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SEC Registration No.

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(Company's Full Name)

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J	U	L	I	A		V	A	R	G	A	S		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				

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

JOCELYN A. VALLE
Contact Person

8637-3112
Contact Telephone No.

1 2 **3 1**

S E C - 2 0 I S
FORM TYPE

Annual Meeting

Secondary License Type, If Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

PHILIPPINE ESTATES

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO: ALL STOCKHOLDERS

Notice is hereby given that the **ANNUAL MEETING OF STOCKHOLDERS** of **PHILIPPINE ESTATES CORPORATION** will be held on 5 November 2021, Friday, at 2:00 P.M. In light of the COVID-19 pandemic and to ensure the safety and welfare of our stockholders, the meeting will be conducted virtually via secure online meeting platform to pass upon the matters:

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.

Stockholders of record as of 11 October 2021 shall be entitled to vote at the Meeting.

PARTICIPATION ONLY VIA REMOTE COMMUNICATION. Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at **corpsec.phes2021asm@gmail.com** not later than 21 October 2021 (at 5:00P.M.) and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2021 ASM must cast their votes on or before 28 October 2021 (at 5:00pm).

VOTES MAY BE CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE 28 October 2021 (at 5:00P.M.). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

WE ARE NOT SOLICITING YOUR PROXY.

Pasig City, Philippines,_________, 2021.

FOR THE BOARD OF DIRECTORS

____

ATTY. ARSENIO A. ALFILER, JR.
Corporate Secretary

For more information regarding the Annual Meeting of Stockholders, please contact the **Assistant Corporate Secretary , Atty. Mariel Francisco 8687-7536**, at **corpsec.phes2021asm@gmail.com**.

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a stockholder of PHILIPPINE ESTATES CORPORATION, do hereby name, constitute and appoint:

Mr./Ms.______________________; or in his absence
Mr./Ms.______________________; or in his absence

the Chairman of the shareholders' meeting, as his/her/its true and lawful Attorney-in-Fact for it and in his/her/its name, place and stead, to do and perform the following acts and things, to wit:

To attend, be present and represent the undersigned at the Annual Stockholders' Meeting of PHILIPPINES ESTATES CORPORATION including any adjournment or postponement thereof, to take part in the deliberation thereon, vote any and all shares that the undersigned now owns or may hereafter own in said Corporation in any matter, motion, resolution that may be taken up in said meeting/s in such manner as his/her/its aforesaid Attorney-in-Fact shall deem acceptable in the premises.

HEREBY GIVING AND GRANTING unto the said Attorney-in-Fact full power and authority to do and perform any and every act requisite or proper to be done in or about the premises, as fully to all intents as the undersigned might or could lawfully do if personally present and acting in person and hereby ratifying and confirming all that said Attorney-in-Fact shall lawfully do, or cause to be done by virtue hereof.

The power and authority herein granted shall remain in full force and effect until specifically revoked through a sufficient notice in writing delivered to the Secretary of the Corporation at any time before the meeting.

___________________,____________2021.

PRINTED NAME OF STOCKHOLDER __________________________

SIGNATURE OF STOCKHOLDER __________________________

SEC Number 112978
File Number ________

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35th Floor, One Corporate Center, Julia Vargas Avenue corner Meralco Avenue,
Ortigas Center, Pasig City, Metro Manila

(Company's Address)

8637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(Month and day)

SEC Form 20-IS

(Form Type)

Amended Designation (if applicable)

December 31, 2020

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [√] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **PHILIPPINE ESTATES CORPORATION**

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

4. SEC Identification Number **112978**

5. BIR Tax Identification Code **000-263-366**

6. **35th Floor, One Corporate Centre, Julia Vargas corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila**
Address of principal office Postal Code **1605**

7. Registrant's telephone number, including area code **Tel. No. (02) 8637-3112 / Fax No. (02) 8636-8847**

8. Date, time and place of the meeting of security holders
Date - **5 November 2021**
Time - **2:00 PM**
Platform –**Remote Communication in accordance with SEC Memorandum Circular No. 6, Series of 2020**

9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge: **October 13, 2021**.

10. In case of proxy Solicitation : **Not applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares, ₱1.00 par value	**1,445,549,830**
Amount of Debt Outstanding as of June 30, 2021	**₱122,944,500**

12. Are any or all of registrant's securities listed in a Stock Exchange?

   Yes ☐ No _______

   If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

   Common Shares are listed on the Philippine Stock Exchange

PART – I

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

(a.) Date, time and place of meeting:	November 5, 2021, 2:00 P.M. Via Remote Communication in accordance with SEC Memorandum Circular No.6, Series of 2020.
Complete mailing address of principal office:	35th Floor, One Corporate Center, Julia Vargas Ave., corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila.
(b.) Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge:	October 13, 2021

Item 2. Dissenters' Right of Appraisal

The stockholders' right of appraisal has no applicability in the forthcoming Annual Meeting of Stockholders of Philippine Estates Corporation (PHES) as the Agenda does not include any of the instances when the right may be invoked in accordance with Section 81 of the Corporation Code.

Item 3. Interest of Certain Persons in, or Opposition to Matters to be Acted Upon.

(a.) Since the beginning of the last fiscal year, none of the directors, any nominee for elections as director in the company, or associate of any of the foregoing persons have any substantial interest, direct or indirect, in any matter, to be acted upon in the stockholders meeting, other than election to office.

(b.) No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof.

(a) The number of common shares of stock issued and outstanding as of August 31, 2021 is 1,445,549,830. The common shares owned by Filipinos is 1,431,453,250 or equivalent to 99.02%. Common shares allowed to foreigners is 578,219,932 and the total shares owned by foreigners is 14,096,580 or equivalent to 0.98%. For the purpose of electing Directors at the forthcoming Annual Meeting of Stockholders, stockholders enjoy cumulative voting rights. Each common share is entitled to eleven (11) votes which may be cast cumulatively in favor of one candidate, or distributively to as many candidates and in any proportion as the stockholders see fit.

(b) Only persons who are stockholders of record as of 11 October 2021 may vote, or be voted upon, for the position of Director.

(c) Security ownership of certain record and beneficial owners and management.

1. Security ownership of certain record and beneficial owners of more than five percent (5%) as of August 31, 2021:

Title of Class	Name and Address of Record/Beneficial Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	% of Ownership
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Filipino	745,290,250	51.558
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Non-Filipino	11,525,010	0.797
Common	RECOVERY REAL ESTATE CORP. 22nd Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	150,000,000	10.377
Common	REXLON REALTY GROUP, INC. 22ND Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	200,000,000	13.836
Common	ROPEMAN INTERNATIONAL CORP. #7 T. SANTIAGO ST. CANUMAY, VALENZUELA METRO MANILA Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	178,270,000	12.332
Common	THE WELLEX GROUP, INC. 35TH FLR. ONE CORP. CENTER UNITS 3504 & 3504, JULIA VARGAS CORNER MERALCO AVE., ORTIGAS CENTER, PASIG CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Assistant Corporate Treasurer	Filipino	143,892,990	9.954

2. Security ownership of management as of September 15, 2021:

1. Security Ownership of Management.

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Amount and Nature of Class*	*% of Ownership*
Common	Arthur M. Lopez Chairman/Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Dee Hua T. Gatchalian Director	Filipino	2,000-Direct Beneficial Ownership	0.000
Common	Ms. Elvira A. Ting President / CEO	Filipino	500,000-Direct Beneficial Ownership	0.035
Common	Kenneth T. Gatchalian Vice Chairman/Director	Filipino	320,000 Direct Beneficial Ownership	0.022
Common	Sergio R. Ortiz-Luis, Jr. Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Arthur R. Ponsaran Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Richard L. Ricardo	Filipino	1,230,000-Direct	0.085

	Treasurer/Director		Beneficial Ownership	
Common	Ruben Torres Independent Director	Filipino	100 Direct Beneficial Ownership	0.000
Common	Byoung Hyun Suh Independent Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Renato C. Francisco Independent Director	Filipino	100-Direct Beneficial Ownership	0.000
Common	Josaias Dela Cruz Independent Director	Filipino	100-Direct Beneficial Ownership	0.000

♦ Beneficial ownership of all directors and officers as a group unnamed is 2,056,300 shares.

♦ Voting Trust Holders of five percent (5%) or more.
There are no voting trust holders of five percent (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 Mrs.Dee Hua T. Gatchalian.
** Rexlon Realty Group, Inc. is represented by Mrs.Dee Hua T. Gatchalian.
*** Ropeman International Corporation is represented by Mrs.Dee Hua T. Gatchalian.
**** The Wellex Group, Inc. is represented by Mrs.Dee Hua T. Gatchalian.

MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

(1) Market Information

(a.) The shares of stock of the company are being traded in the Philippine Stock Exchange. The high and low sales price for each quarter within the last two (2) fiscal years and the current year are as follows:

	2021		2020		2019	
	High	**Low**	**High**	**Low**	**High**	**Low**
Q1	0. 63	0.37	0.46	0.32	0.49	0.44
Q2	0. 79	0.49	0.35	0.29	0.49	0.44
Q3	- x -	- x -	0.31	0.28	0.52	0.41
Q4	- x -	- x -	0.43	0.31	0.46	0.39

- The sales price as of September 10, 2021 was 0.5500.
- In relation to the Stock Rights Offering, the Company filed notice of confirmation of exemption from registration pending issuance of certificate of confirmation.

(2) Holders

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

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

Rank	Stockholders Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation (Filipino)	745,290,250	51.558
2	Rexlon Realty Group, Inc.	200,000,000	13.836
3	Ropeman International Corp.	178,270,000	12.332
4	Recovery Real Estate Corp.	150,000,000	10.377
5	The Wellex Group, Inc.	143,892,990	9.954
6	PCD Nominee Corporation (Non-Filipino)	11,525,010	0.797
7	Recovery Development Corp.	3,000,900	0.208
8	JIANXI LI	2,570,000	0.178
9	Vicente C. Co	1,575,000	0.109
10	Richard Ricardo	1,230,000	0.085
11	Renato B. Magadia	1,000,000	0.069
12	Anthony Samuel Lee	900,000	0.062
13	International Polymer Corp.	718,000	0.050
14	Juliet Bangayan	545,000	0.038
15	Rodolfo S. Estrellado	500,000	0.035
16	Elvira A. Ting	500,000	0.035
17	Benison L.Co	364,000	0.025
18	Kenneth T. Gatchalian	320,000	0.022
19	Carolina G. Aquino	250,000	0.017
20	Betty S. Chan	250,000	0.017

(3) Dividends

The Board of Directors of the Company 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:

- the requirements of applicable laws and regulations, such as the availability of unrestricted retained earnings;

- the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and

- the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments.

There were no cash dividends declared within the last two (2) fiscal years.

(4) Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction.

In relation to the Stock Rights Offering, the Company filed notice of confirmation of exemption from registration pending issuance of certificate of confirmation.

Item 5. Directors and Executive Officers

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

a. **ARTHUR M. LOPEZ** – 74 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

b. **KENNETH T. GATCHALIAN** – 44 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** – 60 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. **DEE HUA T. GATCHALIAN** – 72 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

e. **ARTHUR R. PONSARAN -** 77 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 –** 64 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 -** 57 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. RUBEN D. TORRES – 79 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

i. SERGIO R. ORTIZ-LUIS, JR.- 77 years old, Filipino **(Independent 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

j. RENATO C. FRANCISCO.- 72 years old, Filipino **(Independent Director)**
Independent Director - Forum Pacific, Inc.
Director - Acesite (Phils.) Hotel Corporation

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

l. **ARSENIO A. ALFILER, JR**.- 74 years old, Filipino **(Corporate Secretary)**

Partner – Corporate Counsels, Phils. Law Offices
Corporate Secretary – Forum Pacific, Inc., Acesite (Phils.) Hotel Corporation
Assistant Corporate Secretary – Waterfront Philippines, Inc., Iloilo City Development Bank

m. **MARIEL FRANCISCO** – 39 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** – 58 years old, Filipino **(Corporate Compliance Officer)**

Finance Head – Philippine Estates Corporation

o. **GLENN GERALD D. PANTIG** - 46 years old, Filipino **(Chief Operating Officer)**

Chief Operating Officer - Philippine Estates Corporation

p. **ERWIN BRYAN S. KANAPI -** 42 years old, Filipino (**Chief Risk Officer, DPO and CO for AMLC**)

Head of the Legal Department - Philippine Estates Corporation

Term of Office

The term of office of the Directors is one (1) year. 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.

The newly elected Directors elected the following Corporate Officers and Committee members during their organizational meeting to serve for the term 2020-2021:

a) Chairman	- Mr. Arthur M. Lopez
b) Vice Chairman	- Mr. Kenneth T. Gatchalian
c) President	- Ms. Elvira A. Ting
d) Treasurer/Investor Relations Officer	- Mr. Richard Ricardo
e) Corporate Secretary	- Atty. Arsenio A. Alfiler Jr.
f) Asst. Corporate Secretary	- Atty. Mariel Francisco
g) Lead Independent Director	- Mr. Sergio Ortiz-Luis, Jr.
h) Chief Audit Executive	- Mr. Byoung Y. Suh
i) Chief Risk Officer	- Mr. James Palit-Ang
j) Compliance Officer	- Ms. Jocelyn A. Valle

AUDIT COMMITTEE

Mr. Byoung Hyun Suh (Chairperson)
Mr. Arthur M. Lopez (Member)
Mr. Sergio Ortiz-Luis, Jr. (Member)
Ms. Dee Hua T. Gatchalian (Member)
Mr. Kenneth Gatchalian (Member)

EXECUTIVE COMMITTEE/NOMINATION COMMITTEE

Ms. Elvira A. Ting (Chairperson)
Mr. Sergio Ortiz-Luis, Jr. (Member)
Ms. Dee Hua T. Gatchalian (Member)
Mr. Kenneth Gatchalian (Member)
Mr. Richard Ricardo (Member)

CORPORATE GOVERNANCE COMMITTEE

Mr. Sergio Ortiz-Luis, Jr (Chairperson)
Mr. Byoung Y. Suh (Member)
Mr. Renato C. Francisco (Member)

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.

4. None of the directors or officers of the registrant has been involved in any: (a.) Bankruptcy Petition, (b.) Violation of a Securities or Commodities Law, (c.) Conviction by final judgment, (d.) Nor has the foregoing officers been subjected to any order or decree, (e.) None of the foregoing incidents occurred during the past five (5) years up to 31 August 2021 that are material to, and for purposes of SEC's evaluation.

5. 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 143,892,990 shareholdings in the Company.

Board of Directors

The Corporation has adopted the SEC Circular No. 16 series of 2002 (Guidelines on Nomination and Election of Independent Directors) and pursuant to SRC Rule 38, compliance therewith has been made.

The nominees for election to the Board of Directors of the Corporation on November 5, 2021 are as follows:

1. Arthur M. Lopez
2. Arthur R. Ponsaran
3. Byoung Hyun Suh
4. Dee Hua T. Gatchalian
5. Elvira A. Ting
6. Josaias T. Dela Cruz
7. Kenneth T. Gatchalian
8. Renato C. Francisco
9. Richard L. Ricardo
10. Ruben D. Torres
11. Sergio R. Ortiz-Luis, Jr.

A summary of the nominees' qualifications is presented in the preceding paragraph.

The Nominations Committee conducts nominations and pre-screens the qualifications of candidates for Independent Directors prior to the stockholders' meeting in accordance with Sec. 5, Art. III of the Corporation's By-Laws. All the nominees for election to the Board of Directors satisfy the mandatory requirements specified therein.

The independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the independent directors are attached herewith as Annexes "A-1", "A-2", "A-3" and "A-4".

Pursuant to the process conducted by the Nominations Committee, the nominees for election as independent directors of the Board of Directors on November 5, 2021 are as follows:

Mr. Byoung Hyun Suh, 64 years old, Korean, is an **Independent Director** of the Company. He also serves as the President of the Pan Islands, Inc. and Bonamis Pharmacy Phil's Corp.; Independent Director of Forum Pacific, Inc., Metro Alliance Holdings & Equities Corp and Wellex Industries, Incorporated; and Director of World Okta Federation.

Atty. Renato C. Francisco, 72 years old, Filipino, is an **Independent Director** of the Company. He also serves as an Independent Director of Forum Pacific, Inc. and Director of Acesite (Phils.) Hotel Corporation.

Mr. Josaias T. Dela Cruz, 60 years old, Filipino, is an **Independent Director** of the Company. He is also nominated as an Independent Director (2021 Nominee) of Wellex Industries, Inc. and Sole Proprietor of JTDC Spinmeister Laundry Service.

Atty. Ruben D. Torres, 79 years old, Filipino, is an **Independent Director** of the Company. He also serves as an Independent Director of Forum Pacific, Inc., Waterfront Philippines, Inc., Acesite (Phils.) Hotel Corporation and Wellex Industries, Inc.; President of Pacific Concorde Corporation and BPO Workers Association of the Phil.; Corporate Treasurer of Wellex Mining Corporation; Director of Waterfront Manila Premier Development, Inc.; Chairman of Taguig Lake City Development Corporation, Alliance Energy Power and Development Inc., and Triton Construction and Development Corporation; Chairman/CEO of Services Exporters Risk Management & Consultancy Co (SERMC); VP-International Affairs of Trade Union Congress of the Philippines and Senior Partner of Torres Caparas Torres Law Offices.

Atty. Ruben D. Torres, Mr. Byoung Hyun Suh, Atty. Renato C. Francisco and Mr. Josaias Dela Cruz were nominated by stockholders, Ms. Elvira A. Ting, Mr. Arthur M. Lopez, Mr. Richard L. Ricardo and Ms. Dee Hua T. Gatchalian respectively. The stockholders who made the nomination are not in any way related to the nominees.

(2.) Significant Employees

Other than its current officers mentioned in the preceding sub-section, the Corporation has not engaged the services of any person who is expected to make significant contribution to the business of the Corporation.

(3.) Family Relationships

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.) 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.

Item 6. Compensation of Executive Officers.

1. Estimated Compensation :

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2021	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev’t (Vismin)	2021	P 156,000.00	0.00	P 13,000.00
GLENN GERALD PANTIG Chief Operating Officer	2021	P 1,200,000.00	0.00	P 100,000.00

JOCELYN A. VALLE Finance Head / Corporate Compliance Officer	2021	P 504,000.00	0.00	P 42,000.00
FERDINAND P. HALILI Operations Head	2021	P 504,000.00	0.00	P 42,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2021	P 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.

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2020	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2020	P 624,000.00	0.00	P 52,000.00
GLENN GERALD PANTIG Chief Operating Officer	2020	P 1,200,000.00	0.00	P 100,000.00
JOCELYN A. VALLE Finance Head	2020	P 504,000.00	0.00	P 42,000.00
FERDINAND P. HALILI Operations Head	2020	P 504,000.00	0.00	P 42,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2020 is P 3,978,000.

No other member of the Board of Directors and Officers are receiving compensation

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2019	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2019	P 624,000.00	0.00	P 52,000.00

GLENN GERALD PANTIG Chief Operating Officer	2019	P	1,200,000.00	0.00	P 100,000.00
JOCELYN A. VALLE Finance Head	2019	P	504,000.00	0.00	P 42,000.00
FERDINAND P. HALILI Operations Head	2019	P	504,000.00	0.00	P 42,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2019 is P 3,978,000.

No other member of the Board of Directors and Officers are receiving compensation.

2. Each member of the Board of Directors is given PhP10,000.00 per diem for attendance in a special or regular board meeting and PhP50,000 per month per diem for the Chairman of the Board.

Item 7. 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. Such representatives are also expected to be available to respond to appropriate questions.

Rotation of External Auditors

The Company in compliance with SRC Rule 68 Par. 3(B)(ix) expresses that its independent auditors, the accounting firm of Diaz, Murillo, Dalupan and Co. and the signing partners thereof shall be rotated after every five (5) years of engagement and that a two-year cooling off period shall be observed in the engagement of the same signing partner(s).

The signing partner of our external auditor- DIAZ MURILLO DALUPAN AND COMPANY for 2020 Audited Fiancial Staments is Mr. Richard Noel M. Ponce. He replaced Ms. Rosemary D. De Mesa who retired in 2019 from Diaz Murillo Dalupan and Company. Ms De Mesa was the signing partner of our Audited Financial Statements for 2018, replacing Jozel Francisco C. Santos, Jr. who was then the signing partner in 2017

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

(a.) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2020	605,000
	2019	600,000

2. No audit fees for other related services

(b.) Tax Fees	2020	nil
	2019	nil

(c.) All other Fees

No other fees were billed and paid during the last two (2) fiscal years.

(d.) The external auditor regularly tenders an audit engagement proposal which the audit committee reviews. The audit committee looks into the audit plan, scope and frequency of the audit and regularly holds audit committee meeting with the external auditor

Item 8. Compensation Plans

No action is proposed to be taken during the stockholders' meeting with regard to any stock options, warrants or rights plan, pension/retirement plan, or any other type of compensation plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance of authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2020, Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto.

The interim financial statements as of June 30, 2021 and other data related to the Company's financial information are likewise attached hereto.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions intended to be taken up in the meeting with respect to mergers, consolidation, acquisition, sale or liquidation of the Company.

Item 13. Acquisition or Disposition of Property

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 PHES has approved to undertake a Stock Rights Offering ("SRO") to raise capital for land acquisition.

Item 14. Restatement of Accounts

The Company is not taking any action with respect to the restatement of any asset, capital, or surplus account.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

There is no action to be taken with respect to any report of the Company or its directors or officers, except for the approval of the minutes of the previous annual stockholders' meeting of the Company held on October 30, 2020.

1. **Minutes of the Previous Annual Stockholders' Meeting**

    The Minutes of the Annual Stockholders' Meeting held on October 30, 2020 contains the approval of the Minutes of the year 2019 Annual Stockholders' Meeting, the approval of the year 2019 Annual Report and the Audited Financial Statements, the ratification of the acts of the Board of Directors and management during the year 2019, the election of the external auditor, the election of external counsel and the election of the members of the Board of Directors.

    The voting results are as follows:

Agenda	Voting Results		
	For	Against	Abstain
Call to Order	100.00%	0.00%	0.00%
Certification of Notice and Quorum	100.00%	0.00%	0.00%
Approval of Minutes of the Previous Stockholders' Meeting	100.00%	0.00%	0.00%
Report to the Stockholders for the Year 2019.	100.00%	0.00%	0.00%
Ratification of the Acts of the Board anf Management	100.00%	0.00%	0.00%
Election of Directors for 2020-2021	100.00%	0.00%	0.00%
Elvira A. Ting	100.00%	0.00%	0.00%
Dee Hua T. Gatchalian	100.00%	0.00%	0.00%
Arthur M. Lopez	100.00%	0.00%	0.00%
Renato C. Francisco	100.00%	0.00%	0.00%
Sergio R. Ortiz-Luis, Jr.	100.00%	0.00%	0.00%
Arthur. R. Ponsaran	100.00%	0.00%	0.00%
Richard L. Ricardo	100.00%	0.00%	0.00%
Kenneth T. Gatchalian	100.00%	0.00%	0.00%
James B. Palit-Ang	100.00%	0.00%	0.00%
Byoung Hyun Suh	100.00%	0.00%	0.00%
Ruben D. Torres	100.00%	0.00%	0.00%

Appointment of External Auditor	100.00%	0.00%	0.00%
Appointment of External Counsel	100.00%	0.00%	0.00%
Other matter – Authority to Pledge Shares of Stock in Waterfront Manila Premier Development, Inc.	100.00%	0.00%	0.00%
Adjournment	100.00%	0.00%	0.00%

The following directors and officers were present during the 2020 ASM:

Mr. Arthur M. Lopez	-	Chairman/Director
Mr. Kenneth T. Gatchalian	-	Vice Chairman /Director
Ms. Elvira A. Ting	-	President/Director
Mr. Richard Ricardo	-	Treasurer/Investor Relations Officer/Director
Atty. Arsenio A. Alfiler Jr.	-	Corporate Secretary
Atty. Mariel Francisco	-	Asst. Corporate Secretary
Mr. Sergio Ortiz-Luiz, Jr.	-	Lead Independent Director
Mr. Byoung Y. Suh	-	Chief Audit Executive/Independent Director
Mr. James Palit-Ang	-	Chief Risk Officer/Director -
Ms. Jocelyn A. Valle	-	Compliance Officer
Ms. Dee Hua T. Gatchalian	-	Director
Atty. Renato C. Francisco	-	Independent Drector
Atty. Arthur R. Ponsaran	-	Director
Atty. Ruben D. Torres	-	Independent Director

The stockholders who attended the 2020 ASM in person and by proxy represent 875,830,739 common shares, constituting 60.59% of the total outstanding capital stock of the Company as of record date October 5, 2020.

Corporate Governance

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars. Continuous improvement and monitoring of policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

The Board of Directors is elected during the annual meeting and has the overall responsibility to oversee the activities of the Company. The Board conducts itself with honesty and integrity to ensure a high standard of best practices on governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders.

The Company realizes its duty to protect the rights and benefits of shareholders and to place the importance on fair and equal treatment of shareholders. It is the Company's policy to disclose information with respect to business operation with accuracy and transparency, including any issues that could impact the Company's business and the rights in which shareholders and minority shareholders are entitled to, such as shareholders' participation in the shareholders' meeting to exercise their voting rights, the rights to receive dividend, or the rights to approve a decrease or an increase in capital, etc. The Board has similarly adopted a Corporate Governance Policy to ensure that the rights of its shareholders particularly those that belong to the minority or non-controlling group are respected and protected by adopting the principle of "one-share, one-vote", likewise by ensuring that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights and also by having an effective, secure and efficient voting system, and an effective shareholder voting mechanism to protect minority shareholders against actions of controlling shareholders. In accordance with SEC Notice dated April 20, 2020 providing for an alternative mode of distributing ASM notices, notice and agenda of the Annual Stockholders' Meeting (ASM) and definitive copies of the Information Statement will be published via the Company's website and PSE Edge. In addition, the notice will be published in two (2) newspaper of general circulation, inprint and digital format.

The Company also paid for registration fees for seminars which the Company's employees attended for continuing professional education such as Tax Seminar conducted by BIR, Disclosures Seminar by the Philippine Stock Exchange, Mandatory Continuing Legal Education and other seminars related with real estate development.

The Company submitted its Integrated Annual Corporate Governance Report (I-ACGR) on May 28, 2021 covering the year 2020.

As of Sept. 15, 2021, there are no known material deviations from the Company's Manual of Corporate governance.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws & Other Documents

In accordance with the provisions of Rule 38 of the Securities Regulation Code (SRC), as amended, the Company on March 17, 2005, has amended its By-laws, to include provisions for the nomination and election of at least two (2) independent directors and provisions for the creation and functions of the Executive Committee, Audit Committee and Corporate Governance.

In light of the COVID-19 pandemic and to ensure the safety and welfare of our stockholders, the corporation will not amend its by-laws but will comply with the SEC Memorandum Circular No. 6, Series of 2020 on March 12, allowing participation in corporate meetings through teleconferencing, video conferencing and otherremote or electronic means of communications, amid the outbreak of the new coronavirus disease, COVID-19

Item 18. Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:

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.

Item 19. Voting Procedures

Article II, Section 5 (a.) and (b.) of the By-laws of the Corporation provides, as follows:

(a) At each meeting of the stockholders, the holders of a majority of the issued outstanding capital stock of the Corporation having voting powers, who are present via remote communication, shall constitute a quorum for the transaction of business, except, where otherwise provided by the Corporation Code.

(b) Unless otherwise provided by the Corporation Code, each stockholder shall at every meeting of the stockholders be entitled to one vote per person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholder, all matters, except in cases where other provisions is made by the Corporation Code, shall be decided by the vote of stockholders representing majority of the issued and outstanding capital stock present via remote communication and entitled to vote thereat, a quorum being present..

(c) The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. In all matters included in the agenda, except, the election of directors, the stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation’s independent auditor Diaz, Murillo, Dalupan and Co. and Stock Transfer Agent, Banco de Oro Stock Transfer Agency. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under proxies.

Stockholders are given its opportunity to ask questions or clarifications every action before approval of any matter during meeting.

In compliance with SEC Memorandum Circular No. 6, Series of 2020, due to COVID-19 Global Pandemic, the Board of Directors of Philippine Estates Corporation has decided to conduct the annual stockholders’ meeting via remote communication. Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at corpsec.phes2021asm@gmail.com not later than 21 October 2021 (at 5:00P.M.) and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2021 ASM must cast their votes on or before 28 October 2021 (at 5:00pm).

Votes may be cast only through online casting of votes/proxies on or before 28 October 2021 (at 5:00P.M.). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

Registered stockholders and confirmed proxies will receive the meeting link and password. Only stockholders who notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies will be included in the determination of quorum.

We are not soliciting proxies.

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.

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- **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.**

  The board of directors of the Company has authorized its management to pledge the Comapnay's shares of stock in Waterfront Manila Premier Development, Inc. to a consortium of banks, including but not limited to, China Development Bank and the Industrial and Commercial Bank of China, as security for loans the banks have extended to China First Highway Engineering Corporation.

- **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 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, 2020. 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 creditlines offered by banks and other financial institution, private or government. The Company periodically reviews its capital structure and existing obligations.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

PHILIPPINE ESTATES CORPORATION
35TH FLR. ONE CORPORATE CENTER
JULIA VARGAS COR MERALCO AVENUE
PASIG CITY, PHILIPPINES

Attention: Atty Mariel Francisco

<u>**CERTIFICATION**</u>

I, MARIEL L. FRANCISCO, of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly elected Assistant Corporate Secretary of Philippine Estates Corporation, a corporation duly organized and existing under Philippine laws with principal office at 35th Floor of One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation);

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hands this ___ day of _____________, 2021 in the City of Pasig.

MARIEL L. FRANCISCO
Assistant Corporate Secretary
SSS ID No. 33-80339715

Subscribed and sworn to before me this SEP 17 2021 at Pasig City, affiant exhibiting to me her IBP ID with Roll No. 57260.

Notary Public
ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 264;
Page No. 54;
Book No. 5;
Series of 2021.

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (hereinafter the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal office address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1. Mr. Byoung H. Suh is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SRC) and its Rules and Regulations;

3. That the foregoing nominee has not exceeded the ten (10) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9, Series of 2011.

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2021, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this SEP 17 2021 day of ________ 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060) with her photograph appearing thereon.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 267;
Page No. 55;
Book No. 5;
Series of 2021.

REPUBLIC OF THE PHILIPPINES)
______________________________) S.S.

AFFIDAVIT OF UNDERTAKING

I, **MARIEL L. FRANCISCO**, of legal age, with office address at Corporate Counsels Philippines Law Offices, Unit 3104 31st Floor Antel Global Corporate Building No. 3 Julia Vargas Avenue, Ortigas Center, Pasig City Philippines, after having duly sworn to in accordance with the law, do hereby depose and state:

That I am the Assistant Corporate Secretary of **Philippine Estates Corporation**;

That **Mr. Byoung Hyun Suh**, Independent Director, cannot submit his Certificate of Independent Director as he is out of the country but he sent the said Certificate with his electronic signature.

That, the Company undertakes to take utmost diligence to submit the notarized Certificate as soon as Mr. Suh arrived in the country.

That I attest to the truthfulness of this undertaking.

MARIEL L. FRANCISCO
Affiant

SUBSCRIBED AND WORN TO before me ~~this~~____ day of SEP 1 7 2021 2021, at the Pasig City Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060) with her photograph appearing thereon.

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BOOK NO. 5
SERIES OF 2021

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Annex A-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BYOUNG HYUN SUH**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2016.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Pan Islands, Inc.	President	Feb. 1995 – present
Forum Pacific, Inc.	Independent Director	June 2011 – present
Wellex Industries, Incorporated	Independent Director	June 2011 – present
Metro Alliance Holdings & Equities Corp	Independent Director	2016 - present
Bonamis Pharmacy Phil's Corp.	President	October 2011 - present
World Okta Federation	Director	Nov. 2004 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this______of______, 2021 at_______________.

BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN to before me, this ___ day of _________ 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 122-963-522-000) with her photograph appearing thereon.

Doc. No. ________
Page No.________
Book No.________
Series of 2021.

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (hereinafter the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal office address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1. Atty. RENATO C. FRANCISCO, is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SRC) and its Rules and Regulations;

3. That the foregoing nominee has not exceeded the ten (10) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9, Series of 2011.

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2021, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this ___ day of SEP 1 7 2021 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060) with her photograph appearing thereon.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
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Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 265;
Page No. 54;
Book No. 5;
Series of 2021.

Annex A-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO C. FRANCISCO.**, Filipino, of legal age and a resident of No.8 Sparrow Street, New Marikina Subdivision, Marikina City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since October, 2020.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Forum Pacific, Inc.	Independent Director	Oct. 2020 - present
Acesite (Phils.) Hotel Corporation	Director	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this _____ of ______, 2021 at______________.

RENATO C. FRANCISCO
Affiant

SUBSCRIBED AND SWORN to before me, this ___ day of SEP 1 7 2021 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 138-641-391-000) with her photograph appearing thereon.

Doc. No. 258 ;
Page No. 53 ;
Book No. 5 ;
Series of 2021.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (hereinafter the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal office address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1. Mr. Josaias T. Dela Cruz is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SRC) and its Rules and Regulations;

3. That the foregoing nominee has not exceeded the ten (10) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9, Series of 2011.

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2021, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this ___ day of SEP 17 2021 ________ 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060) with her photograph appearing thereon.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 263;
Page No. 54;
Book No. 5;
Series of 2021.

Annex A-3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSAIAS T. DELA CRUZ.**, Filipino, of legal age and a resident of No.304 Hogan Street, Capitol Hills, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** for the year 2021.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Wegen Distributed Energy Philippines Holdings Corp.	Vice President / Treasurer	2021 - Present
Wellex Industries, Inc.	Independent Director - Nominee	2021
JTDC Spinmeister Laundry Service	Sole Proprietor	2016 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of <u>(covered company and its subsidiaries and affiliates)</u> other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this _____ of ______, 2021 at_______________.

JOSAIAS T. DELA CRUZ
Affiant

SUBSCRIBED AND SWORN to before me, this ___ day of SEP 1 7 2021 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 123-365-209) with her photograph appearing thereon.

Doc. No. 259 ;
Page No. 33 ;
Book No. 5 ;
Series of 2021.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
...lia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (hereinafter the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal office address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1. Atty. RUBEN D. TORRES, is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SRC) and its Rules and Regulations;

3. That the foregoing nominee has not exceeded the ten (10) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9, Series of 2011.

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2021, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this SEP 17 2021 day of ________ 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060) with her photograph appearing thereon.

Doc. No. 266;
Page No. 55;
Book No. 5;
Series of 2021.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
... Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Annex A-4

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RUBEN D. TORRES.**, Filipino, of legal age and a resident of No.3 Kalaw Ledesma, Tierra Verde II, Congressional Avenue, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since October 2020.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Waterfront Philippines, Inc.	Independent Director	2006 - present
Acesite Philippines Hotel Corporation	Independent Director	2014 - present
Wellex Industries, Inc.	Independent Director	July 2018 - present
Pacific Concorde Corporation	President	present
Wellex Mining Corporation	Corporate Treasurer	present
Waterfront Manila Premier Development, Inc.	Director	present
Forum Pacific, Inc.	Independent Director	July 2018 - present
Trade Union Congress of the Philippines	VP-International Affairs	present
Taguig Lake City Development Corporation	Chairman	present
Alliance Energy Power and Development Inc.	Chairman	present
Triton Construction and Development Corporation	Chairman	present
BPO Workers Association of the Phil.	President	Present
Services Exporters Risk Management & Consultancy Co (SERMC)	Chairman/CEO	Present
Torres Caparas Torres Law Offices	Senior Partner	1998-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this _____ of ______, 2021 at______________.

RUBEN D. TORRES
Affiant

SUBSCRIBED AND SWORN to before me, this ___day of SEP 17 2021 2021, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 135-071-068-000) with her photograph appearing thereon.

Doc. No. 269;
Page No. 55;
Book No. 3;
Series of 2021.

ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

UNDERTAKING

A copy of SEC 20-IS will be provided free of charge written request to the following:

CORPORATE SECRETARY
Philippine Estates Corporation
Units 3503 and 3504
35th Floor, One Corporate Center
Julia Vargas Ave., corner Meralco Ave.
Ortigas Center, Pasig City
Metro Manila

PART III

After reasonable inquiry and to the best knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on ______________, 2021.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary
TIN : 224-150-060

Subscribed and sworn to before me this SEP 1 7 2021 at Pasig City, affiant exhibiting to me her IBP ID with Roll No. 57260.

Notary Public
ATTY. LADY MAE A. CLEMENTE-DIATA
PTR No. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.: 69675
MCLE Compliance No. VII - 0000167; 7-2-2019
Appointment No. 158 (2021-2022)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

Doc. No. 262;
Page No. 54;
Book No. 0;
Series of 2021.

MANAGEMENT’S REPORT

(Note: Audited Financial Statement and Interim Financial Statement is hereto attached as Annex "A" and made as an integral part hereof.) Conglomerate map showing the relationship between parent company and its subsidiary

PHILIPPINE ESTATES CORP.
(Parent Company)

Mariano Arroyo Development Corp.
(100% Owned Subsidiary)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

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

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should anentity 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 applicationguideline in the PIC Q&A been adopted; and

d. should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

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

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

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

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

Basis of Consolidation

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

When the Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical abilityto 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 subsidiaryand 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 ofcomprehensive 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 areeliminated 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 anyresultant gain or loss is recognized in profit or loss.

Composition of the Group

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

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

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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test forderecognition of financial liabilities.
- PFRS 16, *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion aboutthe treatment of lease incentives.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows entities thathave measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41, *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align withthe requirement in the standard to discount cash flows on a post-tax basis.

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

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

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

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

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financialstatements to be measured in a way that involves measurement uncertainty
- A change in accounting estimate that results from new information or new developments is notthe correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating tothe current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

Deferred Effectivity

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

Audited Financial Statements and Interim Financial Statements

There were no disagreements with the former and present accountants and auditors on any matter of accounting and financial disclosures.

Reconciliation of retained earnings available for dividend declaration.

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Equity as of December 31, 2020

CAPITAL STOCK -	**PhP 1,445,549,830**
DEFICIT	
At beginning of year	(362,193,885)
Net income(loss) for the year	545,590
At end of year	**(361,648,295)**
RE-MEASUREMENT LOSS ON RETIREMENT BENEFITS	
At beginning of year	1,919,268
Re-measurement loss for the year	122,989
At end of year	2,042,257
	PHP1,085,943,792

*Based on the above reconciliation, no dividends would be declared as of

Financial Soundness Indicators in two comparative periods.

INDICATOR	2020	2019
Current Ratio	3.67:1	3.17:1
Debt-to-Equity Ratio	0.52:1	0.47:1
Asset-to-Equity Ratio	1.52:1	1.47:1
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	420M	412M
Sales Variance	-48.11%	-48.40%

NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

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 utilizing state-of-the-art design and technology to build projects with the highest quality and value.

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 PhP10.00 to PhP1.00 per share.

Towards achieving its corporate vision, the Company filed an application to increase its authorized capital stock from PhP300 Million to PhP5 Billion. Out of this increase of PhP4.7 Billion, the amount of PhP1,194,333,800.00 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 Company of forty five (45) parcels of land valued at PhP1,161,833,800.00, while a smaller portion of the subscription, amounting to PhP32,500,000.00 was paid through conversion of debt into equity. The increase in authorized capital stock was approved by the SEC on March 26, 1997.

(2) Business 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 immediately 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. Based on the study conducted, the following are the projects were undertaken by the Company:

COMPLETED PROJECTS:

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

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

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

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

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.

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.

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

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

6. ***Chateaux Geneva.***

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

7. ***Pacific Grand Villas Phase IV-A & B.***

   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.

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. It is right across the site where Wellford Residences – Mactan will rise.

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.

ONGOING / CURRENT PROJECTS:

- ***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.

- ***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. Based on the projections, the development will generate Php1.15 Billion gross revenues upon completion of the project. The Company was able to obtain Department of Human Settlements and Urban Development's (DHSUD) License to Sell early in 2020. The project has started land development and has commenced its selling activities.

PROJECT IN THE PIPELINE

1) Wellford Homes @ Jaro Grand Estaes (Phase 3) – Parcel B

In line with the Company's aim of expanding the existing American-inspired subdivision project Wellford Homes- Parcel A located at Jaro, Iloilo, the Company is expected to launch Wellford Homes – Parcel B (WHII) by the last quarter of 2021. WH II will have combined 326 units of House and Lot and Lots only. This project expansion covers an area of around

8.76 hectares. House-and-Lot packages have floor areas of 63 to73 sq.m and Lots only have areas of at least 120 sq.m. The said expansion is expected to generate a projected Gross Revenue approximately Php1.0 Billion when completed. The Company is almost complete in its application for a License to Sell (LTS) with the Department of Human Settlements and Urban Development (DHSUD), the LTS is expected to be released by the last quarter of 2021.
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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 offer around 180 condominium units and is expected to generate for the Company approximately P541M in revenue. Construction of the condominium is being pushed to the 1st quarter of 2022.

3) ***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 floor area. 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 design and conceptualization stage of the development is in its final evaluation.

4) ***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.

FINANCIAL AND OTHER INFORMATION:

a.) Information Required:

(1) The Audited Financial Statement as of 31 December 2020 are attached hereto. The notes to Financial Statements, as well as Statement of Management Responsibility, and schedules required under Part IV(C) OF RULE 68 is included in the Annual Report (Form 17-A) **on Annex 1.**

Also attached hereto are the Interim Financial Statements as of June 30, 2021 being also required under PART IV(C) OF RULE 68 (SEC Form 17-Q).

(2) MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN/RESULTS OF OPERATIONS.

Second Quarter of 2021

The Performance of the Company

For the 2Q 2021, the Company was able to post a consolidated net sales of ₱ 58.55M thus registering an increase of ₱30.77M or 110.78% compared to the Sales for same period in 2020 of ₱ 27.78M.

Realized Gross Profit increased by 92.55% or ₱8.92M from ₱18.56M this 2Q 2021 compared to ₱9.64M in 2Q 2020. Thus, Net Income before tax decreased to ₱0.48M compared from ₱2.33M in 2Q 2020, a decrease of -79.52% or ₱1.85M. This was primarily due to higher operating expenses by ₱11.03M or 203.83%.

Comparative Top Key Performance Indicators of the Company:

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

a. Sales – The Company gauges 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 Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

INDICATOR	Q2 2021	Q2 2020
Return on sales	0.81%	8.37%
Past due ratio	5.20%	14.00%
Gross Profit rate	48.44%	62.46%
Working Capital Turnover	0.06	0.04

Financial Condition:

The Company maintained its Financial Position as its total assets stood at P1.67B. Current ratio registered at 3.54:1. Current assets reached P1.26B while current liabilities amounted only to P0.35B. Debt –to- equity ratio stood at 0.54:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June, 2021.

Causes for material changes (5% or more) from period to period:

a. Accounts Payable and Accrued Expenses – the increase of 13.01% was due to an increase in payments made by the buyers for the titling fees and an increase in Deferred Output VAT from the installment sales.

b. Borrowings - the increase of 5.18% was the result of new loan availment from PBCom, Luzon Development Bank and Quick Financial.

c. Customers' Deposits – the increase of 26.64% was due to an increase in reservation fees for the period.

d. Retirement benefits obligation - the decrease of 5.82% was due to an increase in retirement fund for the period

Results of Operation for 2020 vs 2019

In 2020, the Company was able to post a consolidated net sales of P 217.94M compared to P FINANCIAL CONDITION ANDPLAN/RESULTS OF OPERATIONS 212.59M sales of 2019 showing an increase of 2.51% or P 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 P 1.24B while Current Liabilities registered at P 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 P 1.65B.

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	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	420M	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

Results of Operation for 2019 vs 2018

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 of 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 of raw land inventory to advances to affiliates.

g. Deferred Tax Assets – the increase of 16.40% was due to higher corporate incometax 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

Results of Operation for 2018 vs 2017

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

The Company's current ratio registered at 4.09:1. Current Assets reached ₱ 1.25B while Current Liabilities registered at ₱ 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 ₱ 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.

Results of Operation for 2017 vs 2016

In 2017, the Company was able to post a consolidated net sales of ₱ 370.96M compared to ₱ 69.50M sales of 2016 showing an increase of 433.74%. As result the Company managed to have a Net Income after tax of ₱ 19.29M, compared to 2016's ₱ 1.97M, an increase of 17.32M or 876.58%.

The Company's current ratio registered at 1:4.73. Current Assets reached ₱ 1.13B while Current Liabilities registered at ₱ 0.24B. Debt-to-equity ratio registered at 1:0.50. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at ₱ 1.61B.

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	**2017**	**2016**
Return on Sales	5.20%	2.84%
Past Due Ratio	17%	NA
Gross Profit Rate	60.45%	58.86%
Working Capital Turnover	0.46	0.10
Sales Projection	500M	200M
Sales Variance	-25.81%	-35.25%

Financial Condition:

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

a. Cash – the increase of 49.35% was basically attributable to improved collection on sales, and proceeds from loans.

b. Current Trade Receivables – the increase of 216.85% was due to new sales recorded during the year.

c. Non-Current Trade and Other Receivables –the decrease of 42.24% was due to improved collections on sales and restatement of old accounts.

d. Deferred Tax Assets – the increase of 32.32% was due to the additional Net Operating Loss Carry-Over (NOLCO) for the year.

e. Accounts Payable and Other Liabilities – the increase of 24.57% was due to increase in payable to suppliers on credit terms.

f. Deferred Gross Profit – the increase of 161.40% 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 increase of 357.70% was due to increase in reservation fees for the year.

h. Loans Payable (Borrowings) – the increase of 42.08% was result of loan availed from Luzon Development Bank amounting to P35M.

i. Advances from Related Parties – the increase of 25.93% was due to the acquisition of lot for Wellford Homes Malolos project, payment was advanced by affiliates.

j. Deferred Tax Liabilities – the increase of 106.39% was due to excess of financial realized gross profit over taxable realized gross profit.

Re: PHILIPPINE ESTATES CORPORATION_SEC Form 17-Q_12 August 2021

From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: phes_finance@yahoo.com

Date: Thursday, 12 August 2021, 01:04 pm GMT+8

Dear Customer,

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Bar Code Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, FS-P, FS-C, Monthly Reports, Quarterly Reports, Letters, etc... through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the-counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, SFFS, LCFS, LCIF, FCFS. FCIF ANO, ANHAM. All submissions through OST are no longer required to submit the hard copy thru mail or over- the- counter.

FOR MC28, please email to:

(MC28_S2020@sec.gov.ph)

For your information and guidance.

Thank you and keep safe.

COVER SHEET

SEC Registration Number

1	1	2	9	7	8					

Company Name

PHILIPPINE ESTATES CORPORATION
AND SUBSIDIARY

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

35TH FLOOR, ONE CORPORATE
CENTER, DOÑA JULIA VARGAS AVE.
COR. MERALCO AVE., ORTIGAS
CENTER, PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@phes.com.ph	8637-3112	09178338243

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
708	October/30	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	phes_finance@yahoo.com	8637-3112	NA

Contact Person's Address

35Th Floor, One Corporate Center, Doña Julia Vargas Ave. Corner Meralco Avenue, Ortigas Center, Pasig City

Note: In case of death, resgination 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.

SEC Number **112978**
File Number ______

PHILIPPINE ESTATES CORPORATION
Company's Full Name

35TH Flr. One Corporate Centre, Julia Vargas cor. Meralco Ave.,Ortigas Center, Pasig City
Company's Address

8637-3112
Telephone Number

DECEMBER 31
Fiscal Year Ending
(Month and day)

SEC-FORM 17-Q
Form Type

N.A.

Amendment Designation(If applicable)

June 30, 2021
Period Ended Date

N.A.

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**

2. Commission identification number **112978**

3. BIR Tax Identification No. **000-263-366**

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter

Metro Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: SEC Use Only

35th Flr., One Corporate Centre, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

7. Address of issuer's principal office

(632) 8637-3112

8. Issuer's telephone number, including area code

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

10. Securities registered pursuant to Section 4 and 8 of the RSA: Common shares **5,000,000,000** with par Value of P1.00 per share

Number of Shares Common Stock Issued Outstanding**: 1,445,549,830 Common** Shares

Amount of Debt Outstanding: **P 122,944,500 (as per Financial Statements)**

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes[**x]** No[ ]

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA|) and RSA Rule 11(a)-1 hereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such report)
Yes[**x**] No[ ]

b) has been subject to such filing requirements for the past 90 days
Yes**[X**] No[ )

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending June 30, 2021 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Statements of Financial Accounting Standards of the Philippines issued by the Accounting Standards Council.

Earnings per Share

Basic Earnings per share is determined by dividing the Net Income by the weighted average number of shares issued and subscribed during the period.

Financial Information

a. The management maintains the same system of accounting policies and methods of computation in the Interim Financial Statements.

b. There were no changes in accounting estimates of amounts reported in interim periods of current financial year or even in prior financial years

c. There were no issuances, repurchases and repayments of equity securities

d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations. However, on March 25 and June 15, 2021, the Board of Directors approved the Stock Rights Offering of 1,445,549,830 shares

e. There were no dividends declared and paid on the Company's Common Equity.

f. Despite the negative economic effects of the pandemic, there will be continued demand for housing as the vaccine rollout is made. Hence, Philippine Estates Corporation 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 PHES has approved to undertake a Stock Rights Offering ("SRO") to raise capital for land acquisition.

g. The 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 company's operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations.

1. Plan of Operation

Due to the restrictions imposed on the construction industry because of the Covid-19 pandemic, completion of the remaining works of Phase 4 of Pacific Grand Villas in Cebu, Wellford Homes Jaro – Parcel A in Iloilo, as well as a portion of Phase 1 of Wellford Homes Malolos in Bulacan, will be done within 2021.

Although the Company was able to complete most of the housing units scheduled for delivery in 2020, the pandemic affected the operations of several contractors, with some being forced to close operations. 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, despite the difficulties brought about by the pandemic. Furthermore, in order to assist the marketing efforts in Wellford Homes Malolos, the Company aims to complete all model houses before the end of 2021, including interior design and landscaping.

The Company will start the construction of Wellford Residences – Mactan by the fourth quarter of 2021. The first tower will have 80 condominium units and is expected to be completed by 2022.

As the country continues to feel the economic effects of the Covid-19 pandemic, the Company has gradually learned to shift sales and marketing efforts online. Even sales events such as project knowledge seminars and the Annual Seller Awards were held online. For this year, more buyer-friendly payment terms will be offered in order to assist those whose sources of income have been adversely affected by the pandemic, such as the OFWs and local employees who belong to the tourism sector.

New Residential and Commercial Projects

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

The initial government permits for Wellfrod Homes Jaro Phase 2 have already been acquired, with the License to Sell the only remaining permit to be processed. Target launch of the said project will be the 4th quarter of 2021.

Planning is currently underway for Pacific Grand Villas Five, which will be a purely residential phase, with fewer units, but bigger houses and lot cuts to be offered. With the absence of substantial lots/house and lots inventory in Cebu, the Company is looking to secure all the necessary permits for its launch in the 1st quarter of 2022.

Planning of the commercial components of Jaro Grand Estates in Iloilo, is in the works. This is in anticipation of the increasing number of residents in our existing and future horizontal projects.

The Company will be looking for additional properties in Luzon, particularly the Bulacan area, for its future projects, based on the warm acceptance by the market of the Company's Wellford Homes Malolos project. This 2Q, the Company is starting to masterplan the Sta Maria property for a mixed-use development.

To support its liquidity, the Company is offering attractive and flexible payment terms to its buyers and has also accredited new contractors which can deliver built units faster so as to expedite collection of loan proceeds from partner institutions. Pre-selling of its units and CTS Financing are being explored to fund its projects especially for its newly launched projects

The Company continues to develop and generate cash flow through the following projects:

- ***Wellford Homes at 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 10 hectares, the initial offering is an American inspired duplex 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 well underway.

- ***Wellford Homes – Malolos***

  Wellford Homes – Malolos 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. Based on the projections, the development will generate Php1.15 Billion gross revenues upon completion of the project.

- ***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 offer around 200 condominium units and is expected to generate for the Company approximately P541M in Revenue.

2. Financial Position

The Company maintained its Financial Position as its total assets stood at P1.67B. Current ratio registered at 3.54:1. Current assets reached P1.26B while current liabilities amounted only to P0.35B. Debt –to- equity ratio stood at 0.54:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June, 2021.

Causes for material changes (5% or more) from period to period:

a. Accounts Payable and Accrued Expenses – the increase of 13.01% was due to an increase in payments made by the buyers for the titling fees and an increase in Deferred Output VAT from the installment sales.

b. Borrowings - the increase of 5.18% was the result of new loan availment from PBCom, Luzon Development Bank and Quick Financial.

c. Customers' Deposits – the increase of 26.64% was due to an increase in reservation fees for the period.

d. Retirement benefits obligation - the decrease of 5.82% was due to an increase in retirement fund for the period.

3. Result of Operations

For the 2Q 2021, the Company was able to post a consolidated net sales of ₱ 58.55M thus registering an increase of ₱30.77M or 110.78% compared to the Sales for same period in 2020 of ₱ 27.78M.

Realized Gross Profit increased by 92.55% or ₱8.92M from ₱18.56M this 2Q 2021 compared to ₱9.64M in 2Q 2020. Thus, Net Income before tax decreased to ₱0.48M compared from ₱2.33M in 2Q 2020, a decrease of -79.52% or ₱1.85M. This was primarily due to higher operating expenses by ₱11.03M or 203.83%.

Comparative Top Key Performance Indicators of the Company:

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

a. Sales – The Company gauges 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 Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

INDICATOR	Q2 2021	Q2 2020
Return on sales	0.81%	8.37%
Past due ratio	5.20%	14.00%
Gross Profit rate	48.44%	62.46%
Working Capital Turnover	0.06	0.04

4. Other Notes to 2Q 2021 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 Global Pandemic, there were significant material impacts on sales.

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

  Considering the evolving nature of this pandemic, the Company will continue to monitor the situation to determine the impact to its financial position, performance and cash flows.

- **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 institution, private or government. The Company periodically reviews its capital structure and existing obligations.

Compliance with Leading Practice on Corporate Governance

The Company has adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. Among these are as follows:

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee
- Creation of Board Committees
- Financial and Operational Reporting
- Compliance to Government Regulatory and Reportorial Requirements
- Disclosure of Transparency to the Public

There was no deviation committed by any of the Company's directors and/or officers on the Manual of Corporate Governance during the period covered in this report.

PART II – OTHER INFORMATION

Disclosure not made under SEC FORM 17-C: **NONE**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY		
STATEMENTS OF FINANCIAL POSITION		
	Interim F/S	Audited F/S
	30-Jun-21	31-Dec-20
ASSETS		
Current Assets		
Cash	16,311,822	16,836,562
Trade and other receivables (net)	561,050,080	539,850,712
Advances to related parties (net)	275,568,827	276,397,919
Real estate inventories, net	390,550,394	390,734,889
Prepayments and other current assets	12,841,629	12,653,243
	1,256,322,753	1,236,473,325
Non-current Assets		
Trade and other receivables (net of current portion)	40,816,118	40,694,028
Advances to related parties (net of current portion)	269,153,803	269,151,715
Property and equipment, net	38,870,349	40,402,837
Financial Asset at FVOCI	50,000,000	50,000,000
Investment property	1,072,016	1,072,016
Deferred tax assets	5,501,261	5,501,261
Other noncurrent assets	7,923,800	7,923,800
	413,337,348	414,745,657
TOTAL ASSETS	1,669,660,100	1,651,218,982
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities	101,347,400	89,679,391
Deferred gross profit	145,050,657	144,998,054
Borrowings (current portion)	101,005,887	96,027,677
Lease liabilities	984,384	984,384
Customers' deposits	6,114,794	4,828,637
	354,503,120	336,518,143
Non-current Liabilities		
Advances from related parties	104,024,033	104,024,033
Borrowings (non- current portion)	21,938,614	21,938,614
Lease liabilities (net of current portion)	2,405,414	2,405,414
Retention payable and refundable bonds	25,994,328	26,149,094
Deferred Tax Liabilities	62,209,662	62,209,661
Retirement benefits obligation	11,330,231	12,030,231
	227,902,281	228,757,047
Total liabilities	582,405,401	565,275,190
Equity		
Capital Stock	1,445,549,830	1,445,549,830
Remeasurement gain on retirement benefits	2,042,257	2,042,257
Deficit	(360,337,387)	(361,648,295)
Total equity	1,087,254,699	1,085,943,792
TOTAL LIABILITIES AND EQUITY	1,669,660,100	1,651,218,982

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY				
STATEMENT OF INCOME AND DEFICIT				
	2021	2021	**2020**	**2020**
	Apr - Jun	**Year to date**	**Apr-Jun**	**Year to date**
REAL ESTATE SALES	58,553,628	103,330,724	27,779,848	45,901,908
LESS: COST OF SALES	30,187,731	50,169,082	10,427,745	16,465,734
GROSS PROFIT	28,365,897	53,161,642	17,352,103	29,436,174
DEFERRED GROSS PROFIT	15,473,851	29,370,983	8,725,789	9,911,247
REALIZED GROSS PROFIT ON CURRENT YEAR	12,892,046	23,790,659	8,626,314	19,524,927
ADD: REALIZED GROSS PROFIT - PRIOR YEAR	5,665,950	14,471,388	1,011,473	4,446,864
TOTAL REALIZED GROSS PROFIT	18,557,996	38,262,047	9,637,787	23,971,791
OPERATING EXPENSES	16,442,383	32,423,016	5,411,632	20,765,220
NET OPERATING INCOME (LOSS)	2,115,612	5,839,030	4,226,154	3,206,570
FINANCE COST	(3,998,929)	(7,471,913)	(2,711,281)	(5,409,799)
OTHER INCOME	2,359,558	3,714,070	810,718	1,830,156
NET INCOME (LOSS)	476,242	2,081,188	2,325,592	(373,071)
LESS: INCOME TAX	(119,061)	(770,281)	-	-
DEFERRED INCOME TAX		0	-	-
NET INCOME (LOSS) AFTER PROVISION	357,182	1,310,907	2,325,592	(373,071)
RETAINED EARNINGS, BEGINNING	(360,694,570)	(361,648,294)	(360,274,617)	(360,274,617)
NET INCOME (LOSS)	357,182	1,310,907	2,325,592	(373,071)
RETAINED EARNINGS, END	(360,337,388)	(360,337,387)	(357,949,025)	(360,647,688)
EARNINGS (LOSS) PER SHARE *	0.00	0.00	0.00	(0.00)
**** Based on Weighted Average number of common shares outstanding***			***1,445,549,830***	

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	CAPITAL STOCK	Remeasurement gain on retirement benefits	DEFICIT	TOTAL
Balance at December 31, 2019	1,445,549,830	1,919,268	(362,193,885)	1,085,275,213
Remeasurement gain on retirement benefits				
Net Income (Loss) as of June 30, 2020			(373,071)	(373,071)
Balance at June 30, 2020	**1,445,549,830**	**1,919,268**	**(362,566,956)**	**1,084,902,142**
Balance at December 31, 2020	1,445,549,830	2,042,257	(361,648,295)	1,085,943,792
Remeasurement gain on retirement benefits				0
Net Income (Loss) as of June 30, 2021			1,310,907	1,310,907
Balance at June 30, 2021	**1,445,549,830**	**2,042,257**	**(360,337,388)**	**1,087,254,699**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

STATEMENT OF CASH FLOW

	June 2021	June 2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	1,310,907	(373,071)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and Amortization	1,623,024	540,624
Amortization of deferred charges		
Income from insurance claims		
Gain on sale of property and equipment		
Provision for doubtful accounts		
Decrease (increase) in assets:		
Trade and other receivables	(21,321,459)	9,477,742
Real estate inventories	6,197,797	4,082,634
Intangible Assets		
Prepayments and other current asse	(188,387)	1,715,584
Other Assets	0	(561,439)
Increase (decrease) in liabilities:		
Accounts payable and other liabilitie	11,668,008	29,462,989
Accrued expenses	431,390	(813,162)
Deferred Income	52,603	(938,392)
Net cash provided by (used in) operating activities	(226,117)	42,593,509
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to raw land inventory	(6,436,579)	
Additions to equipment	(90,536)	(181,124)
Deductions to real estate held for sale	423,277	
Additions to project development costs		(16,129,990)
Investment in Stock to Waterfront Manila Premier Development Inc.		
Proceeds from insurance claims		
Proceeds from sale of property & equipment		
Net cash provided by (used in) investing activities	(6,103,838)	(16,311,114)
CASH FLOW FROM FINANCING ACTIVITIES:		
Additional deposits on subscription		
Net decrease in due to/from affiliates	827,004	(728)
Net increase in due to stockholders	0	
Payment of long-term debts		
Payment for short-term borrowings	(42,715,939)	
Proceeds of short term borrowings	47,694,149	
Proceeds of longt term borrowings	0	
Net cash provided by (used in) financing activities	5,805,214	(728)
NET INCREASE (DECREASE) IN CASH	(524,740)	26,281,667
ADJUSTMENT OF PRIOR PERIODS	-	
CASH AT BEGINNING	16,836,562	13,004,316
CASH, ENDING BALANCE	**16,311,822**	**39,285,983**

PROPERTY AND EQUIPMENT (net)

Property and equipment as of June 30, 2021 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
PROPERTY, PLANT AND EQUIPMENT

	Right-of-use Asset	Transportation Equipment	Computer Software	Building & Furniture & Office	TOTAL
Cost					
At January 1, 2021	4,383,276	6,326,325	350,000	99,268,007	110,327,609
Additions	0	0	0	90,536	90,536
Disposals	-	-			0
June 30, 2021	***4,383,276***	***6,326,325***	***350,000***	***99,358,543***	***110,418,144***
					-
Accumulated Depreciation					
At January 1, 2021	(1,195,584)	(6,045,255)	(29,167)	(62,654,765)	(69,924,771)
Additions	0	(154,692)	(58,333)	(1,409,998)	(1,623,024)
Disposals	-	-			
June 30, 2021	***(1,195,584)***	***(6,199,948)***	***(87,500)***	***(64,064,763)***	***(71,547,795)***
					-
Net Book Value					
At January 1, 2021	***3,187,693***	***281,070***	***320,833***	***36,613,242***	***40,402,837***
June 30, 2021	***3,187,693***	***126,377***	***262,500***	***35,293,780***	***38,870,349***

BUSINESS SEGMENT INFORMATION

The business segment report of the company as of June 30, 2021 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY						
SEGMENT REPORT						
	HEAD OFFICE	**MALOLOS**	**DAVAO**	**CEBU**	**ILOILO**	**CONSOLIDATED**
Sales	0	57,205,172	0	9,000,021	37,125,531	103,330,724
Realized Gross Profit		5,575,362		19,973,593	12,713,091	38,262,047
Other Income	1,661,007	55,472		310,322	1,687,270	3,714,070
Finance Cost	7,471,913					7,471,913
Depreciation	1,430,766	12,370		60,968	118,920	1,623,024
Other Operating Expenses	15,323,954	2,159,150	83,657	7,074,852	6,158,379	30,799,992
SEGMENT ASSETS	**734,169,378**	**49,588,955**	**447,149**	**386,506,053**	**498,948,565**	**1,669,660,100**
SEGMENT LIABILITIES	**271,549,616**	**34,690,065**	**343,428**	**146,628,841**	**129,193,452**	**582,405,401**

PHILIPPINE ESTATES

QUALITY. OUR DISTINCTION. OUR COMMITMENT.

AGING OF RECEIVABLES
AS OF JUNE 2021

PROJECT	RECEIVABLE BALANCE	CURRENT	PAST DUE					
			1-30	31-60	61-90	91-120	121-180	TOTAL
PACIFIC GRAND VILLAS PHASE 1B	**19,331,351**	**18,179,215**	**0**	**0**	**0**	**0**	**1,152,137**	**1,152,137**
LOT	223,106	223,106						0
H&L	19,108,245	17,956,108					1,152,137	1,152,137
PACIFIC GRAND VILLAS PHASE 1C	**17,991,928**	**16,528,015**	**92,348**	**92,348**	**92,348**	**184,695**	**1,002,175**	**1,463,913**
LOT	867,364	865,329	0	0			2,036	**2,036**
H&L	17,124,564	15,662,686	92,348	92,348	92,348	184,695	1,000,139	**1,461,877**
PACIFIC GRAND VILLAS PHASE 4A	**61,335,668**	**59,221,136**	**151,505**	**151,505**	**151,505**	**151,505**	**1,508,511**	**2,114,531**
LOT	17,806,149	17,084,945	54,989	54,989	54,989	54,989	501,248	721,204
H&L	43,529,519	42,136,191	96,516	96,516	96,516	96,516	1,007,263	1,393,327
PACIFIC GRAND VILLAS PHASE 4B	**22,141,332**	**21,465,932**	**55,259**	**55,259**	**55,259**	**55,259**	**454,365**	**675,400**
LOT	53,377	53,377	0	0	0	0	0	0
H&L	22,087,955	21,412,555	55,259	55,259	55,259	55,259	454,365	675,400
PACIFIC GRAND TOWNHOMES	**49,936,569**	**47,567,952**	**135,064**	**111,097**	**111,097**	**111,097**	**1,900,261**	**2,368,616**
H&L	49,936,569	47,567,952	135,064	111,097	111,097	111,097	1,900,261	2,368,616
WELLFORD RESIDENCES MADISON I	**58,525,772**	**56,656,017**	**133,038**	**108,292**	**108,292**	**108,292**	**1,411,841**	**1,869,755**
H&L	57,108,786	55,239,032	133,038	108,292	108,292	108,292	1,411,841	1,869,755
LOT	1,416,986	1,416,986	0	0	0	0	0	0
CEBU TOTAL	**229,262,620**	**219,618,267**	**567,214**	**518,500**	**518,500**	**610,848**	**7,429,289**	**9,644,352**
** Past Due Ratio*	*100%*	96%						4%
CHATEAUX GENEVA	**993,053**	**847,190**	**3,623**	**3,623**	**3,623**	**3,623**	**131,371**	**145,863**
LOT	945,425	847,190	3,623	3,623	3,623	3,623	83,744	98,235
H&L	47,628	0	0	0	0	0	47,628	47,628
COSTA SMERALDA	**145,914,063**	**142,867,011**	**201,877**	**201,664**	**190,832**	**190,191**	**2,262,489**	**3,047,052**
LOT	54,399,974	53,087,309	32,754	32,541	21,709	21,068	1,204,593	1,312,665
H&L	91,514,089	89,779,703	169,123	169,123	169,123	169,123	1,057,896	1,734,387
WELLFORD HOMES	**68,461,525**	**65,488,766**	**218,268**	**197,419**	**197,373**	**181,096**	**2,178,603**	**2,972,758**
H&L	68,461,525	65,488,766	218,268	197,419	197,373	181,096	2,178,603	2,972,758
ILOILO TOTAL	**215,368,640**	**209,202,967**	**423,768**	**402,706**	**391,828**	**374,909**	**4,572,463**	**6,165,673**
** Past Due Ratio*	*100%*	*97%*						*3%*
PLASTIC CITY INDUSTRIAL PARK	**4,560,710**						**4,560,710**	**4,560,710**
EMBASSY POINTE	**9,049,365**						9,049,365	**9,049,365**
METRO MANILA	**13,610,075**		**0**	**0**	**0**	**0**	**13,610,075**	**13,610,075**
** Past Due Ratio*	*100%*							*100%*
WELLFORD HOMES -MALOLOS	**112,937,060**	**112,698,251**	**154,737**	**50,294**	**8,444**	**8,444**	**16,889**	**238,809**
LOT	43,043,929	42,873,383	91,038	45,731	8,444	8,444	16,889	170,547
H&L	69,893,131	69,824,869	63,699	4,563	0	0	0	68,262
	100.00%	*99.79%*						*0.21%*
GRAND TOTAL	**571,178,395**	**541,519,486**	**1,145,719**	**971,500**	**918,772**	**994,202**	**25,628,716**	**29,658,910**
** Past Due Ratio*	*100%*	*94.8%*						*5.2%*

SIGNATURES

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

Issuer	: **ELVIRA A. TING**
Title	: PRESIDENT / CEO
Signature	:
Date	: 10 August 2021

Principal Financial Accounting Officer Controller	: **JOCELYN A. VALLE**
Title	: FINANCE HEAD
Signature	:
Date	: 10 August 2021

Gmail

PHES PHES <philestates96@gmail.com>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph> Thu, Apr 29, 2021 at 4:08 PM
To: PHILESTATES96@gmail.com
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Hi PHILIPPINE ESTATES CORPORATION,

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- EAFS000263366ITRTY122020.pdf
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Transaction Code: **AFS-0-BCACKLC60NSTXVSVYNSM2WRNQ0QNYM4YST**
Submission Date/Time: **Apr 29, 2021 04:08 PM**
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.

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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

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
info@phes.com.ph	8637-3112	09178338243

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
708	October/30	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	phes_finance@yahoo.com	8637-3112	NA

Contact Person's Address

35Th Floor, One Corporate Center, Doña Julia Vargas Ave. Corner Meralco Avenue, Ortigas Center, Pasig City

Note: In case of death, resgination 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.

Philippine Estates Corporation

Financial Statements
December 31, 2020 and 2019

and

Independent Auditors' Report

PHILIPPINE ESTATES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE ESTATES CORPORATION** is responsible for the preparation and fair presentation of the Parent Company financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards (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 of 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.

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

The Board of Directors reviews and approves the Parent Company 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 Parent Company's 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. 7276822; 1-15-2021
IBP Membership No. 133873; RSM
Roll No.. 69675
MCLE Compliance No. VII - 0000167· 7-2-2019
Appointment No. 77 (2019-2020)
Valid Until June 2021 (B.M. No. 3795; 12-1-2020)
Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City

APR 0 5 2021

BEFORE ME, a Notary Public, for and in Pasig City, Philippines, this ____day of ________, 20 __, personally appeared the following person/s:

Signed this ___ day of _________, 2021

known to me and to me known to be the same person/s who executed the foregoing instrument constituting of ______ page/s, including this page where the acknowledgement is written, and he/she/they acknowledged to me that the same is his/her/their free act and voluntary deed.

Doc. No. 131
Page No. 28
Book No. 5
Series of 2021

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *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.

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, 2020, 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, 2020 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 35 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. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:

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

April 5, 2021

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Financial Position

		As at December 31		
		2020		2019
ASSETS				
Current Assets				
Cash - note 4	**₱**	**16,747,021**	₱	12,914,775
Trade and other receivables (net) - note 5		**539,850,712**		508,997,744
Advances to related parties (net) - note 23		**271,831,148**		–
Real estate inventories - note 6		**390,734,889**		398,215,592
Prepayments and other current assets - note 7		**12,653,242**		17,203,858
		1,231,817,012		937,331,969
Noncurrent Assets				
Trade and other receivables (net of current portion) - note 5		**40,694,028**		41,752,876
Advances to related parties (net) - note 23		**269,323,636**		545,892,407
Investment in a subsidiary - note 8		**7,800,000**		7,800,000
Financial assets at FVOCI - note 9		**50,000,000**		12,500,000
Property and equipment (net) - note 10		**40,402,837**		41,583,149
Deferred tax assets (net) - note 25		**5,501,261**		4,399,617
Other noncurrent assets - note 11		**7,855,619**		7,056,899
		421,577,381		660,984,948
TOTAL ASSETS	**₱**	**1,653,394,393**	₱	1,598,316,917
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities - note 12	**₱**	**89,342,353**	₱	87,115,250
Borrowings - note 13		**96,027,677**		65,773,920
Lease liabilities - note 28		**984,384**		686,947
Deferred gross profit - note 16		**144,998,054**		138,573,511
Customers' deposits - note 14		**4,828,637**		2,901,678
		336,181,105		295,051,306
Noncurrent Liabilities				
Retention payable and refundable bonds - note 15		**26,149,094**		23,659,157
Borrowings (net of current portion) - note 13		**21,938,614**		19,957,846
Lease liabilities (net of current portion) - note 28		**2,405,414**		1,209,496
Advances from related parties - note 23		**104,024,033**		104,024,033
Retirement benefits obligation - note 26		**12,030,231**		10,027,135
Deferred tax liabilities - note 25		**62,209,661**		58,902,665
		228,757,047		217,780,332
		564,938,152		512,831,638
Equity				
Capital stock - note 17		**1,445,549,830**		1,445,549,830
Remeasurement gain on retirement benefits (net) - note 26		**2,042,257**		1,919,268
Deficit		**(359,135,846)**		(361,983,819)
		1,088,456,241		1,085,485,279
TOTAL LIABILITIES AND EQUITY	**₱**	**1,653,394,393**	₱	1,598,316,917

(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		
	2020	2019	2018
REAL ESTATE SALES - note 18	**₱ 217,943,438**	₱ 212,597,813	₱ 306,912,405
COST OF REAL ESTATE SOLD - note 19	**(90,084,118)**	(96,061,696)	(130,621,844)
GROSS PROFIT	**127,859,320**	116,536,117	176,290,561
DEFERRED GROSS PROFIT	**(90,046,386)**	(68,028,081)	(79,615,714)
REALIZED GROSS PROFIT DURING THE YEAR	**37,812,934**	48,508,036	96,674,847
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**36,844,770**	59,634,967	28,908,282
TOTAL REALIZED GROSS PROFIT - note 16	**74,657,704**	108,143,003	125,583,129
OTHER INCOME (net) - note 20	**12,432,352**	8,726,579	27,992,073
OPERATING EXPENSES - note 21	**(61,773,704)**	(90,964,469)	(105,633,582)
FINANCE COSTS - note 22	**(16,096,807)**	(14,468,118)	(13,517,163)
INCOME BEFORE INCOME TAX	**9,219,545**	11,436,995	34,424,457
PROVISION FOR INCOME TAX - note 25			
Current	**4,218,929**	18,039,694	7,090,364
Deferred	**2,152,643**	(6,798,520)	9,498,109
	6,371,572	11,241,174	16,588,473
NET INCOME FOR THE YEAR	**2,847,973**	195,821	17,835,984
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 26	**122,989**	(1,450,309)	(271,821)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱ 2,970,962**	(₱ 1,254,488)	₱ 17,564,163
EARNINGS PER SHARE - note 30	**₱ 0.0020**	₱ 0.0001	₱ 0.0123

(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 26)	Deficit	Total
Balance as at January 1, 2018, as restated	₱ 1,445,549,830	₱ 3,641,398	(₱ 379,916,603)	₱ 1,069,274,625
Comprehensive income (loss)				
Net income for the year	–	–	17,835,984	17,835,984
Remeasurement loss for the year	–	(271,821)	–	(271,821)
Balance as at December 31, 2018, as previously stated	1,445,549,830	3,369,577	(362,080,619)	1,086,838,788
Effect on adoption of PFRS 16 - note 2	–	–	(99,021)	(99,021)
Balance as at January 1, 2019, as restated	1,445,549,830	3,369,577	(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)
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**
Balance as at December 31, 2020	**₱ 1,445,549,830**	**₱ 2,042,257**	**(₱ 359,135,846)**	**₱ 1,088,456,241**

(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		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 9,219,545**	₱ 11,436,995	₱ 34,424,457
Adjustments for:			
Loss on cancelled contracts - note 21	**4,956,411**	17,401,681	27,905,574
Finance costs - notes 13 and 28	**16,096,807**	14,468,118	13,517,163
Depreciation - note 10	**4,276,937**	4,352,248	3,165,606
Retirement benefits expense - note 26	**2,178,794**	1,669,470	1,391,987
Interest income - notes 4, 5 and 23	**(13,166,315)**	(7,692,887)	(8,647,445)
Provision for (reversal of) ECL - notes 5 and 23	**2,400,820**	2,343,224	(14,709,671)
Operating income before working capital changes	**25,962,999**	43,978,849	57,047,671
Decrease (increase) in:			
Trade and other receivables	**(37,151,351)**	18,154,771	(94,695,908)
Real estate inventories	**7,480,703**	(24,170,299)	1,496,787
Prepayments and other current assets	**4,550,616**	8,487,130	2,036,728
Increase (decrease) in:			
Retention payable and guarantee bonds	**2,489,937**	(785,251)	802,729
Deferred gross profit	**6,424,543**	(3,622,886)	35,276,696
Accounts payable and other liabilities	**2,227,103**	14,218,751	7,553,397
Customers' deposit	**1,926,959**	(2,857,926)	(1,550,252)
Cash generated from operating activities	**13,911,509**	53,403,139	7,967,848
Contributions to retirement fund - note 26	–	(1,500,000)	–
Interest received	**2,300,394**	2,115,228	2,163,830
Income tax paid	**(4,218,929)**	(18,039,694)	(3,223,809)
Net cash provided by operating activities	**11,992,974**	35,978,673	6,907,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**37,875,000**	663,368	67,805,604
Additional advances to related parties	**(22,271,456)**	(607,990)	(567,045)
Additions to property and equipment - note 10	**(311,071)**	(274,689)	(3,535,345)
Utilization of (additions to) other noncurrent assets	**(1,148,720)**	16,086	(492,607)
Acquisition of financial assets at FVOCI - note 9	**(37,500,000)**	–	–
Net cash provided by (used in) investing activities	**(23,356,247)**	(203,225)	63,210,607
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**91,770,246**	81,890,016	78,989,229
Payment of lease liabilities	**(942,199)**	(908,728.00)	–
Payment of finance costs - notes 13 and 28	**(16,096,807)**	(14,468,118)	(13,517,163)
Payments of borrowings - note 13	**(59,535,721)**	(109,355,745)	(77,094,189)
Additional advances from related parties - note 23	–	16,560,446	4,986,402
Settlement of advances from related parties - note 23	–	(15,005,000)	(58,359,096)
Net cash provided by (used in) financing activities	**15,195,519**	(41,287,129)	(64,994,817)
NET INCREASE (DECREASE) IN CASH	**3,832,246**	(5,511,681)	5,123,659
CASH - note 4			
At beginning of year	**12,914,775**	18,426,456	13,302,797
At end of year	**₱ 16,747,021**	₱ 12,914,775	₱ 18,426,456

(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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

1. CORPORATE INFORMATION

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

The principal activity of the Parent Company is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential, leisure or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein. The Parent Company's condominium projects and other developmental activities are located in the cities of Manila, Bulacan, 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, 2020, with its comparatives for 2019 and 2018, were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of 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, 2020 and the revenue from real estate sales in 2020. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
b. The exclusion of land and uninstalled materials in the determination of POC would reduce the POC of real estate projects resulting in a decrease in retained earnings as at January 1, 2020 as well as a decrease in the revenue from real estate sales in 2020. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
c. The IFRIC interpretation concluded that any work-in-progress inventory that the developer intends to sell as it finds suitable customers and, on signing a contract with a customer, will transfer control of the work-in-progress relating to that unit to customer is not a qualifying asset since the asset is ready for its intended sale in its current condition. The interpretation will result in decrease in retained earnings as at January 1, 2020 as well as increase in interest expense in 2020.

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, 2020.

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

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

The above amendments have no impact on the Parent Company's financial statements.

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

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

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

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

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

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

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

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

Standards issued but not yet effective up to the date of the 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.

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

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

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

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

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

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

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

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

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

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

Deferred Effectivity

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The 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, 2020 on its financial statements in the period of initial application.

Additional disclosures required by these amendments will be included in the 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, 2020 and 2019, 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 in banks represent cash on hand and cash in banks. Cash in banks earn interest at respective bank deposit rate.

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

Other noncurrent assets consist of refundable deposits.

Equity instruments designated at FVOCI

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

As at December 31, 2020 and 2019, the 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, 2020 and 2019, included in other financial liabilities 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 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 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 33 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 stated at cost less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, are 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 losses.

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.

The 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, 2020 and 2019.

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

Related Party Relationship and Transactions

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

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

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

Segment Reporting

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

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

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

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 ₱859,473 and ₱3,650,784 as at December 31, 2020 and 2019, 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 27).

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, 2020 and 2019.

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, 2020 and 2019.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the 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, 2020 and 2019.

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 ₱74,657,704, ₱108,143,003 and ₱125,583,129 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 16).

Estimating Allowance for ECL

The 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 ₱1,121,699,524 and ₱1,096,643,027 as at December 31, 2020 and 2019, respectively (see Notes 5 and 23).

Allowance for ECL recognized in the Parent Company's statements of financial position amounted to ₱33,507,006 and ₱31,106,186 as at December 31, 2020 and 2019, 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, 2020 and 2019 amounted to ₱40,402,837 and ₱41,583,149, 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, 2020 and 2019 amounted to ₱5,501,261 and ₱4,399,617, respectively (see Note 25).

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 26 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, 2020 and 2019 amounted to ₱12,030,231 and ₱10,027,135, respectively (see Note 26).

4. CASH

Cash as at December 31 consists of:

	2020	2019
Cash on hand	₱ **253,446**	₱ 108,446
Cash in banks	**16,493,575**	12,806,329
	₱ **16,747,021**	₱ 12,914,775

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

Interest income earned from cash in banks amounted to ₱32,565, ₱16,109, and ₱18,446 in 2020, 2019 and 2018, respectively, and recognized as part of "Other Income" 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, 2020 and 2019.

5. TRADE AND OTHER RECEIVABLES (net)

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

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

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

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

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

The 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, 2020 and 2019 amounted to ₱38,462,694 and ₱50,991,225, respectively (see Note 13).

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

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

Receivable from contractors pertain to amount recoverable from construction projects.

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

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

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

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

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

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

The Parent Company'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 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 ₱90,084,118, ₱96,061,696 and ₱130,621,844 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 19).

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

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

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2020	2019
Creditable withholding tax	**₱ 7,635,045**	₱ 7,937,546
Deferred input tax	**3,591,689**	4,833,068
Input tax	**859,473**	3,650,784
Prepaid expenses	**567,035**	782,460
	₱ 12,653,242	₱17,203,858

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

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

8. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary as at December 31 consists of:

	2020	2019
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 operations and its income came only from interest on bank deposits.

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

	2020	2019	2018
Assets	**₱ 5,796,509**	₱ 8,079,895	₱ 9,242,236
Liabilities	**508,959**	489,962	489,122
Equity	**₱ 5,287,550**	₱ 7,589,933	₱ 8,753,114
Revenue	**₱ –**	₱ –	₱ –
Expenses	**(2,302,377)**	(1,163,181)	(590,009)
Net loss	**(₱ 2,302,377)**	(₱ 1,163,181)	(₱ 590,009)

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 and ₱12,500,000 as at December 31, 2020 and 2019, respectively, which represent ownership in Waterfront Manila Premier Development, Inc. This investment is irrevocably designated at FVOCI as the 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:

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

The Parent Company's financial assets at FVOCI as at December 31, 2020 and 2019 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, 2020	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Right-of-use assets**	**Computer software**	**Total**
Cost						
At beginning of year	**₱81,063,188**	**₱ 6,319,052**	**₱ 42,498,057**	**₱4,115,836**	**₱ –**	**₱133,996,133**
Additions	**–**	**7,272**	**303,799**	**2,435,554**	**–**	**2,746,625**
Reclassification – note 11	**–**	–	–	**–**	**350,000**	**350,000**
Write-off	–	–	–	**(2,168,113)**	**–**	**(2,168,113)**
At end of year	**81,063,188**	**6,326,324**	**42,801,856**	**4,383,277**	**350,000**	**134,924,645**
Accumulated depreciation						
At beginning of year	**42,727,202**	**5,679,166**	**41,643,091**	**2,363,525**	**–**	**92,412,984**
Depreciation – note 21	**2,260,588**	**366,089**	**620,920**	**1,000,173**	**29,167**	**4,276,937**
Write-off	**–**	**–**	**–**	**(2,168,113)**	**–**	**(2,168,113)**
At end of year	**44,987,790**	**6,045,255**	**42,264,011**	**1,195,585**	**29,167**	**94,521,808**
Carrying amount as at December 31, 2020	**₱36,075,398**	**₱ 281,069**	**₱ 537,845**	**₱3,187,692**	**₱320,833**	**₱ 40,402,837**

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

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

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

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

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

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

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2020	2019
Refundable deposits	**₱ 7,680,337**	₱ 6,531,617
Other assets	**175,282**	525,282
	₱ 7,855,619	₱ 7,056,899

Refundable deposits consist mainly of security and utility deposits.

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2020	2019
Accounts payable	**₱ 18,760,012**	₱ 18,246,647
Deferred output VAT and other taxes payable	**38,051,388**	40,362,481
Accrued expenses	**4,983,738**	5,277,053
Other payables	**27,547,215**	23,229,069
	₱ 89,342,353	₱ 87,115,250

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

Deferred output VAT arises from the 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:

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

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

	Outstanding balance		
Bank/ Lender	**2020**	2019	Loan type and significant terms
Luzon Development Bank	**₱ 81,808,897**	₱ 53,181,020	Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2020 and 2019 (see Note 6).
Central Visayas Financial Corporation	**19,069,603**	21,692,767	Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱ 21,221,724 and ₱34,030,202 as at December 31, 2020 and 2019, respectively (see Note 5).
Asia United Bank	**–**	232,905	Note payable amounted to ₱1,072,000 and was secured by chattel mortgage with carrying amount of ₱281,050 as at December 31, 2020 (see Note 10). The note was fully paid in 2020.
Qwick	**17,087,791**	10,625,074	Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱17,240,970 and ₱16,961,023 as at December 31, 2020 and 2019, respectively.
	₱117,966,291	₱ 85,731,766	

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

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

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

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

15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

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

Retention payable pertains to ten percent (10%) of each progress payment retained by the 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, 2020 and 2019, deferred gross profit amounted to ₱144,998,054 and ₱138,573,511, respectively. Realized gross profit for current and prior year sales amounted to ₱74,657,704, ₱108,143,003 and ₱125,583,129 in 2020, 2019 and 2018, respectively.

17. CAPITAL STOCK

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

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

The 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.

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

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

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

18. REAL ESTATE SALES

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

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

19. COST OF REAL ESTATE SOLD

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

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

20. OTHER INCOME (net)

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

	2020	2019	2018
Finance income from:			
Advances to affiliates – note 23	**₱ 10,865,921**	₱ 5,577,659	₱ 6,483,615
Installment contract receivables – note 5	**2,267,829**	2,099,119	2,145,384
Cash in banks – note 4	**32,565**	16,109	18,446
Recovery of allowance for ECL – note 23	**–**	–	15,899,262
Provision for ECL – note 5	**(2,400,820)**	(2,343,224)	(1,189,590)
Miscellaneous income	**1,666,857**	3,376,916	4,634,956
	₱ 12,432,352	₱ 8,726,579	₱ 27,992,073

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

21. OPERATING EXPENSES

Operating expenses for the years ended December 31 consists of:

	2020	2019	2018
Salaries and wages	**₱ 15,814,691**	₱ 21,645,351	₱ 20,910,118
Commissions	**7,028,261**	11,559,372	14,962,215
Taxes and licenses	**6,610,553**	7,825,855	9,939,964
Representation and entertainment	**5,005,844**	5,817,047	5,871,357
Loss on cancelled contracts	**4,956,411**	17,401,681	27,905,574
Depreciation – note 10	**4,276,937**	4,352,248	3,165,606
Communication, light and water	**2,273,370**	2,513,800	2,634,792
Retirement benefits – note 26	**2,178,794**	1,669,470	1,391,987
Professional and legal fees	**2,063,435**	2,618,947	1,700,621
Employee benefits	**1,926,752**	2,839,756	2,609,324
Advertising	**1,686,689**	3,542,336	3,641,279
Travel and transportation	**1,599,877**	2,140,689	1,787,698
Supplies	**1,174,614**	891,996	1,106,188
Repairs and maintenance	**710,874**	780,124	954,502
Dues and subscription	**691,749**	670,424	680,806
Security services	**548,844**	296,895	264,664
Insurance	**305,682**	160,430	139,638
Janitorial services	**218,221**	17,061	119,592
Rental – note 28	**141,464**	92,423	849,346
Director fees	**38,928**	160,000	150,000
Penalty fee, interests and surcharges	**1,310**	1,224,160	1,495,666
Sports and recreation	**–**	208,872	254,137
Meetings, trainings and seminars	**–**	61,467	108,162
Miscellaneous	**2,520,404**	2,474,065	2,990,346
	₱ 61,773,704	₱ 90,964,469	₱105,633,582

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:

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