2026	₱ –	₱28,452	₱ –	₱ –	**₱28,452**
2020	2025	18,997	–	–	–	**18,997**
2019	2022	18,488	–	–	–	**18,488**
2018	2021	19,163	–	(19,163)	–	**–**
		₱56,648	₱28,452	(₱19,163)	₱ –	**₱65,937**

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax Incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Group 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 ₱5,000,000 and with total assets not exceeding ₱100,000,000, 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. The imposition of improperly accumulated earnings is repealed.

The impact of the CREATE Act 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 Act*	Impact of CREATE Act
Consolidated Statements of Financial Position			
Deferred tax assets	₱ 16,940,388	₱ 13,885,818	**(₱3,054,570)**
Unrecognized DTA	(11,439,127)	(9,301,434)	**2,137,693**
Deferred tax liabilities	62,209,661	51,841,385	**(10,368,276)**
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	765,618	(6,504,704)	**(7,270,322)**
Remeasurement loss on retirement benefits	122,989	268,864	**145,875**

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

25. 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, 2021.

The movement in the retirement benefits obligation for the years ended December 31, 2021 and 2020 is as follows:

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Retirement benefits obligation**
January 1, 2021	**₱ 12,414,054**	**(₱ 383,823)**	**₱ 12,030,231**
Retirement expense:			
Current service costs	**1,808,765**	**–**	**1,808,765**
Interest expense (income)	**491,597**	**(15,881)**	**475,716**
	2,300,362	**(15,881)**	**2,284,481**
Benefits paid	**(665,600)**	**665,600**	**-**
Contributions	**-**	**(700,000)**	**(700,000)**
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	**(1,405,092)**	**–**	**(1,405,092)**
Experience/return	**(1,460,187)**	**19,347**	**(1,440,840)**
	(2,865,279)	**19,347**	**(2,845,932)**
As at December 31, 2021	**₱ 11,183,537**	**(₱ 414,757)**	**₱ 10,768,780**

	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)
December 31, 2020	₱12,414,054	(₱ 383,823)	₱ 12,030,231

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

	2021	2020
Balance at beginning of year	**₱ 2,042,257**	₱ 1,919,268
Amounts recognized in OCI	**2,845,932**	175,698
Effect of change in income tax rate	**145,875**	–
	5,034,064	2,094,966
Attributable tax	**(711,483)**	(52,709)
Balance at end of year	**₱ 4,322,581**	₱ 2,042,257

Remeasurement gain (loss), net of related tax amounting to ₱711,483, ₱52,709 and (₱621,561) (see Note 25), in the consolidated statements of comprehensive income for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2,280,324, ₱122,989, and (₱1,450,309), respectively. Effect of change in income tax rate on deferred income tax recognized in other comprehensive income amounted to ₱145,875 (see Note 24).

The total retirement benefits expense recognized is included in operating expenses for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2,284,481, ₱2,178,794, and ₱1,669,470, respectively (see Note 21).

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

	2021	2020
Cash and cash equivalents	**₱ 355,530**	₱ 328,057
Government bonds and securities	**59,227**	55,766
	₱ 414,757	₱ 383,823

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, 2021 and 2020.

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

	2021	2020
Interest income	**₱ 15,881**	₱ 28,311
Loss on plan assets, excluding amounts included in net interest cost	**(19,347)**	(26,585)
	(₱3,466)	₱ 1,726

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

	2021	2020
Discount rate	**5.09%**	3.96%
Salary rate increase	**5.00%**	5.00%

The discount rate at December 31, 2021 and 2020 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, 2021	**Impact on retirement benefits obligations**		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**100 bps**	**Decrease by 11.0%**	**Decrease by 9.1%**
Salary increase rate	**100 bps**	**Increase by 10.9%**	**Decrease by 9.2%**

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%

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 10.0 years and 10.1 years in 2021 and 2020, respectively.

The Group does not expect any contributions to post-employment benefit plans for the years ending December 31, 2022 and 2021, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

2021	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefits obligation	**₱ –**	**₱3,261,615**	**₱3,358,033**	**₱3,409,792**	**₱10,029,440**

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

26. 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, 2021	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Parent Company Total
Revenue							
Realized gross profit	₱ –	₱38,998,356	₱7,983,558	₱ 32,357,596	₱ –	₱ –	₱ 79,339,510
Other income	3,357,158	808,335	108,971	3,451,876	828,906	4,109,500	12,664,746
	3,357,158	39,806,691	8,092,529	35,809,472	828,906	4,109,500	95,004,256
Expenses							
Depreciation	2,736,740	441,033	414,358	554,371	–	–	4,146,502
Loss on cancelled contracts	–	4,803,720	–	1,739,065	–	–	6,542,785
Other expenses	30,861,645	8,714,367	3,632,801	11,656,400	163,500	151,263	55,179,976
	33,598,385	13,959,120	4,047,159	13,949,836	163,500	151,263	65,869,263
Segment income (loss)	(30,241,227)	25,847,571	4,045,370	21,859,636	665,406	3,958,237	26,134,993
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
Net income (loss) for the year	(₱44,626,130)	₱25,798,678	₱3,935,427	₱ 21,797,988	₱ 665,406	₱ 3,958,237	₱ 11,529,606
Segment assets	₱1,062,220,506	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,047,814,510
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
Total assets	₱1,066,954,915	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,052,431,176
Segment liabilities	₱123,006,466	₱137,074,660	₱61,635,147	₱128,756,375	₱457,696	₱373,403	₱450,966,709
Borrowings	117,961,417	–	–	70,782	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
Total liabilities	₱251,665,881	₱137,074,660	₱61,635,147	₱128,827,157	₱457,696	₱373,403	₱580,033,944

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Parent Company 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	2,408,086	–	10,148,966
	7,353,354	28,194,014	1,823,414	47,445,825	–	83,897,048
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	31,732,851	6,198,882	1,489,030	10,802,705	157,090	50,380,559
	35,609,455	9,413,583	1,518,723	12,915,055	157,090	59,613,907
Segment income (loss)	(28,256,101)	18,780,431	304,691	34,530,770	(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	(₱52,684,934)	₱18,737,529	₱ 163,167	₱ 34,496,856	(₱ 157,090)	₱545,590
Segment assets	₱494,950,871	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,644,808,098
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱500,452,132	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,650,309,359
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

Although Davao and Valenzuela segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2021 and 2020, 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.

27. 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:

	2021	2020
Current	**₱ 1,091,736**	₱ 984,384
Noncurrent	**1,313,678**	2,405,414
	₱ 2,405,414	₱ 3,389,798

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

	2021	2020
Not later than one year	**₱ 1,246,094**	₱ 1,204,868
Later than one year but not later than five years	**1,425,616**	2,671,711
Future minimum lease payments	**2,671,710**	3,876,579
Amounts representing finance charges	**(266,296)**	(486,781)
	₱ 2,405,414	₱ 3,389,798

The net carrying amount of the right-of-use assets recognized as at December 31, 2021 and 2020 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱220,484, ₱229,446 and ₱254,990 for the years ended December 31, 2021, 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 and billboard space amounted to ₱275,865, ₱141,464 and ₱92,423, for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 21).

28. 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 (2^{nd}) 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 (19^{th}) 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 (6^{th}) 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.

29. EARNINGS (LOSS) PER SHARE

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

	2021	2020	2019
Net income (loss)	**₱ 11,529,606**	₱ 545,590	(₱ 967,360)
Weighted average number of common shares outstanding during the year	**1,819,102,963**	1,445,549,830	1,445,549,830
Earnings (loss) per share	**₱ 0.006**	₱ 0.000	(₱ 0.001)

30. 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 in banks, 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 in banks, 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 in the consolidated statements of financial position, as summarized below:

		December 31, 2021			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	(a)		**₱ 384,776,940**	**₱ –**	**₱ 384,776,940**
Trade and other receivables – note 5	(b)	Lifetime ECL	**625,288,218**	**(7,505,588)**	**617,782,630**
Advances to related parties – note 23	(c)	Lifetime ECL	**588,295,918**	**(34,998,309)**	**553,297,609**
Refundable deposits classified as "Other noncurrent assets"	(d)		**8,977,291**	**–**	**8,977,291**
Total			**₱ 1,607,338,367**	**(₱42,503,897)**	**₱1,564,834,470**

		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

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, 2021 and 2020 was determined based on credit risk grading, as follows for trade and other receivables, and advances to related parties:

December 31, 2021	**ECL rate**	**Cash in banks**	**Trade and other receivables**	**Advances to related parties**	**Refundable deposits**	**Total**	**ECL**
Performing	0%	**₱384,776,940**	**₱ 605,583,592**	**₱ 553,297,609**	**₱8,977,291**	**₱1,552,635,432**	**₱ –**
Doubtful							
1-30 days	0.25%	–	**180,802**	–	–	**180,802**	**452**
31-90 days	1.25%	–	**162,767**	–	–	**162,767**	**2,035**
91-180 days	2.50%	–	**250,486**	–	–	**250,486**	**6,262**
181-360 days	6.25%	–	**741,464**	–	–	**741,464**	**46,342**
In default							
1-2 years	12.50%	–	**3,461,480**	–	–	**3,461,480**	**432,685**
2-3 years	25.00%	–	**2,900,990**	–	–	**2,900,990**	**725,247**
3-5 years	50.00%	–	**11,428,143**	–	–	**11,428,143**	**5,714,071**
Write-off	100%	–	**578,494**	**34,998,309**	–	**35,576,803**	**35,576,803**
		₱384,776,940	**₱625,288,218**	**₱ 588,295,918**	**₱8,977,291**	**₱1,607,338,367**	**₱ 42,503,897**

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

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 2021, 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, 2021	**On Demand**	**Within 1 year**	**1 to 5 Years**	**Total**
Accounts payable and other liabilities*	**₱61,689,917**	**₱ –**	**₱ –**	**₱61,689,917**
Borrowings	–	**90,769,256**	**27,192,161**	**117,961,417**
Lease liabilities	–	**1,091,736**	**1,313,678**	**2,405,414**
Advances from related parties	–	–	**104,993,224**	**104,993,224**
Retention payable and guarantee bonds	–	–	**23,857,933**	**23,857,933**
	₱61,689,917	**₱91,860,992**	**₱157,356,996**	**₱310,907,905**

**excluding deferred output VAT and other taxes payable*

		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

**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, 2021 and 2020, 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, 2021 and 2020 would decrease/increase by ₱5,000,000.

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, 2021	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	₱384,776,90	₱ –	₱ 384,776,940
Installment contract receivables, gross	12%	Fixed at the date of sale	563,736,634	30,224,677	593,961,311
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	–	588,295,917	588,295,917
			₱948,513,574	₱618,520,594	₱1,567,034,168
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱ 90,769,256	₱ 27,192,161	₱ 117,961,417

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

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:

2021			2020		
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%	**₱7,245,364**	**₱5,434,023**	+0.5%	₱5,122,894	₱3,586,026
-0.5%	**(₱7,245,364)**	**(₱5,434,023)**	-0.5%	(₱5,122,894)	(₱3,586,026)

31. 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 in the Group's consolidated statements of financial position amounting to ₱1,472,397,232 and ₱1,085,034,169 as at December 31, 2021 and 2020, 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	**₱ 580,033,944**	₱ 565,275,190
Total equity	**1,472,397,232**	1,085,034,169
	0.39:1	0.52:1

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.

32. 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, 2021	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Installment contracts receivables	**₱ 593,961,311**	**₱ 593,467,862**	**Level 2**	**(a)**
Refundable deposits	**8,977,291**	**8,830,727**	**Level 2**	**(b)**
Receivable from contractors	**6,401,865**	**6,072,267**	**Level 2**	**(b)**
Investment property	**162,394**	**180,637,600**	**Level 2**	**(e)**
Advances to related parties	**553,297,609**	**531,812,389**	**Level 2**	**(c)**
	₱1,162,800,470	**₱1,320,820,845**		
Financial liabilities at amortized cost				
Advances from related parties	**₱ 104,993,224**	**₱ 100,916,209**	**Level 2**	**(c)**
Borrowings	**117,961,417**	**116,561,437**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**23,857,933**	**23,000,902**	**Level 2**	**(b)**
Lease liabilities	**2,405,414**	**2,337,780**	**Level 2**	**(d)**
	₱ 249,217,988	**₱ 242,816,328**		

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	162,394	240,240,000	Level 2	(e)
Advances to related parties	545,549,634	540,272,149	Level 2	(c)
	₱1,140,941,989	₱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		

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

Financial asset at FVOCI amounting to ₱50,000,000 as at December 31, 2021 and 2020, 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 1.66% and 1.71% as at December 31, 2021 and 2020, 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 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 2020.

(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 2021 and 2020.

(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 of 2.68% in 2021 and 1.85% to 5.07% in 2020.

(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.

33. PRIOR PERIOD ADJUSTMENT

The prior period adjustments resulted from derecognition of investment property as a result of cancelled titles subjected to Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act 6657 under the Mandatory Land Acquisition.

The effect of restatement is as follows:

	As previously stated	Effect of Prior period adjustment	As restated
January 1, 2019			
Change in asset			
Investment property	₱1,072,016	(₱909,622)	₱ 162,394
Change in equity			
Deficit	(361,226,525)	(909,622)	(362,136,148)

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, 2021	**Changes from financing cash flows**	**Balance as at December 31, 2021**
Borrowings	**₱ 117,966,291**	**(₱ 4,874)**	**₱ 117,961,417**
Advances from related parties	**104,024,033**	**969,191**	**104,993,224**
Lease liabilities	**3,389,798**	**(984,384)**	**2,405,414**
	₱ 225,380,122	**(₱ 20,067)**	**₱ 225,360,055**

	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

* * *

Components of Financial Soundness Indicators

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 5, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2021

Ratio	Formula	2021	2020
Profitability ratios:			
Return on assets	Net income	**₱ 11,529,606**	₱ 545,590
	Divided by: Total assets	**2,052,431,176**	1,650,309,359
	Return on assets	**0.01:1**	0.00:1
Return on equity	Net income	**₱ 11,529,606**	₱ 545,590
	Divided by: Total equity	**1,472,397,232**	1,085,034,169
	Return on equity	**0.01:1**	0.00:1
Net profit margin	Net income	**₱ 11,529,606**	₱ 545,590
	Divided by: Total revenue	**239,705,802**	217,943,438
	Net profit margin	**0.05:1**	0.00:1
Gross profit margin	Total revenue	**₱ 239,705,802**	₱ 217,943,438
	Less: Cost of real estate sold	**108,517,729**	90,084,118
	Gross profit	**131,188,073**	127,859,320
	Divided by: Total revenue	**239,705,802**	217,943,438
	Gross profit margin	**0.55:1**	0.59:1
Solvency and liquidity ratios:			
Current ratio	Current assets	**₱ 1,360,878,343**	₱ 1,236,473,324
	Divided by: Current liabilities	**359,576,381**	336,518,143
	Current ratio	**3.78:1**	3.67:1
Debt to equity ratio	Total liabilities	**₱ 580,033,944**	₱ 565,275,190
	Divided by: Total shareholder's equity	**1,472,397,232**	1,085,034,169
	Debt to equity ratio	**0.39:1**	0.52:1
Quick ratio	Quick assets*	**₱ 966,189,474**	₱ 833,085,193
	Divided by: Current liabilities	**359,576,381**	336,518,143
	Quick ratio	**2.69:1**	2.48:1
Cashflow liquidity ratio	Cashflow from operations	**₱ 14,396,227**	₱ 11,973,976
	Divided by: Current liabilities	**359,576,381**	336,518,143
	Cashflow liquidity ratio	**4.00%**	3.56%

Financial leverage ratio			
Asset to equity ratio	Total assets	**₱2,052,431,176**	₱1,650,309,359
	Divided by: Total shareholder's equity	**1,472,397,232**	1,085,034,169
	Asset to equity ratio	**1.39:1**	1.52:1
Debt to asset ratio			
	Total liabilities	**₱ 580,033,944**	₱ 565,275,190
	Divided by: Total assets	**2,052,431,176**	1,650,309,359
	Debt to asset ratio	**0.28:1**	0.34:1
Interest rate coverage ratio			
	Earnings before interest and tax	**₱ 23,850,512**	₱ 23,013,969
	Divided by: Interest expense	**16,062,657**	16,096,807
	Interest rate coverage ratio	**1.48:1**	1.43:1

**Includes Cash and Current Receivables*

Diaz Murillo
Dalupan and Company

WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

Statement Required by Rule 68, Part I, Section 5,
Revised Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 5, 2022. The supplementary information shown in the *List of Supplementary Information* as additional component required by Rule 68, Part I, Section 5 of the Revised Securities Regulation Code, is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic consolidated financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
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BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
List of Supplementary Information
DECEMBER 31, 2021

SEC Supplementary Schedule as Required by the Revised SRC Rule 68

A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)

B. Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

D. Long-Term Debt

E. Indebtedness of Related Parties

F. Guarantees of Securities of Other Issuers

G. Capital Stock

Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

Map showing the Relationship between the Company and its Related Entities

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)
December 31, 2021

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at balance sheet date	Income received and accrued
Financial assets at FVOCI				
Waterfront Manila Premier Development, Inc.	500,000	₱50,000,000	₱ –	₱ –

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule B – Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additional	Accrual of Interest	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Instalment contract receivable								
International Polymer Corp.	₱ 4,340,519	₱ –	₱ –	₱ –	₱ –	₱ –	₱ 4,340,519	₱ 4,340,519
Advances to employees								
(under Trade and other receivables)	8,895,600	–	–	(2,658,316)	–	6,237,284	–	6,237,284
Plastic City Corp.	192,820,924	462,770	3,856,618	–	–	–	197,140,312	197,140,312
Forum Holdings Corp.	38,330,030	91,993	766,601	–	–	–	39,188,624	39,188,624
Kennex Container Corp.	35,813,305	85,952	716,266	–	–	–	36,615,523	36,615,523
Orient Pacific Corp.	34,127,821	60,087	500,721	–	–	–	34,688,629	34,688,629
Noble Arch Realty and Construction	4,870,977	38,642	96,464	–	–	–	5,006,083	5,006,083
Pacific Rehouse Corporation	891,363	100	–	(17,477)	–	–	873,986	873,986
Metro Alliance Holdings and Equities Corporation	268,260,352	1,262,402	5,260,007	–	–	–	274,782,761	274,782,761
International Polymer Corp.	866,400	–	–	(866,400)	–	–	–	–
	₱589,217,291	**₱2,001,946**	**₱11,196,677**	**(₱3,542,193)**	**₱ –**	**₱6,237,284**	**₱592,636,436**	**₱598,873,721**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Subsidiary Mariano Arroyo Development Corporation	₱ 171,921	₱ 30,452	₱ –	₱ –	₱ –	₱ 202,373	₱ 202,373

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule D – Long Term Debt
December 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in the related statement of financial position
Loan payable	Not Applicable	₱ 90,769,256	₱ 27,192,161

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule E – Indebtedness to Related Parties (Long Term Loans From Related Companies)
December 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
Waterfront Cebu City Hotel	₱ 92,054,457	₱ 92,054,457
The Wellex Group, Inc.	7,972,400	7,938,239
Concept Moulding Corp.	3,830,646	3,830,646
Inland Container Corporation	–	1,000,000
Manila Pavilion	166,530	166,530
Stockholders		
International Polymer Corp.	–	3,352
	₱ 104,024,033	**₱ 104,993,224**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2021

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

Not Applicable

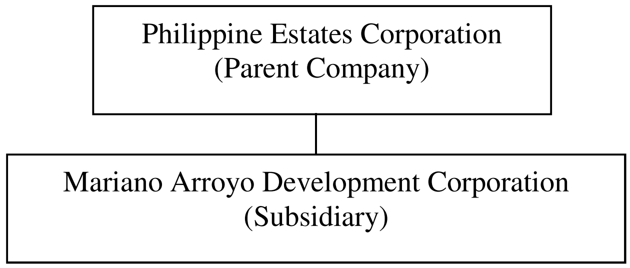
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule G – Capital Stock
December 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,819,102,963	–	682,510,990	3,286,300	1,133,305,673

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Reconciliation of Retained Earnings Available For Dividend Declaration
December 31, 2021

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱ –	
Add: Net income actually earned/realized during the period	–	
Net income during the period closed to Retained Earnings	–	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	–	
Add: Non-actual losses	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period		₱ –
Add (Less):		
Dividend declarations during the period	–	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
TOTAL RETAINED EARNINGS		–
END AVAILABLE FOR DIVIDEND		₱ –

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
Map of Conglomerate or Group of Companies within which the Company Belongs
December 31, 2021



Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Philippine Estates Corporation (**PHES**)
Location of Headquarters	35TH Floor One Corporate Centre, Ortigas Center, Pasig City
Location of Operations	PHES's projects and other developmental activities are located in the cities of Bulacan, Cebu and Iloilo
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	None
Business Model, including Primary Activities, Brands, Products, and Services	The principal activity of **PHES** 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.
Reporting Period	For the Year Ended December 31, 2021
Highest Ranking Person responsible for this report	Mr. Glenn Gerald D. Pantig -*Chief Operating Officer* Ms. Jocelyn A. Valle – *Finance Head and Compliance Officer*

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
For Philippine Estates Corporation's (the Company) submission of this Sustainability Report, we identified the material topics which are deemed relevant to the operations of the Company on the basis of the Sustainability Accounting Standards Board (SASB) Materiality Map, specifically, for the Real Estate Industry. PHES identified the following issues as most likely to affect the economic, environmental and social impacts of the Company: 1. Environmental - Energy Management, Waste and Wastewater Management; 2. Social - Labor Practices, Product and/or Service Quality and Safety; 3. Economic - Supply Chain Management.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	239.71M	PhP
Direct economic value distributed:		
a. Operating costs	108.52M	PhP
b. Employee wages and benefits	20.5M	PhP
c. Payments to suppliers, other operating costs	61.0M	Php
d. Dividends given to stockholders and interest payments to loan providers	0.00	PhP
e. Taxes given to government	9.85M	PhP
f. Investments to community (e.g. donations, CSR)	0.03M	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact is on the generation of employment opportunities where the Company operates its businesses.	Employees, Community,	*The Company, as much as possible, employs personnel who are residents of the provinces where the Company's projects are located; these personnel are hired for managerial, staff, and skilled positions.*
Procurement from local businesses of goods and services essential to the project development and construction of buildings.	Suppliers	*As much as possible, the Company relies on contractors, suppliers, and service providers such as banks, that are based in the provinces where its projects are located.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Contractor's availability. Certain skills and capabilities required in the delivery of the services necessary to the operations. This may not be readily available from the community where the Company operates.	Contractor/Labor	*The Company does not rely on just one (1), or even several contractors. Numerous contractors are kept in the Company's contact, and at the same time, there is a continuous attempt to look for new contractors.*

Unstable Prices because of taxes and availability of construction materials limited to certain suppliers.	Suppliers/Government	*Aside from maintaining a relationship with several suppliers, the Company may, as the need arises, purchase additional orders of items that it deems as essential and may be subject to sudden increases in price or significant reduction in supply.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company remains committed to support the government as a partner in providing quality residential buildings to meet the growing demands of local residents and relatives abroad. This results to need more manpower and construction materials for the operations.	Labor and Suppliers	*The Company has introduced projects in various locations throughout the Philippines, and will continue to look for various areas of expansion, in order to provide residences to more people. The Company has also introduced more products at different price points, so that each project can cater to more than 1 economic group.*

Climate-related risks and opportunities[2]

The Company has yet to implement certain metrics and targets to assess and manage the relevant climate-related risks and opportunities at this stage.

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	85%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Most of the suppliers of construction materials and labors are from local business partners. This will lessen the delivery cost and it saves time from finishing the project.	Suppliers and Labors	*Since the Company relies mostly on local contractors, the contractors themselves, as much as possible, source their own materials from local suppliers, to ensure lower costs.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The availability of the type of materials and services may not be sufficient or meet the standard requirements by the Company on its operations.	Suppliers, Labor	*The Company, as the need arises, aids suppliers in sourcing of materials if the contractors are unable to find the proper materials. This is done through the Company's own network of suppliers who have provided for the Company previously.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The opportunity to use construction materials that are locally produced which are sustainable at any given construction period.	Suppliers	*Unless as a last resort, all materials used for construction are sourced from suppliers from the same location as the projects of the Company.*

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption	100%	%

training		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	-	#
Number of incidents in which employees were dismissed or disciplined for corruption	-	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of		

this reporting period		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	3,000	Liter
Energy consumption (electricity)	20,000	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh
Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	60,000	Cubic meters
Water consumption	80,000	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	-	kg/liters
• non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where	Which stakeholders are	Management Approach

does it occur? What is the organization's involvement in the impact?	affected?	
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
Habitats protected or restored	-	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	-	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.	*(e.g. employees, community, suppliers, government, vulnerable groups)*	

[3] International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	-	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies	**Which stakeholders are**	**Management Approach**

Identified?	affected?	
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Air pollutants

Disclosure	Quantity	Units
NO_x	---	Mg/NCM
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-------	kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled	-------	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The impact is on the environment which contributed to the rapid filling-up of the landfills capacity in the community	Community	*The Deed of Restrictions and Construction Guidelines that the Company imposes on all residents/buyers provide instructions on how garbage/waste is supposed to be disposed of; furthermore, in compliance with local ordinances, a Material Recovery Facility (MRF) is integrated in the project plans for compliance. The Company also ensures proper coordination with the local government authorities on the collection and disposal services offered in the location of each project.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Waste materials may cause accident or even flooding.	Community	*For each project site, the Company hires a Consultancy and Design firm to properly study and plan the technicalities pertaining to the drainage system in order to prevent any future problems that may arise. The Company also hires Property Management personnel who are trained and knowledgeable in maintenance of developments. Included in their scope of works is ensuring that all drainage lines are clean and no build-up of materials hampers the flow of sewage or flood water.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

The Company practice the proper segregation of waste bring this practice by the employees to their homes.	Community/Employees	*The Company, in compliance with the rules and regulations of the Department of Natural Resources, constructs material recovery facilities in each of its projects so that there are specific areas designated for the segregation of waste materials.*

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		Kg
Total weight of hazardous waste transported		Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	Ph0.00
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	**Which stakeholders are**	**Management Approach**

	affected?	
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has no material opportunity(ies) identified under this category as of this reporting period		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]		
a. Number of female employees	42	#
b. Number of male employees	25	#
Attrition rate[5]	25%	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	2.4%	0.00%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	90%	90%
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	Y	-	4%
Further education support	N		
Company stock options	N		
Telecommuting	Y	100%	100%
Flexible-working Hours	N		
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company is fully involved in ensuring that these benefits are fully complied with for the motivation and efficiency of the employees.	*All government mandated wages and benefits are strictly complied with by the Company.*

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	Management Approach
If not complied with these benefits, the employees become demotivated and inefficient.	*Non-compliance by the Company of the wages and benefits that are legally mandated by law may result not only in employee demotivation, but also in penalties by the government.*
What are the Opportunity/ies Identified?	**Management Approach**
Giving these benefits would be resulted to work-life balance, motivated and efficient employees	*Employee satisfaction does not only lead to employee retention, but definitely to increased productivity.*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	-	hours
b. Male employees	-	Hours
Average training hours provided to employees		
a. Female employees	-	hours/employee
b. Male employees	-	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Having competent and skilled employees would result to a high level of performance that may contribute to the Company's goals and objectives.	*Aside from the appropriate training for the employees depending on their qualifications and specializations, the Company encourages employees to explore other disciplines and assigns tasks that can serve as their training for other areas in the business. For example, Engineers and Architects have been introduced to some accounting principles and have been asked to prepare reports that deal with various matters, not just construction issues.*
What are the Risk/s Identified?	**Management Approach**
Skilled and competent employee is marketable which may lead to increased attrition rate.	*The Company tries to ensure the retention of competent employees through regular performance evaluation and feedback, wherein promotion and increased remuneration may be considered for the employees.*

What are the Opportunity/ies Identified?	Management Approach
Having standard trainings will continuously improve the process in executing the finished project.	*With the continuous introduction of new methods and technologies in the real estate industry, providing training to the employees will allow the Company to keep up with the competition. The employees will not be the only ones to benefit from the trainings, but the Company itself as well.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PHES provides quality jobs and growth opportunities for its employees. Thus, the Company has stronger labor and management relationship.	*As mentioned, the Company conducts performance evaluations wherein the employees are apprised of how their production for the previous year compared to the goals set at the start of the year. It is through the evaluation wherein the adjustment in compensation and position, if applicable, is determined.*
What are the Risk/s Identified?	**Management Approach**
There's no significant risk(s) identified under this category.	
What are the Opportunity/ies Identified?	**Management Approach**
Implementation of annual performance based approach institutes stronger labor-management relationship.	*By providing a venue for employees to hear what is expected of them and how they performed for the previous year, the Company allows for transparency and an open communication line that will hopefully continually enhance the employer-employee relationship.*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	62.69%	%
% of male workers in the workforce	37.31%	%

Number of employees from indigenous communities and/or vulnerable sector*	1	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There's no significant impact under this category	
What are the Risk/s Identified?	**Management Approach**
There's no significant risk(s) identified under this category	
What are the Opportunity/ies Identified?	**Management Approach**
There's no significant opportunity(ies) identified under this category	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	X 8 HRS	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	-	#
No. of safety drills	2 (two)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the health and safety of employees and contractors within the business operation.	*The Company adheres to the required health and safety measures prescribed by law, which includes the assignment of Safety Officer(s). For the site operations, both the Engineering/Construction and Property Management teams ensure that the employees and contractors observe the proper safety standards.*
What are the Risk/s Identified?	**Management Approach**
Even though there are safety measures in place,	*The Company's Employee Handbook provides for appropriate penalties for non-compliance with*

some employees may opt not to follow the guidelines.	*the set health and safety guidelines enumerated therein.*
What are the Opportunity/ies Identified?	**Management Approach**
Having safety guidelines in the workplace may avoid any untoward incidents.	*As an added precaution, part of the benefits provided to employees is a medical plan, which is enjoyed by all employees of the Company.*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	-	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	Health & Safety Policy, Data Privacy Policy, Solo Parent Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In compliance with the labor code, the Company is doing the best for its employee's rights.	*As a publicly listed company, PHES ensures strict compliance with the Labor Code of the Philippines.*
What are the Risk/s Identified?	**Management Approach**
May lead to lawsuits if not properly managed.	*Aside from employing a Human Resources practitioner, the company also employs the services of lawyers to protect the Company from possible lawsuits.*
What are the Opportunity/ies Identified?	**Management Approach**
If properly managed, it will establish healthy working environment.	*With the proper guidelines in place, the Company expects improved employee satisfaction and lesser turnover.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

https://phes.com.ph

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	The Company's projects are compliant with the national government's DENR, ECC and all LGU's requirements
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the supplier's quality and efficient services in providing the standard materials required by the Company.	*As much as possible, all purchases made by the Company, whether items or services, are coursed through the Purchasing Department, after passing through the bidding and award process. This procedure allows for careful evaluation by the Bids and Awards Committee of the quality or capacity of the bidder, prior to finalizing the purchase.*
What are the Risk/s Identified?	**Management Approach**
If Company policy in terms of qualifying suppliers is not properly followed, there may be a cost effect or may compromise the quality of the materials or services to be rendered.	*The Company continually looks for potential suppliers and contractors, through various avenues, to ensure that the Company has multiple choices for every acquisition made.*
What are the Opportunity/ies Identified?	**Management Approach**
If properly followed the policy then, surely the quality of the materials or services requires by the Company may deliver at the best time and justifiable cost.	*By not limiting the number of suppliers/contractors it transacts with, the Company is able to obtain the best materials/services at the best available prices.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant	Location	Vulnerable groups (if	Does the particular	Collective or individual	Mitigating measures (if

(positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)		applicable)*	operation have impacts on indigenous people (Y/N)?	rights that have been identified that or particular concern for the community	negative) or enhancement measures (if positive)
Housing Development	Cebu, Iloilo and Malolos	General Population	N	***Illegal settlers who are occupying properties owned by the Company***	***Provision of compensation or alternative properties for transfer/ relocation of illegal settlers***
Commercial Building Development	Cebu City	General Population	N		

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _-

Certificates	Quantity	Units
FPIC process is still undergoing	-	#
CP secured	-	#

What are the Risk/s Identified?	Management Approach
There's no significant risk(s) identified under this category	
What are the Opportunity/ies Identified?	**Management Approach**
There's no significant opportunity(ies) identified under this category	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction

		study (Y/N)?
Customer satisfaction	-	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The impact is on the customer's satisfaction that the Company delivers the project on time and completed.	*Aside from securing the services of qualified suppliers and contractors, the Company employs personnel who are skilled and trained in ensuring delivery of the projects, as promised to the buyers when they made their purchases, which leads to less customer complaints.*
What are the Risk/s Identified?	**Management Approach**
Poor management services for the satisfaction of the customer may lead to lesser sales.	*Aside from employing personnel at the site offices who are tasked to address complaints, the Company has also opened several communications lines such that customers have several ways by which to air their grievances to the Company.*
What are the Opportunity/ies Identified?	**Management Approach**
Happy and satisfied customer may increase the sales of the Company through possible referrals.	*When the Company turns over the purchased units to buyers, included in the turnover are the Sales, Property Management, and Construction personnel. This is done to show to the buyers that the entire team is working together to ensure that all buyers are satisfied and that even after they complete their purchase, they can rely on the Company to help in every way it can.*

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Health and safety of the customer is always	*As mentioned, the Company ascertains*

considered by the Company in designing and building its project.	*compliance with the safety parameters mandated by the government by planning and designing all deliverables within the set standards of the applicable rules and regulations.*
What are the Risk/s Identified?	**Management Approach**
There's no significant risk(s) identified under this category.	
What are the Opportunity/ies Identified?	**Management Approach**
Having a safely designed and completed project, will avoid back job orders and additional cost.	*All personnel (engineers and architects) hired to supervise construction works are skilled and licensed by the proper government agencies. Aside from that, Property Management personnel are hired to assist buyers/homeowners in ensuring continued compliance to safety and security policies within the projects.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The Company advertises its products/projects through billboards, online ads, LED screen and brochures for the target markets.	*As mandated by law, all marketing materials are first approved by Department of Human Settlements and Development before being used by the Company.*
What are the Risk/s Identified?	**Management Approach**
Vague marketing information and labelling product/project may confuse the buying markets.	*The marketing materials utilized by the Company are reviewed several times prior to use to ensure that the data contained on the materials are as accurate as possible.*
What are the Opportunity/ies Identified?	**Management Approach**
Proper marketing information may encourage	*As available, the depictions used in the marketing materials are of actual pictures of the*

the buying markets.	*projects/houses that the Company is offering. This gives the potential buyers a clearer idea on what to expect, if they choose to visit the project sites. This also gives the impression that the Company is not looking to deceive potential buyers by using drawings or touched up pictures.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	-	#
No. of complaints addressed	-	#
No. of customers, users and account holders whose information is used for secondary purposes	90	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company is protecting the privacy of its customer and its integrity for the trust and confidence may last.	*All information on buyers gathered by the Company are kept confidential. Any disclosures that the Company may make will only be done within the parameters set by the Data Privacy Act.*
What are the Risk/s Identified?	**Management Approach**
There's no risk(s) identified under this category.	
What are the Opportunity/ies Identified?	**Management Approach**
There's no opportunity(ies) identified under this category.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company keeps the trust and confidence of	*All information gathered by the Company on any*

the customer by securing their personal data in safe file.	*of its stakeholders, not just actual buyers, are kept confidential. This confidentiality is even extended to those who are not direct stakeholders of the Company yet, such as job applicants and potential suppliers/contractors. Any disclosures that the Company may make will only be done within the parameters set by the Data Privacy Act.*
What are the Risk/s Identified?	**Management Approach**
There's no risk(s) identified under this category.	
What are the Opportunity/ies Identified?	**Management Approach**
There's no opportunity(ies) identified under this category.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Development of	SDG 8*: Decent Work and Economic Growth*	✓ Lack of available job opportunities offered to the vulnerable sector	*- Development of projects that are not purely residential in nature, but also have*

Real Estates	SGD 11: *Sustainable Cities and Communities*	like elderly person. ✓ Decreasing agricultural land area because of the infrastructure and building new cities.	*commercial components which would allow buyers to establish their own businesses, while remaining close to their residences.* *- Developments are limited to those areas that have been classified by the LGUs as no longer for agricultural use. At the same time, the Company ensures compliance with the necessary permits required by the Department of Agriculture prior to development of properties.*

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*