

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

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

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

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

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

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

## 11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

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

Refundable deposits consist mainly of security and utility deposits.

## 12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

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

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

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

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

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

## 13. BORROWINGS

Borrowings as at December 31 consist of:

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

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

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

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

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

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance		Conditions	
					2021	2020		
<b>Luzon Development Bank</b>								
06/28/2015	Working capital	10/28/2021	10%	35,000,000	₱–	6,444,064	[a]	
05/26/2017	Working capital	10/26/2021	10%	15,000,000	–	3,631,981	[a]	
01/18/2018	Working capital	05/13/2022	10%	20,000,000	<b>2,473,363</b>	8,008,986	[a]	
05/12/2021	Working capital	04/12/2024	10%	12,500,000	<b>10,037,780</b>	–	[a]	
11/21/2019	Working capital	03/21/2022	11%	20,000,000	<b>2,747,691</b>	13,010,319	[a]	
05/09/2021	Working capital	05/02/2024	11%	12,000,000	<b>10,568,453</b>	–	[a]	
12/10/2020	Working capital	11/10/2021	10%	11,594,000	–	10,702,736	[a]	
08/06/2020	Working capital	09/06/2021	10%	8,624,000	–	6,577,102	[a]	
08/06/2020	Working capital	09/06/2023	11%	17,000,000	<b>10,586,570</b>	15,863,456	[a]	
07/16/2020	Working capital	08/16/2023	11%	10,000,000	<b>5,958,695</b>	9,059,043	[a]	
03/04/2020	Working capital	07/04/2021	11%	14,200,000	–	8,511,211	[a]	
<b>Philippine Bank of Communications</b>								
06/17/2021	Working capital	12/17/2022	9%	17,376,554	<b>11,842,019</b>	–	[b]	
08/04/2021	Working capital	02/23/2022	9%	15,596,199	<b>12,309,350</b>	–	[b]	
11/15/2021	Working capital	05/15/2023	9%	18,693,429	<b>17,719,545</b>	–	[b]	
<b>Qwick</b>								
08/08/2019	Working capital	03/07/2021	15%	8,266,961	–	4,349,024	[c]	
03/13/2020	Working capital	08/26/2021	15%	5,466,806	–	5,461,547	[c]	
09/10/2020	Working capital	03/15/2022	15%	7,326,253	<b>7,277,219</b>	7,277,219	[c]	
02/02/2021	Working capital	08/10/2022	15%	6,060,113	<b>6,021,926</b>	–	[c]	
02/18/2021	Working capital	05/30/2022	15%	4,587,997	<b>4,565,870</b>	–	[c]	
05/12/2021	Working capital	30/11/2022	15%	7,169,483	<b>7,160,141</b>	–	[c]	
10/05/2021	Working capital	03/30/2023	15%	7,807,598	<b>7,797,286</b>	–	[c]	
<b>Asia United Bank</b>								
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	<b>895,509</b>	–	[d]	
<b>Central Visayas Financial Corporation</b>								
08/09/2021	Working capital	03/03/2021	15%	2,212,313	–	1,544,870	[e]	
01/20/2020	Working capital	08/28/2021	15%	7,381,376	–	7,381,376	[e]	
02/28/2020	Working capital	06/30/2021	15%	7,063,267	–	7,063,266	[e]	
03/13/2020	Working capital	09/15/2021	15%	3,114,545	–	3,080,091	[e]	
					<b>₱294,965,694</b>	<b>₱117,961,417</b>	<b>₱117,966,291</b>	

a. *Luzon Development Bank*

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2021 and 2020 (see Note 6).

b. *Philippine Bank of Communications*

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

*c. Qwick*

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

*d. Asia United Bank*

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

*e. Central Visayas Financial Corporation*

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

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

**14. CUSTOMERS' DEPOSITS**

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

As at December 31, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,746,616 and ₱4,828,637, respectively.

**15. RETENTION PAYABLE AND REFUNDABLE BONDS**

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

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

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

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

## 16. DEFERRED GROSS PROFIT

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

As at December 31, 2021 and 2020, deferred gross profit amounted to ₱156,073,566 and ₱144,998,054, respectively. Realized gross profit for current and prior year sales amounted to ₱79,339,510, ₱74,657,704 and ₱108,143,003 in 2021, 2020 and 2019, respectively.

## 17. CAPITAL STOCK

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

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

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

### *Track Record of Registration of Securities*

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

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

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

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

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

*Share Rights Offer*

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

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

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

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

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

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

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

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

	Market value per share
<b>December 31, 2021</b>	<b>₱0.51</b>
December 31, 2020	0.425
December 31, 2019	0.430

## 18. REAL ESTATE SALES

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

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

## 19. COST OF REAL ESTATE SOLD

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

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

## 20. OTHER INCOME (CHARGES) - net

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

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

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

## 21. OPERATING EXPENSES

Operating expenses for the years ended December 31 consists of:

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

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

## 22. FINANCE COSTS

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

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



## 23. RELATED PARTY TRANSACTIONS

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

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

	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/ reversal of impairment	At end of year
<b>December 31, 2021</b>					
<b>Common key management</b>					
Plastic City Corp. (a)	₱ 192,820,924	₱ 462,770	₱ 3,856,618	₱ –	₱ 197,140,312
Forum Holdings Corp. (b)	38,330,030	91,993	766,601	–	39,188,624
Kennex Container Corp. (b)	35,813,305	85,952	716,266	–	36,615,523
Orient Pacific Corp. (b)	25,036,076	60,087	500,721	–	25,596,884
Noble Arch Realty and Construction (c)	4,829,180	38,642	96,464	–	4,964,286
Pacific Rehouse Corporation (f)	891,363	100	–	( 17,477)	873,986
Metro Alliance Holdings and Equities Corporation (e)	268,260,352	1,262,402	5,260,007	–	274,782,761
<b>Stockholders</b>					
International Polymer Corp. (b)(d)	866,400	–	–	( 866,400)	–
<b>Subsidiary</b>					
Mariano Arroyo Dev't Corp	171,921	30,453	–	–	202,374
	567,019,551	2,032,399	11,196,677	( 883,877)	579,364,750
Allowance for ECL	( 25,864,767)	–	–	–	( 25,864,767)
	₱ 541,154,784	₱ 2,032,399	₱11,196,677	(₱883,877)	₱553,499,982

	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/ reversal of impairment	At end of year
<b>December 31, 2020</b>					
<b>Common key management</b>					
Plastic City Corp. (a)	₱189,183,315	₱ –	₱3,637,609	₱ –	₱ 192,820,924
Forum Holdings Corp. (b)	37,620,706	–	709,324	–	38,330,030
Kennex Container Corp. (b)	35,151,054	–	662,251	–	35,813,305
Orient Pacific Corp. (b)	24,563,697	–	472,379	–	25,036,076
Noble Arch Realty and Construction (c)	4,718,322	17,992	92,866	–	4,829,180
Pacific Rehouse Corporation (f)	869,764	4,122	17,477	–	891,363
Metro Alliance Holdings and Equities Corporation (e)	278,270,000	22,230,345	5,260,007	(37,500,000)	268,260,352
<b>Stockholders</b>					
International Polymer Corp. (b)(d)	1,227,392	–	14,008	( 375,000)	866,400
<b>Subsidiary</b>					
Mariano Arroyo Dev't Corp	152,924	18,997	–	–	171,921
	571,757,174	22,271,456	10,865,921	(37,875,000)	567,019,551
Allowance for ECL	(25,864,767)	–	–	–	(25,864,767)
	₱545,892,407	₱22,271,456	₱10,865,921	(₱37,875,000)	₱ 541,154,784

Advances to related parties as at December 31 consist of:

	2021	2020
Current	₱ –	₱271,831,148
Noncurrent	553,499,982	269,323,636
	<b>₱ 553,499,982</b>	<b>₱541,154,784</b>

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

December 31, 2021	At beginning of Year	Additional Advances from Related Parties	Settlement/ Reversal	At end of year
<b>Common key management</b>				
Waterfront Cebu City Hotel	₱ 92,054,457	₱ –	₱ –	₱ 92,054,457
The Wellex Group, Inc.	7,972,400	–	( 34,161)	7,938,239
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
Inland Container Corporation	–	2,500,000	(1,500,000)	1,000,000
<b>Stockholders</b>				
International Polymer Corp.	–	3,352	–	3,352
	<b>₱104,024,033</b>	<b>₱ 2,503,352</b>	<b>(₱1,534,161)</b>	<b>₱104,993,224</b>

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

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

a) *Plastic City Corporation (PCC)*

Advances to PCC represent unsecured and interest bearing cash advances which bear an interest of 2% per annum. PCC issued a promissory note in favor of Group. On May 2, 2011, PCC and the Parent Company entered into a memorandum of agreement wherein PCC will transfer the ownership of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at ₱6,450/sq.m. as payment to its outstanding obligation to the Parent Company. On December 21, 2018, PCC reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, PCC and Parent Company the reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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

In 2009, FHC, IPC, KCC, OPC and HPC executed respective unsecured promissory notes (PN) to cover their respective advances to the Parent Company with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term which matured during the year at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On December 21, 2018, FHC, KCC and OPC, and Parent Company reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, FHC, KCC and OPC, and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

*c) Noble Arch Realty and Construction Corporation (NARCC)*

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters. For the purpose of paying the obligation arising from the aforementioned contract, NARCC sought the assistance of the Parent Company through interest bearing cash advances. In 2009, NARCC executed respective unsecured PN to cover their respective advances to the Parent Company with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PN's were renewed in 2014 with a three-year term which matured during the year at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On March 23, 2015, the properties were transferred to the Parent Company through Deed of Absolute Sale executed by the Parent Company and Union Bank of the Philippines. On December 21, 2018, NARCC and the Parent Company reissued a promissory note indicating an extension of term for another three (3) years, starting January 31, 2018 and will mature on January 31, 2021 on the remaining balance. On February 1, 2021, NARCC and Parent Company reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

*d) Installment contract receivables from IPC*

In addition to the advances made to related parties, the Parent Company also has unsecured and unguaranteed installment contract receivables from related parties due beyond one (1) year which are to be settled through cash amounting to ₱4,340,519 as at December 31, 2021 and 2020 (see Note 5).

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

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

On March 15, 2021, MAHEC issued a promissory note amounting to ₱263,000,345. The term of the loan is five (5) years maturing on March 15, 2026, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱10,520,014 and ₱5,260,007 as at December 31, 2021 and 2020, respectively.

*f) Remuneration of key management personnel*

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

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

*g) Transaction with the retirement fund*

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

## 24. INCOME TAX

*Reconciliation of income tax expense*

The reconciliation of income before tax computed at the regular corporate tax rate to the provision for (benefit from) income tax as shown in the Parent Company statement of comprehensive income is as follows:

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

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

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

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

The component of deferred income tax recognized in other comprehensive income from actuarial gain (loss) on retirement benefits amounted to ₱711,483, ₱52,709, and (₱621,561) for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 25).

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

### **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**

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

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023.
3. The imposition of improperly accumulated earnings is repealed.

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

	National Internal Revenue Code (NIRC) of 1997	CREATE Act*	Impact of CREATE Act
<b><u>Statement of Financial Position</u></b>			
Deferred tax assets	₱ 15,553,363	₱ 12,961,136	<b>(₱ 2,592,227)</b>
Unrecognized DTA	(10,052,102)	( 8,376,751)	<b>1,675,351</b>
Remeasurement loss on retirement benefits	2,042,257	2,188,132	<b>145,875</b>
Deferred tax liabilities	62,209,661	51,841,385	<b>(10,368,276)</b>
<b><u>Statement of Comprehensive Income</u></b>			
Provision for income tax – current (RCIT)	4,218,929	3,866,624	<b>352,305</b>
Provision for income tax – deferred	2,152,643	( 7,152,882)	<b>9,305,525</b>
Remeasurement loss on retirement benefits	122,989	268,864	<b>145,875</b>

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

## 25. RETIREMENT BENEFITS OBLIGATION

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

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

Actuarial valuations are made at least every one (1) to two (2) years. The Parent Company's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Parent Company's latest actuarial valuation is as at December 31, 2021.

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

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

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

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

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

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

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

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

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

The Parent Company's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2021 and 2020.

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

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

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

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

The discount rate at December 31, 2021 and 2020 was based on the BVAL benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation. The sensitivity of the retirement benefits obligation to changes in the weighted principal assumptions is as follows:

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



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

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

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

Through its retirement benefits retirement plan, the Parent Company is exposed to a number of risks, the most significant of which are as follows:

- a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are government bonds and securities.
- b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

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

The weighted average duration of the defined benefit obligation is 10.0 years and 10.1 years in 2021 and 2020, respectively.

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

Expected maturity analysis of undiscounted retirement benefits obligation:

2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
<b>Retirement benefits obligation</b>	<b>₱ —</b>	<b>₱3,261,615</b>	<b>₱3,358,033</b>	<b>₱3,409,792</b>	<b>₱10,029,440</b>
2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ —	₱2,457,511	₱4,298,569	₱4,159,583	₱10,915,663

**26. BUSINESS SEGMENT INFORMATION**

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

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

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

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

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

The segment information is as follows:

<b>December 31, 2021</b>	<b>Metro Manila</b>	<b>Cebu</b>	<b>Bulacan</b>	<b>Iloilo</b>	<b>Davao</b>	<b>Valenzuela</b>	<b>Parent Company Total</b>
<b>Revenue</b>							
Realized gross profit	₱ –	₱38,998,356	₱7,983,558	₱ 32,357,596	₱ –	₱ –	₱ 79,339,510
Other income	7,923,929	808,335	108,971	3,451,876	828,906	4,109,500	17,231,517
	7,923,929	39,806,691	8,092,529	35,809,472	828,906	4,109,500	96,571,027
<b>Expenses</b>							
Depreciation	2,736,740	441,033	414,358	554,371	–	–	4,146,502
Loss on cancelled contracts	–	4,803,720	–	1,739,065	–	–	6,542,785
Other expenses	30,831,193	8,714,367	3,632,801	11,656,400	163,500	151,263	55,149,524
	33,567,933	13,959,120	4,047,159	13,949,836	163,500	151,263	65,838,111
<b>Segment income (loss)</b>	<b>(25,644,004)</b>	<b>25,847,571</b>	<b>4,045,370</b>	<b>21,859,636</b>	<b>665,406</b>	<b>3,958,237</b>	<b>30,732,216</b>
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
<b>Net income (loss) for the year</b>	<b>(₱ 40,028,907)</b>	<b>₱25,798,678</b>	<b>₱3,935,427</b>	<b>₱ 21,797,988</b>	<b>₱ 665,406</b>	<b>₱ 3,958,237</b>	<b>₱ 16,126,829</b>
<b>Segment assets</b>							
Segment assets	₱1,062,102,763	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,047,579,024
Investment in a subsidiary	7,800,000	–	–	–	–	–	7,800,000
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
<b>Total assets</b>	<b>₱1,074,637,172</b>	<b>₱389,959,005</b>	<b>₱77,001,498</b>	<b>₱512,862,274</b>	<b>₱1,322,845</b>	<b>₱4,330,639</b>	<b>₱2,060,113,433</b>
<b>Segment liabilities</b>							
Segment liabilities	₱122,669,428	₱137,074,660	₱61,635,147	₱128,756,375	₱457,696	₱373,403	₱450,966,709
Borrowings	117,961,417	–	–	–	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
<b>Total liabilities</b>	<b>₱251,399,625</b>	<b>₱137,074,660</b>	<b>₱61,635,147</b>	<b>₱128,756,375</b>	<b>₱457,696</b>	<b>₱373,403</b>	<b>₱579,696,906</b>

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Parent Company Total
Revenue						
Realized gross profit	₱ 194,566	₱27,602,149	₱ 1,823,250	₱45,037,739	₱ –	₱ 74,657,704
Other income	9,432,237	591,865	164	2,408,086	–	12,432,352
	9,626,803	28,194,014	1,823,414	47,445,825	–	87,090,056
Expenses						
Depreciation	3,876,604	22,680	29,693	347,960	–	4,276,937
Loss on cancelled contracts	–	3,192,021	–	1,764,390	–	4,956,411
Other expenses	31,713,855	6,198,882	1,489,030	10,802,705	157,090	50,361,562
	35,590,459	9,413,583	1,518,723	12,915,055	157,090	59,594,910
Segment income (loss)	(25,963,656)	18,780,431	304,691	34,530,770	(157,090)	27,495,146
Finance cost	15,878,467	42,902	141,524	33,914	–	16,096,807
Retirement benefits expense	2,178,794	–	–	–	–	2,178,794
Provision for income tax	6,371,572	–	–	–	–	6,371,572
Net income (loss) for the year	(₱50,392,489)	₱18,737,529	₱ 163,167	₱ 34,496,856	(₱ 157,090)	₱ 2,847,973
Segment assets	₱490,235,905	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,640,093,132
Investment in subsidiary	7,800,000	–	–	–	–	7,800,000
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱503,537,166	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	1,653,394,393
Segment liabilities	₱170,798,905	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱434,941,630
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱300,795,427	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱564,938,152

Although Davao and Valenzuela segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2021 and 2020, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

**27. LEASE COMMITMENTS**

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

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

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

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

	2021	2020
Current	₱ 1,091,736	₱ 984,384
Noncurrent	1,313,678	2,405,414
	<b>₱ 2,405,414</b>	<b>₱ 3,389,798</b>

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

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

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

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

The Parent Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for the lease of printers as these are for short-term leases and of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term. Total rental expense for the lease of printers and billboard space amounted to ₱275,865, ₱141,464 and ₱92,423, for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 21).

## 28. CONTINGENCIES

### *a) Claims from expropriated property in Chateaux Geneva*

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

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

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

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

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

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

*b) Other lawsuits and claims*

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

**29. EARNINGS PER SHARE**

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

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

**30. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

The most significant financial risks to which the Parent Company is exposed to are described below:

***Credit risk***

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

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

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

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

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



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

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

		<b>December 31, 2020</b>		
	Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks– note 4	(a)	<b>₱ 16,493,575</b>	<b>₱ –</b>	<b>₱ 16,493,575</b>
Trade and other receivables – note 5	(b)	<b>588,186,979</b>	<b>( 7,642,239)</b>	<b>580,544,740</b>
Advances to related parties – note 23	(c)	<b>567,019,551</b>	<b>( 25,864,767)</b>	<b>541,154,784</b>
Refundable deposits classified as “Other noncurrent assets” - note 11	(d)	<b>7,680,337</b>	<b>–</b>	<b>7,680,337</b>
<b>Total</b>		<b>₱ 1,179,380,442</b>	<b>(₱33,507,006)</b>	<b>₱1,145,873,436</b>

The credit quality of the Parent Company’s financial assets is discussed below:

*(a) Cash in banks*

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

*(b) Trade and Other Receivables*

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

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

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

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

*(c) Advances to Related Parties*

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

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

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

*(d) Refundable Deposits*

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

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on months past due, as follows for advances to related parties:

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

December 31, 2020	ECL rate	Cash in banks	Trade and other receivables	Advances to related parties	Refundable deposits	Total	ECL
Performing	0%	₱16,493,575	₱ 567,358,961	₱541,154,784	₱7,680,337	₱ 1,132,687,657	₱ -
Doubtful							
1-30 days	0.25%	-	-	-	-	-	-
31-90 days	1.25%	-	-	-	-	-	-
91-180 days	2.50%	-	-	-	-	-	-
181-360 days	6.25%	-	705,548	-	-	705,548	44,097
In default							
1-2 years	12.50%	-	3,852,967	-	-	3,852,967	481,621
2-3 years	25.00%	-	5,229,906	-	-	5,229,906	1,307,476
3-5 years	50.00%	-	10,461,103	-	-	10,461,103	5,230,551
Write-off	100%	-	578,494	25,864,767	-	26,443,261	26,443,261
		₱16,493,575	₱588,186,979	₱567,019,551	₱7,680,337	₱ 1,179,380,442	₱33,507,006

### *Liquidity risk*

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

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

As at December 31, 2021 and 2020, the Parent Company's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes government liabilities) which are presented below:

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

\*excluding government liabilities

<b>December 31, 2020</b>	<b>Maturing in</b>			<b>Total</b>
	<b>On Demand</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	
Accounts payable and other liabilities*	<b>₱51,290,965</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱51,290,965</b>
Borrowings	–	<b>96,027,677</b>	<b>21,938,614</b>	<b>117,966,291</b>
Lease liabilities	–	<b>984,384</b>	<b>2,405,414</b>	<b>3,389,798</b>
Advances from related parties	–	–	<b>104,024,033</b>	<b>104,024,033</b>
Retention payable and guarantee bonds	–	–	<b>26,149,094</b>	<b>26,149,094</b>
	<b>₱51,290,965</b>	<b>₱97,012,061</b>	<b>₱154,517,155</b>	<b>₱302,820,181</b>

\*excluding government liabilities

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

### **Market risk**

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, equity price risk and other price risk such as equity risk. The Parent Company's market risk is manageable within conservative bounds. As at December 31, 2021 and 2020, the Parent Company has unquoted shares of stock classified as FVOCI. The cost of the financial asset at FVOCI approximates its fair value.

### **Equity price risk**

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

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

If the price of financial asset at FVOCI had been 10% higher/lower, other comprehensive income for the years ended December 31, 2021 and 2020 would decrease/increase by ₱5,000,000.

***Interest rate risk***

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

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

The Parent Company's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. As at December 31, 2021 and 2020, the Parent Company is exposed to market interest rates through its borrowings and cash, installment contract receivables, and advances to related parties which are subject to fixed interest rates.

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

<b>December 31, 2021</b>	<b>Interest Rate</b>	<b>Interest Terms</b>	<b>Within 1 year</b>	<b>Within 1 to 7 years</b>	<b>Total</b>
<b>Financial assets</b>					
<b>Cash in banks</b>	<b>0.125% to 0.25%</b>	<b>Fixed at the date of investment</b>	<b>₱384,687,399</b>	<b>₱ –</b>	<b>₱384,687,399</b>
<b>Installment contract receivables, gross</b>	<b>12% to 19%</b>	<b>Fixed at the date of sale</b>	<b>563,736,634</b>	<b>30,224,677</b>	<b>593,961,311</b>
<b>Advances to related parties, gross</b>	<b>2%</b>	<b>Fixed based on PN renewed in 2021 -note 23</b>	<b>579,364,749</b>	<b>–</b>	<b>579,364,749</b>
			<b>₱1,527,788,782</b>	<b>₱ 30,224,677</b>	<b>₱ 1,558,013,459</b>
<b>Financial liability</b>					
<b>Borrowings (excluding non-interest bearing borrowings)</b>	<b>9.25% to 15%</b>	<b>Fixed based on PN issuance</b>	<b>₱90,769,256</b>	<b>₱27,192,161</b>	<b>₱117,961,417</b>

December 31, 2020	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱16,493,575	₱ –	₱ 16,493,575
Installment contract receivables, gross	12%	Fixed at the date of sale	516,424,058	33,556,663	549,980,721
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	297,695,915	269,314,636	567,010,551
			<b>₱830,613,548</b>	<b>₱302,871,299</b>	<b>₱1,133,484,847</b>
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	10% to 15%	Fixed based on PN issuance	₱ 96,027,677	₱ 21,938,614	₱117,966,291

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

	2021		2020		
Change in interest rate	Effect on income before tax	Effect on equity	Change in interest rate	Effect on income before tax	Effect on equity
+0.5%	₱7,200,260	₱ 5,400,195	+0.5%	₱5,077,593	₱3,554,315
-0.5%	(₱7,200,260)	(₱5,400,195)	-0.5%	(₱5,077,593)	(₱3,554,315)

### 31. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

### 32. FAIR VALUE INFORMATION

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

December 31, 2021	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Installment contracts receivables	₱ 593,961,311	₱ 593,467,862	Level 2	(a)
Refundable deposits	8,977,291	8,830,727	Level 2	(b)
Receivable from contractors	6,401,865	6,072,267	Level 2	(b)
Advances to related parties	553,499,982	532,006,903	Level 2	(c)
	<b>₱1,162,840,449</b>	<b>₱1,140,377,759</b>		

#### Financial liabilities at amortized cost

Advances from related parties	₱ 104,993,224	₱ 100,916,209	Level 2	(c)
Borrowings	117,961,417	116,561,437	Level 2	(d)
Retention payable and guarantee bonds	23,857,933	23,000,902	Level 2	(b)
Lease liabilities	2,405,414	2,337,780	Level 2	(d)
	<b>₱ 249,217,988</b>	<b>₱ 242,816,328</b>		

December 31, 2020	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Installment contracts receivables	₱ 549,980,721	₱ 549,415,901	Level 2	(a)
Refundable deposits	7,680,337	7,551,063	Level 2	(b)
Receivable from contractors	7,137,365	6,880,975	Level 2	(b)
Advances to related parties	541,154,784	535,873,928	Level 2	(c)
	<b>₱1,105,953,207</b>	<b>₱1,099,721,867</b>		

#### Financial liabilities at amortized cost

Advances from related parties	₱ 104,024,033	₱ 101,984,346	Level 2	(c)
Borrowings	117,966,291	117,178,206	Level 2	(d)
Retention payable and guarantee bonds	26,149,094	25,209,759	Level 2	(b)
Lease liabilities	3,389,798	3,163,214	Level 2	(d)
	<b>₱ 251,529,216</b>	<b>₱ 247,535,525</b>		

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

Financial asset at FVOCI amounting to ₱50,000,000 as at December 31, 2021 and 2020, is carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

***Fair value estimation***

- (a) The fair value of installment contracts receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 1.66% and 1.71% as at December 31, 2021 and 2020, respectively.
- (b) The fair value of receivable from contractors, refundable bonds, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 2020.
- (c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% in 2021 and 2020.
- (d) The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable interest rates for similar types of loans. Discount rates used range was 2.68% in 2021 and 1.85% to 5.07% in 2020.

**33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

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

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

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

**34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

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



a) *Output Value-Added Tax*

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

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

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

b) *Input Value-Added Tax*

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

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

c) *Taxes on Importation*

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

d) *Excise Tax*

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

e) *Documentary Stamp Tax*

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

f) *Taxes and Licenses*

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

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

g) *Withholding Taxes*

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

Expanded withholding tax	<b>₱ 2,693,056</b>
Withholding tax on compensation	<b>482,137</b>
	<b>₱ 3,175,193</b>

h) *Deficiency Tax Assessment and Tax Cases*

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

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

i) *Other Information*

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

\* \* \*

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

1	1	2	9	7	8				
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Company Name

P	H	I	L	I	P	P	I	N	E		E	S	T	A	T	E	S		C	O	R	P	O	R	A	T	I	O	N
A	N	D		S	U	B	S	I	D	I	A	R	Y																

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

3	5	T	H		F	L	O	O	R	,		O	N	E		C	O	R	P	O	R	A	T	E					
C	E	N	T	E	R	,		D	O	Ñ	A		J	U	L	I	A		V	A	R	G	A	S		A	V	E	.
C	O	R	.		M	E	R	A	L	C	O		A	V	E	.	,		O	R	T	I	G	A	S				
C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y												

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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### COMPANY INFORMATION

Company's Email Address

<a href="mailto:phes_finance@yahoo.com">phes_finance@yahoo.com</a>
--

Company's Telephone Number/s

8637-3112
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Mobile Number

09178338243
-------------

No. of Stockholders

708
-----

Annual Meeting  
Month/Day

February/18
-------------

Fiscal Year  
Month/Day

December/31
-------------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Jocelyn A. Valle
------------------

Email Address

<a href="mailto:phesfinance@gmail.com">phesfinance@gmail.com</a>
--

Telephone Number/s

8637-3112
-----------

Mobile Number

NA
----

Contact Person's Address

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

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

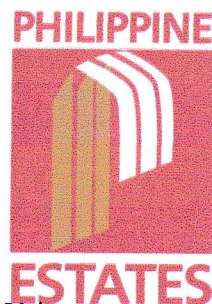
2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

***Philippine Estates Corporation and  
Subsidiary***

*Financial Statements  
December 31, 2021 and 2020*

*and*

*Independent Auditors' Report*



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ARTHUR M. LOPEZ
Chairman of the Board

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

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

SUBSCRIBED AND SWORN TO before me a Notary Public for and in the City of Pasig City, this day of MAY 05, 2022, by who presented his/her as valid proof of identity.

Signed this 5th day of May, 2022

Doc. No. 423
Page No. 86
Book No. 5
Series of 2022

## **Independent Auditors' Report**

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

### **Report on the Audits of the Consolidated Financial Statements**

#### *Opinion*

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

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

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

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

#### **Global Reach, Global Quality**

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872  
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029  
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636  
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580  
Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

### *Key Audit Matters*

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

### *Revenue Recognition and Realization of Gross Profit*

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

### *Our Response*

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

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

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

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the Group's consolidated financial statements and our auditor's report thereon. The SEC form 20-IS, SEC Form 17-A and Annual report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

## *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 4, 2023

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and valid in the audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:



Richard Noel M. Ponce

Partner

CPA Certificate No. 120457

SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and valid in the audit of 2021 to 2025 financial statements

Tax Identification No. 257-600-228

PTR No. 8867323, January 17, 2022, Makati City

BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

May 5, 2022

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**

As at December 31

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

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

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Comprehensive Income**

	<b>For the Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>REAL ESTATE SALES</b> - note 18	<b>₱ 239,705,802</b>	₱ 217,943,438	₱ 212,597,813
<b>COST OF REAL ESTATE SOLD</b> - note 19	<b>( 108,517,729)</b>	( 90,084,118)	( 96,061,696)
<b>GROSS PROFIT</b>	<b>131,188,073</b>	127,859,320	116,536,117
<b>DEFERRED GROSS PROFIT</b>	<b>( 87,067,522)</b>	( 90,046,386)	( 68,028,081)
<b>REALIZED GROSS PROFIT DURING THE YEAR</b>	<b>44,120,551</b>	37,812,934	48,508,036
<b>REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES</b>	<b>35,218,959</b>	36,844,770	59,634,967
<b>TOTAL REALIZED GROSS PROFIT</b> - note 16	<b>79,339,510</b>	74,657,704	108,143,003
<b>OTHER INCOME</b> (net) - note 20	<b>12,664,746</b>	10,148,966	7,584,886
<b>OPERATING EXPENSES</b> - note 21	<b>( 68,153,744)</b>	( 61,792,701)	( 90,985,957)
<b>FINANCE COSTS</b> - note 22	<b>( 16,062,657)</b>	( 16,096,807)	( 14,468,118)
<b>INCOME BEFORE INCOME TAX</b>	<b>7,787,855</b>	6,917,162	10,273,814
<b>PROVISION FOR INCOME TAX</b> - note 24			
Current	<b>5,934,879</b>	4,218,929	18,039,694
Deferred	<b>( 9,676,630)</b>	2,152,643	( 6,798,520)
	<b>( 3,741,751)</b>	6,371,572	11,241,174
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>11,529,606</b>	545,590	( 967,360)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net) - note 25	<b>2,280,324</b>	122,989	( 1,450,309)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>₱ 13,809,930</b>	₱ 668,579	(₱ 2,417,669)
<b>EARNINGS (LOSS) PER SHARE</b> - note 30	<b>₱ 0.006</b>	₱ 0.000	(₱ 0.001)

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

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Changes in Equity**

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

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

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**

**For the Years Ended December 31**

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

*Forwarded*

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**

**For the Years Ended December 31**

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

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

## **PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements**

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

#### **1. CORPORATE INFORMATION**

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

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

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

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

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

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

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Statement of Compliance**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as modified by the application of the following financial reporting standards reliefs issued and approved by the SEC in response to the COVID-19 pandemic.

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

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

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

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

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

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2021 and the revenue from real estate sales in 2021. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- b. The exclusion of land and uninstalled materials in the determination of POC would reduce the POC of real estate projects resulting in a decrease in retained earnings as at January 1, 2021 as well as a decrease in the revenue from real estate sales in 2021. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- c. The IFRIC interpretation concluded that any work-in-progress inventory that the developer intends to sell as it finds suitable customers and, on signing a contract with a customer, will transfer control of the work-in-progress relating to that unit to customer is not a qualifying asset since the asset is ready for its intended sale in its current condition. The interpretation will result in decrease in retained earnings as at January 1, 2021 as well as increase in interest expense in 2021.



### **Basis of Preparation**

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

### **Functional and Presentation Currency**

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

### **Basis of Consolidation**

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

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

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

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

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

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

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

## Composition of the Group

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

	Percentage of ownership	
	2021	2020
Mariano Arroyo Development Corporation	100%	100%

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

## Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2021.

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

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

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

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

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

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

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

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

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

*Reference to the Conceptual Framework (Amendments to PFRS 3).* Minor amendments were made to PFRS 3, Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets and Philippine Interpretation IFRIC 21, Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16).* The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022.

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

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

*Annual Improvements to PFRS Standards 2018–2020*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Deferred Effectivity*

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

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

### **Financial Instruments**

#### *Initial Recognition, Measurement and Classification*

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

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

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

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

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

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

*Financial assets at amortized cost*

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2021 and 2020, included under financial assets at amortized cost are the Group's cash, trade and other receivables, advances to related parties and other noncurrent assets (see Notes 4, 5, 11 and 23).

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

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

*Other noncurrent assets* consist of refundable deposits.

*Equity instruments designated at FVOCI*

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

As at December 31, 2021, and 2020 the Group elected to classify irrevocably its unquoted equity investments under this category (see Note 8).

*Financial liabilities at amortized cost*

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

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

As at December 31, 2021 and 2020, included under financial liabilities at amortized cost are the Group's accounts payable and other liabilities, borrowings, retention payable and refundable bonds, lease liabilities and advances from related parties (see Notes 12, 13, 15, 23 and 28).

*Accounts payable and other liabilities*

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

*Retention payable and refundable bonds*

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

*Lease liabilities*

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

*Advances from related parties*

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

*Borrowing cost*

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



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

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

### **Offsetting of Financial Instruments**

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

### **Derecognition of Financial Instruments**

#### *Financial assets*

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

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

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

#### *Financial liabilities*

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

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

### **Impairment of Financial Assets**

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

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

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

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

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

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

#### *Significant increase in credit risk*

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

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

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

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

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

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

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

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

#### *Definition of default*

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

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

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

#### *Credit-impaired financial assets*

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

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

#### *Write-off policy*

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

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

#### **Determination of Fair Value and Fair Value Hierarchy**

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 32 of the consolidated financial statements.

#### **“Day 1” difference**

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

#### **Real Estate Inventories**

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

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

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

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

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

### **Prepayments and Other Current Assets**

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

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

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

#### *Input Tax and Other Prepaid Taxes*

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

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

### **Interest in Joint Operations**

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

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

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

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

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

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

### **Property and Equipment**

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

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

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

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

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets are available for use). Right-of-use assets are initially measured at cost which includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

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

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

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

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

### **Investment Property**

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

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

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

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

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

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



### **Impairment of Non-financial Assets**

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

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

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

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

### **Equity**

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

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

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

### **Revenue Recognition**

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

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

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

*Real estate sales*

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

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

*Finance income*

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

*Miscellaneous income*

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

**Cost and Expense Recognition**

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

*Cost of real estate sold*

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

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

#### *Operating expenses*

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

#### **Income Taxes**

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

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

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

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

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

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

#### **Employee Benefits**

### *Short-term employee benefits*

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

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

### *Retirement benefits obligation*

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

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

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

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

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

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

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

### **Leases**

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

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

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

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

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

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

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

### **Related Party Relationship and Transactions**

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

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

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

### **Segment Reporting**

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

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

Operating segments are reported on the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 26.

### **Basic Earnings (Loss) Per Share**

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

### **Provisions and Contingencies**

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

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

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

### **Events After the Reporting Date**

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

### 3. **SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

#### **Significant Accounting Judgments in Applying the Group's Accounting Policies**

##### *Interest in Joint Operation and Real Estate Inventories*

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

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

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

##### *Lease of office space*

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

##### *Realizability of Input Value-Added Tax (VAT)*

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

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

### *Operating Segments*

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

### *Impairment of Non-financial assets*

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

Management believes that there are no indications that the property and equipment, and investment property are impaired as at December 31, 2021 and 2020.

### *Provisions and Contingencies*

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Group's defense in these matters and are based upon analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2021 and 2020.

## **Significant Accounting Estimates and Assumptions**

### *Revenue and Cost Recognition*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. Realized gross profit amounted to ₱79,339,510, ₱74,657,704 and ₱108,143,003 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 16).

### *Estimating allowance for ECL*

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



The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables, and advances to related parties are disclosed in Note 30.

The carrying amount of the Group's trade and other receivables, and advances to related parties amounted to ₱1,170,080,239 and ₱1,126,094,374 as at December 31, 2021 and 2020, respectively (see Notes 5 and 23).

Allowance for ECL recognized in the Group's consolidated statements of financial position amounted to ₱42,503,897 and ₱38,073,777 as at December 31, 2021 and 2020, respectively (see Notes 5 and 23).

#### *Estimating Useful Lives of Assets*

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

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

#### *Deferred Tax Assets*

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

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

#### *Retirement Benefits Obligation*

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

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

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

#### 4. CASH

Cash as at December 31 consist of:

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

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

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

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

#### 5. TRADE AND OTHER RECEIVABLES (net)

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

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

Movements in the allowance for ECL are as follows:

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

Installment contract receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 12% to 19% in 2021 and 2020. Interest income earned amounted to ₱3,343,724, ₱2,267,829, and ₱2,099,119 in 2021, 2020 and 2019, respectively (see Note 20).

The Group partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from local financial institutions. Assigned installment contract receivables as at December 31, 2021 and 2020 amounted to ₱77,291,375 and ₱38,462,694, respectively (see Note 13).

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

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

Receivable from contractors pertain to amount recoverable from construction projects.

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

Except for the assigned installment contract receivables with a local financial institution, no other trade and other receivables as at December 31, 2021 and 2020 are held as collateral for its liabilities.

## 6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

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

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

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

The Group's real estate inventories consist of:

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

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

*a) Chateaux Geneva*

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

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

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

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

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

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2021 and 2020, were used as collateral for borrowings obtained from Luzon Development Bank in 2013 (see Note 13).

Aside from the aforementioned information, no other real estate inventories as at December 31, 2021 and 2020 are held as collateral for its liabilities.

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

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

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

## 8. FINANCIAL ASSET AT FVOCI

The Group's financial assets at FVOCI consist of investment in unquoted shares of stock amounting to ₱50,000,000 as at December 31, 2021 and 2020, which represent ownership in Waterfront Manila Premier Development, Inc. This investment is irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature and it holds this investment to foreseeable future. This investment is stated at cost less impairment loss since there is no quoted price in an active market.

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

	2021	2020
Balance as at beginning of year	₱ 50,000,000	₱ 12,500,000
Additional investment	-	37,500,000
Balance as at end of year	<b>₱ 50,000,000</b>	<b>₱ 50,000,000</b>

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

## 9. INVESTMENT PROPERTY

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

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

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

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

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

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

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

## 10. PROPERTY AND EQUIPMENT (net)

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

December 31, 2021	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Right-of-use assets	Computer software	Total
<b>Cost</b>						
At beginning of year	₱81,063,188	₱6,326,324	₱42,801,856	₱4,383,277	₱350,000	₱134,924,645
Additions	11,607	1,058,696	184,487	–	–	1,254,790
At end of year	81,074,795	7,385,020	42,986,343	4,383,277	350,000	136,179,435
<b>Accumulated depreciation</b>						
At beginning of year	44,987,790	6,045,255	42,264,011	1,195,585	29,167	94,521,808
Depreciation – note 21	2,260,587	327,200	417,651	1,024,397	116,667	4,146,502
At end of year	47,248,377	6,372,455	42,681,662	2,219,982	145,834	98,668,310
<b>Carrying amount as at December 31, 2021</b>	<b>₱33,826,418</b>	<b>₱1,012,565</b>	<b>₱ 304,681</b>	<b>₱2,163,295</b>	<b>₱204,166</b>	<b>₱37,511,125</b>
<b>December 31, 2020</b>						
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Carrying amount as at December 31, 2020</b>	<b>₱36,075,398</b>	<b>₱ 281,069</b>	<b>₱ 537,845</b>	<b>₱3,187,692</b>	<b>₱320,833</b>	<b>₱ 40,402,837</b>

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

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

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

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

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

## 11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

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

Refundable deposits consist mainly of security and utility deposits.

## 12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

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

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

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

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

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

### 13. BORROWINGS

Borrowings as at December 31 consist of:

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

The details of borrowings of the Group are as follows:

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance		Conditions
					2021	2020	
<b>Luzon Development Bank</b>							
06/28/2015	Working capital	10/28/2021	10%	35,000,000	₱–	6,444,064	[a]
05/26/2017	Working capital	10/26/2021	10%	15,000,000	–	3,631,981	[a]
01/18/2018	Working capital	05/13/2022	10%	20,000,000	2,473,363	8,008,986	[a]
05/12/2021	Working capital	04/12/2024	10%	12,500,000	10,037,780	–	[a]
11/21/2019	Working capital	03/21/2022	11%	20,000,000	2,747,691	13,010,319	[a]
09/05/2021	Working capital	02/05/2024	10%	12,000,000	10,568,453	–	[a]
12/10/2020	Working capital	11/10/2021	10%	11,594,000	–	10,702,736	[a]
08/06/2020	Working capital	09/06/2021	10%	8,624,000	–	6,577,102	[a]
08/06/2020	Working capital	09/06/2023	11%	17,000,000	10,586,570	15,863,456	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	5,958,695	9,059,043	[a]
03/04/2020	Working capital	07/04/2021	11%	14,200,000	–	8,511,211	[a]
<b>Philippine Bank of Communications</b>							
06/17/2021	Working capital	12/17/2022	9%	17,376,554	11,842,019	–	[b]
08/04/2021	Working capital	02/23/2022	9%	15,596,199	12,309,350	–	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	17,719,545	–	[b]
<b>Qwick</b>							
08/08/2019	Working capital	03/07/2021	15%	8,266,961	–	4,349,024	[c]
03/13/2020	Working capital	08/26/2021	15%	5,466,806	–	5,461,547	[c]
09/10/2020	Working capital	03/15/2022	15%	7,326,253	7,277,219	7,277,219	[c]
02/02/2021	Working capital	08/10/2022	15%	6,060,113	6,021,926	–	[c]
02/18/2021	Working capital	05/30/2022	15%	4,587,997	4,565,870	–	[c]
05/12/2021	Working capital	30/11/2022	15%	7,169,483	7,160,141	–	[c]
10/05/2021	Working capital	03/30/2023	15%	7,807,598	7,797,286	–	[c]
<b>Asia United Bank</b>							
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	895,509	–	[d]
<b>Central Visayas Financial Corporation</b>							
08/09/2021	Working capital	03/03/2021	15%	2,212,313	–	1,544,870	[e]
01/20/2020	Working capital	08/28/2021	15%	7,381,376	–	7,381,376	[e]
02/28/2020	Working capital	06/30/2021	15%	7,063,267	–	7,063,266	[e]
03/13/2020	Working capital	09/15/2021	15%	3,114,545	–	3,080,091	[e]
				₱294,965,694	<b>₱117,961,417</b>	<b>₱117,966,291</b>	



*a. Luzon Development Bank*

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2021 and 2020 (see Note 6).

*b. Philippine Bank of Communications*

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

*c. Qwick*

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

*d. Asia United Bank*

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

*e. Central Visayas Financial Corporation*

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

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

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

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

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

#### 14. CUSTOMERS’ DEPOSITS

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

As at December 31, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,746,616 and ₱4,828,637, respectively.

#### 15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

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

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

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

#### 16. DEFERRED GROSS PROFIT

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

As at December 31, 2021 and 2020, deferred gross profit amounted to ₱156,073,566 and ₱144,998,054, respectively. Realized gross profit for current and prior year sales amounted to ₱79,339,510, ₱74,657,704 and ₱108,143,003 in 2021, 2020 and 2019, respectively.

#### 17. CAPITAL STOCK

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

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

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

### *Track Record of Registration of Securities*

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

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

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

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

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

### *Share Rights Offer*

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

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

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

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

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

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

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

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

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

	Market value per share
<b>December 31, 2021</b>	<b>₱0.51</b>
December 31, 2020	0.425
December 31, 2019	0.430

#### 18. REAL ESTATE SALES

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

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

#### 19. COST OF REAL ESTATE SOLD

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

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

**20. OTHER INCOME (CHARGES) – net**

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

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

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

**21. OPERATING EXPENSES**

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

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

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

## 22. FINANCE COSTS

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

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

## 23. RELATED PARTY TRANSACTIONS

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

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

December 31, 2021	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/ reversal of impairment	At end of year
<b>Common key management</b>					
Plastic City Corp. (a)	₱ 192,820,924	₱ 462,770	₱ 3,856,618	₱ –	₱ 197,140,312
Forum Holdings Corp. (b)	38,330,030	91,993	766,601	–	39,188,624
Kennex Container Corp. (b)	35,813,305	85,952	716,266	–	36,615,523
Orient Pacific Corp. (b)	34,127,821	60,087	500,721	–	34,688,629
Noble Arch Realty and Construction (c)	4,870,977	38,642	96,464		5,006,083
Pacific Rehouse Corporation (f)	891,363	100	–	( 17,477)	873,986
Metro Alliance Holdings and Equities Corporation (e)	268,260,352	1,262,402	5,260,007	–	274,782,761
<b>Stockholders</b>					
International Polymer Corp.(b)(d)	866,400	–	–	( 866,400)	–
	575,981,172	2,001,946	11,196,677	( 883,877)	588,295,918
Allowance for ECL	( 30,431,538)	(4,566,771)	–	–	(34,998,309)
	<b>₱ 545,549,634</b>	<b>(₱2,564,825)</b>	<b>₱11,196,677</b>	<b>(₱ 883,877)</b>	<b>₱ 553,297,609</b>

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

Advances to related parties as at December 31 consist of:

	2021	2020
Current	₱ –	₱276,397,919
Noncurrent	<b>553,499,982</b>	269,151,715
	<b>₱553,499,982</b>	<b>₱545,549,634</b>

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

December 31, 2021	At beginning of Year	Additional Advances from Related Parties	Settlement/ Reversal	At end of year
<b>Common key management</b>				
Waterfront Cebu City Hotel	₱ 92,054,457	₱ –	₱ –	₱ 92,054,457
The Wellex Group, Inc.	7,972,400	–	( 34,161)	7,938,239
Concept Moulding Corp.	3,830,646	–	–	3,830,646
Manila Pavilion	166,530	–	–	166,530
Inland Container Corporation	–	2,500,000	(1,500,000)	1,000,000
<b>Stockholders</b>				
International Polymer Corp.	–	3,352	–	3,352
	<b>₱104,024,033</b>	<b>₱ 2,503,352</b>	<b>(₱ 1,534,161)</b>	<b>₱104,993,224</b>

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

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

a) *Plastic City Corporation (PCC)*

Advances to PCC represent unsecured and interest bearing cash advances which bear an interest of 2% per annum. PCC issued a promissory note in favor of Group. On May 2, 2011, PCC and the Group entered into a memorandum of agreement wherein PCC will transfer the ownership of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at ₱6,450/sq.m. as payment to its outstanding obligation to the Group. On December 21, 2018, PCC reissued a promissory note indicating an extension of term for three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, PCC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

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

In 2009, FHC, IPC, KCC and OPC executed respective unsecured promissory notes (PN) to cover their respective advances to the Group with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term which matured during the year at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On December 21, 2018, FHC, KCC and OPC reissued a promissory note indicating an extension of term for three (3) years, starting January 31, 2018 and will mature on January 31, 2021. On February 1, 2021, FHC, KCC and OPC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.



*c) Noble Arch Realty and Construction Corporation (NARCC)*

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters. For the purpose of paying the obligation arising from the aforementioned contract, NARCC sought the assistance of the Group through interest bearing cash advances. In 2009, NARCC executed respective unsecured PN to cover their respective advances to the Group with a term of five (5) years, and bear interest of two percent (2%) per annum, renewable upon agreement of the parties. These PN's were renewed in 2014 with a three-year term at interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On March 23, 2015, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines. On December 21, 2018, NARCC reissued a promissory note indicating an extension of term for three (3) years, starting January 31, 2018 and will mature on January 31, 2021 on the remaining balance. On February 1, 2021, NARCC reissued promissory note indicating an extension of term for another three (3) years, starting January 31, 2021 and will mature on January 31, 2024.

*d) Installment contract receivables from IPC*

In addition to the advances made to related parties, the Group also has unsecured and unguaranteed installment contract receivables from related parties due beyond one (1) year which are to be settled through cash amounting to ₱4,340,519 as at December 31, 2021 and 2020 (see Note 5).

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

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

On March 15, 2021, MAHEC issued a promissory note amounting to ₱263,000,345. The term of the loan is five (5) years maturing on March 15, 2026, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱10,520,014 and ₱5,260,007 as at December 31, 2021 and 2020, respectively.

*f) Pacific Rehouse Corporation (PRC)*

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

*g) Remuneration of key management personnel*

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

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

*h) Transaction with the retirement fund*

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

**24. INCOME TAX**

*Reconciliation of income tax expense*

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

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

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

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

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

The component of deferred income tax recognized in other comprehensive income from actuarial gain (loss) on retirement benefits amounted to ₱711,483, ₱52,709, and (₱621,561) for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 25).

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

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

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

### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery and Tax Incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Group are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023.
3. The imposition of improperly accumulated earnings is repealed.

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

	National Internal Revenue Code (NIRC) of 1997	CREATE Act*	Impact of CREATE Act
<b>Consolidated Statements of Financial Position</b>			
Deferred tax assets	₱ 16,940,388	₱ 13,885,818	<b>(₱3,054,570)</b>
Unrecognized DTA	(11,439,127)	(9,301,434)	<b>2,137,693</b>
Deferred tax liabilities	62,209,661	51,841,385	<b>(10,368,276)</b>
Remeasurement loss on retirement benefits	2,042,257	2,188,132	<b>145,875</b>
<b>Consolidated Statements of Comprehensive Income</b>			
Provision for income tax – current (RCIT)	4,218,929	3,866,624	<b>( 352,305)</b>
Provision for income tax – deferred	765,618	(6,504,704)	<b>( 7,270,322)</b>
Remeasurement loss on retirement benefits	122,989	268,864	<b>145,875</b>

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

## 25. RETIREMENT BENEFITS OBLIGATION

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

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

Actuarial valuations are made at least every one (1) to two (2) years. The Group's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group's latest actuarial valuation was on December 31, 2021.

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

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

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

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

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

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

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

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

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

The Group's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2021 and 2020.

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

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

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

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

The discount rate at December 31, 2021 and 2020 was based on the BVAL benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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

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

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

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

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

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

- a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are government bonds and securities.
- b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

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

The weighted average duration of the defined benefit obligation is 10.0 years and 10.1 years in 2021 and 2020, respectively.

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

Expected maturity analysis of undiscounted retirement benefits obligation:

2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
<b>Retirement benefits obligation</b>	<b>₱ —</b>	<b>₱3,261,615</b>	<b>₱3,358,033</b>	<b>₱3,409,792</b>	<b>₱10,029,440</b>
2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ —	₱2,457,511	₱4,298,569	₱4,159,583	₱10,915,663

## 26. BUSINESS SEGMENT INFORMATION

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

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

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

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

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

The segment information is as follows:

<b>December 31, 2021</b>	<b>Metro Manila</b>	<b>Cebu</b>	<b>Bulacan</b>	<b>Iloilo</b>	<b>Davao</b>	<b>Valenzuela</b>	<b>Parent Company Total</b>
<b>Revenue</b>							
Realized gross profit	₱ –	₱38,998,356	₱7,983,558	₱ 32,357,596	₱ –	₱ –	₱ 79,339,510
Other income	3,357,158	808,335	108,971	3,451,876	828,906	4,109,500	12,664,746
	<b>3,357,158</b>	<b>39,806,691</b>	<b>8,092,529</b>	<b>35,809,472</b>	<b>828,906</b>	<b>4,109,500</b>	<b>95,004,256</b>
<b>Expenses</b>							
Depreciation	2,736,740	441,033	414,358	554,371	–	–	4,146,502
Loss on cancelled contracts	–	4,803,720	–	1,739,065	–	–	6,542,785
Other expenses	30,861,645	8,714,367	3,632,801	11,656,400	163,500	151,263	55,179,976
	<b>33,598,385</b>	<b>13,959,120</b>	<b>4,047,159</b>	<b>13,949,836</b>	<b>163,500</b>	<b>151,263</b>	<b>65,869,263</b>
<b>Segment income (loss)</b>	<b>(30,241,227)</b>	<b>25,847,571</b>	<b>4,045,370</b>	<b>21,859,636</b>	<b>665,406</b>	<b>3,958,237</b>	<b>26,134,993</b>
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
<b>Net income (loss) for the year</b>	<b>(₱44,626,130)</b>	<b>₱25,798,678</b>	<b>₱3,935,427</b>	<b>₱ 21,797,988</b>	<b>₱ 665,406</b>	<b>₱ 3,958,237</b>	<b>₱ 11,529,606</b>
<b>Segment assets</b>							
Segment assets	₱1,062,220,506	₱389,959,005	₱77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱2,047,814,510
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
<b>Total assets</b>	<b>₱1,066,954,915</b>	<b>₱389,959,005</b>	<b>₱77,001,498</b>	<b>₱512,862,274</b>	<b>₱1,322,845</b>	<b>₱4,330,639</b>	<b>₱2,052,431,176</b>
<b>Segment liabilities</b>							
Segment liabilities	₱123,006,466	₱137,074,660	₱61,635,147	₱128,756,375	₱457,696	₱373,403	₱450,966,709
Borrowings	117,961,417	–	–	70,782	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
<b>Total liabilities</b>	<b>₱251,665,881</b>	<b>₱137,074,660</b>	<b>₱61,635,147</b>	<b>₱128,827,157</b>	<b>₱457,696</b>	<b>₱373,403</b>	<b>₱580,033,944</b>



December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Parent Company Total
<b>Revenue</b>						
Realized gross profit	₱ 194,566	₱27,602,149	₱ 1,823,250	₱45,037,739	₱ –	₱ 74,657,704
Other income	7,158,788	591,865	164	2,408,086	–	10,148,966
	7,353,354	28,194,014	1,823,414	47,445,825	–	83,897,048
<b>Expenses</b>						
Depreciation	3,876,604	22,680	29,693	347,960	–	4,276,937
Loss on cancelled contracts	–	3,192,021	–	1,764,390	–	4,956,411
Other expenses	31,732,851	6,198,882	1,489,030	10,802,705	157,090	50,380,559
	35,609,455	9,413,583	1,518,723	12,915,055	157,090	59,613,907
Segment income (loss)	(28,256,101)	18,780,431	304,691	34,530,770	(157,090)	25,192,763
Finance cost	15,878,467	42,902	141,524	33,914	–	16,096,807
Retirement benefits expense	2,178,794	–	–	–	–	2,178,794
Provision for income tax	6,371,572	–	–	–	–	6,371,572
Net income (loss) for the year	(₱52,684,934)	₱18,737,529	₱ 163,167	₱ 34,496,856	(₱ 157,090)	₱545,590
<b>Segment assets</b>						
Segment assets	₱494,950,871	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,644,808,098
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱500,452,132	₱724,243,826	₱84,997,168	₱334,156,784	₱6,459,449	₱1,650,309,359
<b>Segment liabilities</b>						
Segment liabilities	₱171,135,943	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱ 435,278,668
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱ 301,132,465	₱142,145,151	₱8,503,205	₱112,987,292	₱507,077	₱ 565,275,190

Although Davao and Valenzuela segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2021 and 2020, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

## 27. LEASE COMMITMENTS

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

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

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

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

	2021	2020
Current	₱ 1,091,736	₱ 984,384
Noncurrent	1,313,678	2,405,414
	<b>₱ 2,405,414</b>	<b>₱ 3,389,798</b>

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

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

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

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

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for the lease of printers as these are for short-term leases and of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term. Total rental expense for the lease of printers and billboard space amounted to ₱275,865, ₱141,464 and ₱92,423, for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 21).

## 28. CONTINGENCIES

### *a) Claims from expropriated property in Chateaux Geneva*

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

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

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

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

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

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

*b) Other lawsuits and claims*

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

**29. EARNINGS (LOSS) PER SHARE**

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

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

**30. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

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

***Credit risk***

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

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

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

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

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

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

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

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

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

*(a) Cash in banks*

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

*(b) Trade and other receivables*

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

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

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

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

*(c) Advances to Related Parties*

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

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

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

*(d) Refundable deposits*

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

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on credit risk grading, as follows for trade and other receivables, and advances to related parties:

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

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

### *Liquidity risk*

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

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



As at December 31, 2020 and 2021, the Group's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

<b>December 31, 2021</b>	<b>Maturing in</b>			<b>Total</b>
	<b>On Demand</b>	<b>Within 1 year</b>	<b>1 to 5 Years</b>	
Accounts payable and other liabilities*	<b>₱61,689,917</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱61,689,917</b>
Borrowings	–	<b>90,769,256</b>	<b>27,192,161</b>	<b>117,961,417</b>
Lease liabilities	–	<b>1,091,736</b>	<b>1,313,678</b>	<b>2,405,414</b>
Advances from related parties	–	–	<b>104,993,224</b>	<b>104,993,224</b>
Retention payable and guarantee bonds	–	–	<b>23,857,933</b>	<b>23,857,933</b>
	<b>₱61,689,917</b>	<b>₱91,860,992</b>	<b>₱157,356,996</b>	<b>₱310,907,905</b>

\*excluding deferred output VAT and other taxes payable

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

\*excluding deferred output VAT and other taxes payable

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

### ***Market risk***

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, equity price risk and other price risk such as equity risk. The Group's market risk is manageable within conservative bounds. As at December 31, 2021 and 2020, the Group has unquoted shares of stock classified as FVOCI. The cost of the financial asset at FVOCI approximates its fair value.

### ***Equity price risk***

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

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

If the price of financial asset at FVOCI had been 10% higher/lower, other comprehensive income for the years ended December 31, 2021 and 2020 would decrease/increase by ₱5,000,000.

***Interest rate risk***

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

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

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

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

<b>December 31, 2021</b>	<b>Interest Rate</b>	<b>Interest Terms</b>	<b>Within 1 year</b>	<b>Within 1 to 7 years</b>	<b>Total</b>
<b>Financial assets</b>					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱384,776,90	₱ –	₱ 384,776,940
Installment contract receivables, gross	12%	Fixed at the date of sale	563,736,634	30,224,677	593,961,311
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	–	588,295,917	588,295,917
			<b>₱948,513,574</b>	<b>₱618,520,594</b>	<b>₱1,567,034,168</b>
<b>Financial liability</b>					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱ 90,769,256	₱ 27,192,161	₱ 117,961,417

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

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

	2021		2020		
Change in interest rate	Effect on income before tax	Effect on equity	Change in interest rate	Effect on income before tax	Effect on equity
+0.5%	₱7,245,364	₱5,434,023	+0.5%	₱5,122,894	₱3,586,026
-0.5%	(₱7,245,364)	(₱5,434,023)	-0.5%	(₱5,122,894)	(₱3,586,026)

### 31. CAPITAL MANAGEMENT

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

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

The Group regards and monitors as its capital the carrying amount of equity as presented in the Group's consolidated statements of financial position amounting to ₱1,472,397,232 and ₱1,085,034,169 as at December 31, 2021 and 2020, respectively.

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

	2020	2019
Total liabilities	₱ 580,033,944	₱ 565,275,190
Total equity	1,472,397,232	1,085,034,169
	<b>0.39:1</b>	0.52:1

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

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

## 32. FAIR VALUE ESTIMATION

### *Assets and liabilities not measured at fair value*

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

<b>December 31, 2021</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Fair value hierarchy</b>	<b>Valuation technique</b>
Installment contracts receivables	₱ 593,961,311	₱ 593,467,862	Level 2	(a)
Refundable deposits	8,977,291	8,830,727	Level 2	(b)
Receivable from contractors	6,401,865	6,072,267	Level 2	(b)
Investment property	162,394	180,637,600	Level 2	(e)
Advances to related parties	553,297,609	531,812,389	Level 2	(c)
	<b>₱1,162,800,470</b>	<b>₱1,320,820,845</b>		

### **Financial liabilities at amortized cost**

Advances from related parties	₱ 104,993,224	₱ 100,916,209	Level 2	(c)
Borrowings	117,961,417	116,561,437	Level 2	(d)
Retention payable and guarantee bonds	23,857,933	23,000,902	Level 2	(b)
Lease liabilities	2,405,414	2,337,780	Level 2	(d)
	<b>₱ 249,217,988</b>	<b>₱ 242,816,328</b>		

<b>December 31, 2020</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Fair value hierarchy</b>	<b>Valuation technique</b>
Installment contracts receivables	₱ 549,980,721	₱ 549,415,901	Level 2	(a)
Refundable deposits	7,680,337	7,551,063	Level 2	(b)
Receivable from contractors	7,137,365	6,880,975	Level 2	(b)
Investment property	162,394	240,240,000	Level 2	(e)
Advances to related parties	545,549,634	540,272,149	Level 2	(c)
	<b>₱1,140,941,989</b>	<b>₱1,344,360,088</b>		

### **Financial liabilities at amortized cost**

Advances from related parties	₱ 104,024,033	₱ 101,984,346	Level 2	(c)
Borrowings	117,966,291	117,178,206	Level 2	(d)
Retention payable and guarantee bonds	26,149,094	25,209,759	Level 2	(b)
Lease liabilities	3,389,798	3,163,214	Level 2	(d)
	<b>₱ 251,529,216</b>	<b>₱ 247,535,525</b>		

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

Financial asset at FVOCI amounting to ₱50,000,000 as at December 31, 2021 and 2020, is carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

***Fair value estimation***

- (a) The fair value of installment contracts receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 1.66% and 1.71% as at December 31, 2021 and 2020, respectively.
- (b) The fair value of receivable from contractors, refundable bonds, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 2020.
- (c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% in 2021 and 2020.
- (d) The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable interest rates for similar types of loans. Discount rates used of 2.68% in 2021 and 1.85% to 5.07% in 2020.
- (e) The fair value was determined by reference to zonal values of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

**33. PRIOR PERIOD ADJUSTMENT**

The prior period adjustments resulted from derecognition of investment property as a result of cancelled titles subjected to Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act 6657 under the Mandatory Land Acquisition.

The effect of restatement is as follows:

	As previously stated	Effect of Prior period adjustment	As restated
<b>January 1, 2019</b>			
Change in asset			
Investment property	₱1,072,016	(₱909,622)	₱ 162,394
Change in equity			
Deficit	(361,226,525)	( 909,622)	(362,136,148)

**34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

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

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

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

\* \* \*

**Components of Financial Soundness Indicators**


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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the ‘Group’) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 5, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**DIAZ MURILLO DALUPAN AND COMPANY**

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

By:

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

May 5, 2022

**Global Reach, Global Quality**

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**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2021**

<b>Ratio</b>	<b>Formula</b>	<b>2021</b>	<b>2020</b>
Profitability ratios: Return on assets	Net income	<b>₱ 11,529,606</b>	₱ 545,590
	Divided by: Total assets	<b>2,052,431,176</b>	1,650,309,359
	Return on assets	<b>0.01:1</b>	0.00:1
Return on equity	Net income	<b>₱ 11,529,606</b>	₱ 545,590
	Divided by: Total equity	<b>1,472,397,232</b>	1,085,034,169
	Return on equity	<b>0.01:1</b>	0.00:1
Net profit margin	Net income	<b>₱ 11,529,606</b>	₱ 545,590
	Divided by: Total revenue	<b>239,705,802</b>	217,943,438
	Net profit margin	<b>0.05:1</b>	0.00:1
Gross profit margin	Total revenue	<b>₱ 239,705,802</b>	₱ 217,943,438
	Less: Cost of real estate sold	<b>108,517,729</b>	90,084,118
	Gross profit	<b>131,188,073</b>	127,859,320
	Divided by: Total revenue	<b>239,705,802</b>	217,943,438
	Gross profit margin	<b>0.55:1</b>	0.59:1
Solvency and liquidity ratios: Current ratio	Current assets	<b>₱ 1,360,878,343</b>	₱ 1,236,473,324
	Divided by: Current liabilities	<b>359,576,381</b>	336,518,143
	Current ratio	<b>3.78:1</b>	3.67:1
Debt to equity ratio	Total liabilities	<b>₱ 580,033,944</b>	₱ 565,275,190
	Divided by: Total shareholder's equity	<b>1,472,397,232</b>	1,085,034,169
	Debt to equity ratio	<b>0.39:1</b>	0.52:1
Quick ratio	Quick assets*	<b>₱ 966,189,474</b>	₱ 833,085,193
	Divided by: Current liabilities	<b>359,576,381</b>	336,518,143
	Quick ratio	<b>2.69:1</b>	2.48:1
Cashflow liquidity ratio	Cashflow from operations	<b>₱ 14,396,227</b>	₱ 11,973,976
	Divided by: Current liabilities	<b>359,576,381</b>	336,518,143
	Cashflow liquidity ratio	<b>4.00%</b>	3.56%



Financial leverage ratio Asset to equity ratio	Total assets	<b>₱2,052,431,176</b>	₱1,650,309,359
	Divided by: Total shareholder's equity	<b>1,472,397,232</b>	1,085,034,169
	Asset to equity ratio	<b>1.39:1</b>	1.52:1
Debt to asset ratio	Total liabilities	<b>₱ 580,033,944</b>	₱ 565,275,190
	Divided by: Total assets	<b>2,052,431,176</b>	1,650,309,359
	Debt to asset ratio	<b>0.28:1</b>	0.34:1
Interest rate coverage ratio	Earnings before interest and tax	<b>₱ 23,850,512</b>	₱ 23,013,969
	Divided by: Interest expense	<b>16,062,657</b>	16,096,807
	Interest rate coverage ratio	<b>1.48:1</b>	1.43:1

*\*Includes Cash and Current Receivables*

**Statement Required by Rule 68, Part I, Section 5,  
Revised Securities Regulation Code (SRC)**


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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 5, 2022. The supplementary information shown in the *List of Supplementary Information* as additional component required by Rule 68, Part I, Section 5 of the Revised Securities Regulation Code, is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic consolidated financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

**DIAZ MURILLO DALUPAN AND COMPANY**

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By:

  
Richard Noel M. Ponce  
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**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
List of Supplementary Information  
DECEMBER 31, 2021

**SEC Supplementary Schedule as Required by the Revised SRC Rule 68**

- A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)
- B. Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- D. Long-Term Debt
- E. Indebtedness of Related Parties
- F. Guarantees of Securities of Other Issuers
- G. Capital Stock

**Other Required Information**

Reconciliation of Retained Earnings Available for Dividend Declaration

Map showing the Relationship between the Company and its Related Entities

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)**  
**December 31, 2021**

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at balance sheet date	Income received and accrued
<b>Financial assets at FVOCI</b>				
Waterfront Manila Premier Development, Inc.	500,000	₱50,000,000	₱       —	₱       —

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule B – Amounts Receivable from Directors, Officers, Employees,**  
**Related Parties and Principal Stockholders (Other Than Related Parties)**  
**December 31, 2021**

Name and designation of debtor	Balance at beginning of period	Additional	Accrual of Interest	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
<b>Instalment contract receivable</b>								
International Polymer Corp.	₱ 4,340,519	₱ –	₱ –	₱ –	₱ –	₱ –	₱ 4,340,519	₱ 4,340,519
<b>Advances to employees</b>								
<i>(under Trade and other receivables)</i>	8,895,600	–	–	( 2,658,316)	–	6,237,284	–	6,237,284
Plastic City Corp.	192,820,924	462,770	3,856,618	–	–	–	197,140,312	197,140,312
Forum Holdings Corp.	38,330,030	91,993	766,601	–	–	–	39,188,624	39,188,624
Kennex Container Corp.	35,813,305	85,952	716,266	–	–	–	36,615,523	36,615,523
Orient Pacific Corp.	34,127,821	60,087	500,721	–	–	–	34,688,629	34,688,629
Noble Arch Realty and Construction	4,870,977	38,642	96,464	–	–	–	5,006,083	5,006,083
Pacific Rehouse Corporation	891,363	100	–	( 17,477)	–	–	873,986	873,986
Metro Alliance Holdings and Equities Corporation	268,260,352	1,262,402	5,260,007	–	–	–	274,782,761	274,782,761
International Polymer Corp.	866,400	–	–	( 866,400)	–	–	–	–
	<b>₱589,217,291</b>	<b>₱2,001,946</b>	<b>₱11,196,677</b>	<b>(₱3,542,193)</b>	<b>₱ –</b>	<b>₱6,237,284</b>	<b>₱592,636,436</b>	<b>₱598,873,721</b>

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement**  
**December 31, 2021**

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
<b>Subsidiary</b> Mariano Arroyo Development Corporation	₱ 171,921	₱ 30,452	₱ –	₱ –	₱ –	₱ 202,373	₱ 202,373

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule D – Long Term Debt**  
**December 31, 2021**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in the related statement of financial position
Loan payable	Not Applicable	₱ 90,769,256	₱ 27,192,161

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule E – Indebtedness to Related Parties (Long Term Loans**  
**From Related Companies)**  
**December 31, 2021**

Name of related party	Balance at beginning of period	Balance at end of period
<b>Affiliates</b>		
Waterfront Cebu City Hotel	₱ 92,054,457	₱ 92,054,457
The Wellex Group, Inc.	7,972,400	7,938,239
Concept Moulding Corp.	3,830,646	3,830,646
Inland Container Corporation	–	1,000,000
Manila Pavilion	166,530	166,530
<b>Stockholders</b>		
International Polymer Corp.	–	3,352
	<b>₱ 104,024,033</b>	<b>₱ 104,993,224</b>



**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule F – Guarantees of Securities of Other Issuers**  
**December 31, 2021**

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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**Not Applicable**

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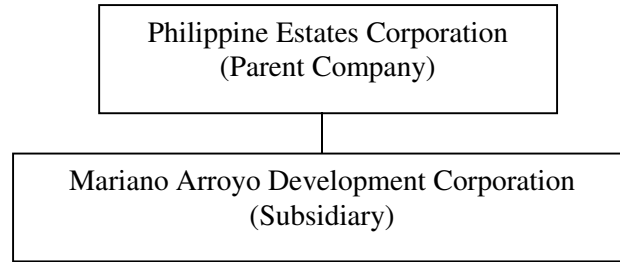
**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Schedule G – Capital Stock**  
**December 31, 2021**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,819,102,963	–	682,510,990	3,286,300	1,133,305,673

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Reconciliation of Retained Earnings Available For Dividend Declaration**  
**December 31, 2021**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱	–
<b>Add: Net income actually earned/realized during the period</b>		<u>–</u>
Net income during the period closed to Retained Earnings		–
Less: Non-actual/unrealized income net of tax		–
Equity in net income of associate/joint venture		–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		–
Fair value adjustment (M2M gains)		–
Fair value adjustment of Investment Property resulting to gain		–
Adjustment due to deviation from PFRS/GAAP-gain		–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		<u>–</u>
Sub-total		<u>–</u>
Add: Non-actual losses		–
Depreciation on revaluation increment (after tax)		–
Adjustment due to deviation from PFRS/GAAP – loss		<u>–</u>
Loss on fair value adjustment of investment property (after tax)		<u>–</u>
<b>Net income actually earned during the period</b>		<b>₱ –</b>
Add (Less):		
Dividend declarations during the period		–
Appropriations of Retained Earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		<u>–</u>
<b>TOTAL RETAINED EARNINGS</b>		<u>–</u>
<b>END AVAILABLE FOR DIVIDEND</b>		<b>₱ –</b>

**PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY**  
**Map of Conglomerate or Group of Companies within which the Company Belongs**  
**December 31, 2021**




UNDERTAKING

A copy of SEC Form 17-A will be provided free of charge upon written request to the following:

CORPORATE SECRETARY  
Philippine Estates Corporation  
Units 3503 and 3504  
35<sup>th</sup> 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 AUG 22 2022, 2022.


  
AMANDO J. PONSARAN, JR.  
Assistant Corporate Secretary

AUG 22 2022

SUBSCRIBED AND SWORN to before me, this \_\_\_ day of \_\_\_\_\_ 2022, at QUEZON CITY Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Notary Public


Doc. No. 382  
Page No. 78;  
Book No. 109;  
Series of 2022.

  
ATTY. RYAN C. CORTEZ  
NOTARY PUBLIC  
Until December 31, 2022  
PTR No. 2564877, 01/27/2022 Q.C.  
IBP No. 178355 02/15/2022  
MCLE Compliance No. VI – 0030668  
Adm No. NP-071 (2021-2022)  
ROLL No. 72112  
Unit 102- GF 1 Executive Bldg.  
Condominium West Ave. Quezon City

**CERTIFICATION**

I, AMANDO J. PONSARAN, JR., being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (herein after the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws with principal office address at 35<sup>th</sup> Floor of One Corporate Centre, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify that none of the Officers and Directors of the Corporation are currently holding positions in government and are therefore qualified to be elected, hold and maintain the same position consistent with the mandate of the Securities and Regulations Code and other pertinent SEC Memorandum Circulars.

IN ATTESTATION OF THE ABOVE, this Certification is signed 19 day of AUG 19 2022 2022, at Pasig City, Metro Manila.

  
AMANDO J. PONSARAN, JR.  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this 19 day of AUG 19 2022 2022 at Pasig City, QUEZON CITY Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 330  
Page No. 67  
Book No. 109  
Series of 2022.

  
ATTY. RYAN C. CORTEZ  
NOTARY PUBLIC  
Until December 31, 2022  
PTR No. 2564877, 01/27/2022 Q.C.  
IBP No. 178355 02/15/2022  
MCLE Compliance No. VI - 0030668  
Adm No. NP-071 (2021-2022)  
ROLL No. 72112  
Unit 102- GF 1 Executive Bldg.  
Condominium West Ave. Quezon City

Notary Public

ADVERTISING CONTRACT

HO No.: 22-0000540

August 06, 2022

This is to authorize **MANILA BULLETIN PUBLISHING CORPORATION** to publish in the **MANILA BULLETIN** the following placement/s.

TYPE OF AD / DESCRIPTION	:	<b>DIRECT AD PLACEMENT</b>
AREA / SIZE (Base & Height)	:	<b>(2) 5 cols. X 24 cms. (120ccms.) Black &amp; White</b>
DATE (S) OF ISSUE	:	<b>Mirrored in MB Website Business Section</b>
AD RATE:	:	<b>September 13 &amp; 14, 2022 Tuesday &amp; Wednesday</b>
	:	<b>P 120.00</b>
	:	<b>x 120</b>
No. of Insertions	:	<b>P 14,400.00</b>
	:	<b>x 2</b>
Online MB Website	:	<b>P 28,800.00</b>
	:	<b>20,307.15</b>
ADD: 12% EVAT	:	<b>P 49,107.15</b>
TOTAL AD COST	:	<b>5,892.85</b>
	:	<b>P 55,000.00</b>

Notes:  
 Section: **Business**

We promise to pay the amount of **FIFTY FIVE THOUSAND PESOS ONLY** payment before publication.

**PHILIPPINE ESTATES CORPORATION**  
 (Advertiser / Company Name)

By: Authorized Signatory

*[Signature]*  
**MS. ELVIRA A. TING**

President  
 Signature over Printed Name

Address: **35th Flr., One Corporate Center, Dona Julia Vargas**  
**cor. Meralco Ave. Pasig City**

**MANILA BULLETIN**

*[Signature]*  
**Shela G. Sarmiento**  
 Senior Sales Executive

Approved by:

*[Signature]*  
 8/8/22

**MR. RUBEN Y. BULAONG**  
 SAVP Advertising

**PLEASE SIGN AND FAX BACK AT THIS NUMBER: 527-3596 OR 527-7533**

**MANILA BULLETIN RESERVES THE RIGHT TO ACCEPT OR REJECT AS IT DEEMS FIT ANY OR ALL AD OR EDITORIAL MATERIALS SUBMITTED TO US FOR PUBLICATION.**

**RECEIVED**  
 8-9-22

# BusinessMirror

A broader look at today's business

July 28, 2022

**MS. ELVIRA A. TING**  
President  
**PHILIPPINE ESTATES CORPORATION**

Dear Ms. Ting,

Greetings from the leading business newspaper in the country!

Thank you for considering us for this campaign. It is a great privilege to be partners with **PHILIPPINE ESTATES CORPORATION**. *BusinessMirror* continues to be an innovator in the market by providing a broader look at today's business. Below is the quotation for the **Notice of Annual Stockholder Meetings** on print and online

**Print B/W:**

5 cols (17.5 cm) x 24 cm x Php 120.00 = Php 28,800.00 (2 issues)  
+ 12% Vat and Php 50 Affidavit fee

**Total cost: P 32,306.00 VAT Inc.**

**Online rate:**

Php 20,000.00 + 12% Vat and Php 50 Affidavit fee

**Total cost: Php 22,450.00**

(To be posted online in BusinessMirror website's Business Section in word file plus company logo)

**SPECIAL QUOTATION COST: Php 54,756.00**

Additional Media Mileage

- Accommodation of press/photo releases
- Provision of complimentary copies

We look forward to your approval. Please feel free to contact me anytime at mobile number **0906-2130333**. Thank you very much and stay well!

Sincerely,

  
**KARINNA "BIM" MAURICIO**  
Account Manager

CONFORME:

  
**ELVIRA A. TING**  
President & CEO  
Philippine Estates Corporation