S	E	C		N	O.	1	1	2	9	7	8	

SEC Registration No.

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35TH FLR ONE CORPORATE CENTRE
JULIA VARGAS COR. MERALCO AVE.
ORTIGAS CENTER, PASIG CITY

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

JOCELYN A. VALLE	**8637-3112**
Contact Person	Contact Telephone No.

12 31	SEC-20IS		
	FORM TYPE	Annual Meeting	

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purpose

PHILIPPINE ESTATES

August 26, 2023

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of **PHILIPPINE ESTATES CORPORATION** (the "Corporation"), in accordance to SEC Memorandum Circular No. 6, Series of 2020 will be held on Thursday, **October 12, 2023 at 10:00 a.m.** at **6th Floor of One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City**, for the purpose of transacting the following business:

1. Call to Order;
2. Certification of Notice and Quorum;
3. Approval of the Minutes of the Previous Stockholders' Meeting for the year 2022;
4. President's Report to the Stockholders and Approval of the Annual Report for the Year 2022;
5. Ratifications of the Acts of the Board and Management for the year 2022;
6. Election of the Board of Directors to Serve for the Term 2023-2024;
7. Appointment of External Auditor for the year 2023;
8. Appointment of External Counsel for the year 2023;
9. Other matters; and
10. Adjournment.

We also wish to inform you that the record date for the purpose of determining the stockholders who are entitled to notice of, and to vote in said stockholders' meeting is **September 19, 2023.** The stock and transfer book of the corporation will be closed from **September 20, 2023 to October 12, 2023**.

WE ARE NOT SOLICITING YOUR PROXY.

arsenio a. alfiler, jr.

ARSENIO A. ALFILER, JR.
Corporate Secretary
Unit 3104, 31st Floor Antel Global Corporate Centre
#3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City

Note: ***Electronic copy of the Information Statement and other pertinent documents are available on the Company Website and PSE Edge***

PROXY

KNOW ALL MEN BY THESE PRESENTS:

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

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

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

To attend, be present and represent the undersigned at the Annual Stockholders' Meeting to be held on October 12, 2023 at 10:00 a.m. of PHILIPPINES ESTATES CORPORATION including any adjournment or postponement thereof, to take part in the deliberation thereon, vote any and all shares that the undersigned now owns or may hereafter own in said Corporation in any matter, motion, resolution that may be taken up in said meeting/s in such manner as his/her/its aforesaid Attorney-in-Fact shall deem acceptable in the premises.

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

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

___________________,____________2023.

PRINTED NAME OF STOCKHOLDER __________________________

SIGNATURE OF STOCKHOLDER __________________________

SEC Number 112978
File Number ________

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

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

(Company's Address)

8637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(Month and day)

SEC Form 20-IS

(Form Type)

Amended Designation (if applicable)

December 31, 2022

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[√] Preliminary Information Statement

[] Definitive Information Statement

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

3. **National Capital Region (NCR), Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **112978**

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

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

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

8. Date, time and place of the meeting of security holders
Date - **12 October 2023**
Time - **10:00 AM**
Place – **One Café and Events Place**
6th Floor One Corporate Centre
Julia Vargas Ave., corner Meralco Ave.
Ortigas Center, Pasig City

9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge: **September 20, 2023**.

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares, ₱1.00 par value	
Total Issued and Outstanding Shares	**2,891,099,660 common shares**
Amount of Debt Outstanding as of June 30, 2023	**₱ 116,579,777**

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

Yes √ No ________

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

Common Shares are listed on the Philippine Stock Exchange

PART – I

A. GENERAL INFORMATION

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

(a.) Date, time and place of meeting:	**October 12, 2023, 10:00 A.M**. One Café and Events Place 6th Floor One Corporate Centre Julia Vargas Ave., corner Meralco Ave. Ortigas Center, Pasig City
Complete mailing address of principal office:	35th Floor, One Corporate Centre, Julia Vargas Ave., corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila.
(b.) Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge:	September 20, 2023

Item 2. Dissenters' Right of Appraisal

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

Any stockholder shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

(a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days form the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty

(30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder or unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof.

(a) The number of issued and outstanding as of July 31, 2023 is 2,891,099,660 common shares of stock. The common shares owned by Filipino is 2,878,348,730 or equivalent to 99.56%. Common shares allowed to foreigners is 1,156,439,864 and the total shares owned by foreigners is 12,750,930 common shares or equivalent to 0.44%. For the purpose of electing Directors at the forthcoming Annual Meeting of Stockholders, stockholders enjoy cumulative voting rights. Each common share is entitled to eleven (11) votes which may be cast cumulatively in favorof one candidate, or distributively to as many candidates and in any proportion as the stockholders see fit.

All stockholders of the Company shall have the right as follows:

1. Right to vote on all matters that requires their consent or approval;
2. Right to inspect corporate books and records;
3. Right to information;
4. Right to dividends; and
5. Appraisal right

(b) Only persons who are stockholders of record as of 19 September 2023 may vote, or be voted upon,for the position of Director.

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

1. Security ownership of certain record and beneficial owners of more than five percent (5%) as of July 31, 2023:

Title of Class	Name and Address of Record/Beneficial Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	% of Ownership
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Filipino	831,637,400	28.765
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Non-Filipino	10,179,360	0.352
Common	RECOVERY REAL ESTATE CORP. 22nd Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	350,000,000	12.106

Common	REXLON REALTY GROUP, INC. 22ND Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	460,000,000	15.911
Common	ROPEMAN INTERNATIONAL CORP. #7 T. SANTIAGO ST. CANUMAY, VALENZUELA METRO MANILA Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	178,270,000	6.166
Common	THE WELLEX GROUP, INC. 35TH FLR. ONE CORP. CENTER UNITS 3504 & 3504, JULIA VARGAS CORNER MERALCO AVE., ORTIGAS CENTER, PASIG CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Assistant Corporate Treasurer	Filipino	989,472,220	34.225

2. Security ownership of management as of July 31, 2023:

1. Security Ownership of Management.

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Amount and Nature of Class*	*% of Ownership*
Common	Arthur M. Lopez Chairman/Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Dee Hua T. Gatchalian Director	Filipino	2,000-Direct Beneficial Ownership	0.000
Common	Ms. Elvira A. Ting President / CEO	Filipino	500,000-Direct Beneficial Ownership	0.017
Common	Kenneth T. Gatchalian Vice Chairman/Director	Filipino	320,000 Direct Beneficial Ownership	0.011
Common	Sergio R. Ortiz-Luis, Jr. Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Arthur R. Ponsaran Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Richard L. Ricardo	Filipino	2,460,000-Direct	0.085

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

♦ Beneficial ownership of all directors and officers as a group unnamed is 3,286,300 shares of common stock.

3. Voting Trust Holders of five percent (5%) or more.

There are no voting trust holders of five percent (5%) or more of the securities of the registrant.

4. Changes in control:

There has been no change in the control of the registrant since the beginning of its fiscal year, however due to the pending Mandatory Tender Offer (MTO) there will be increased in ownership held by the Wellex Group Inc. and its related parties.

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

MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

(1) Market Information

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

	2023		**2022**		**2021**	
	High	**Low**	**High**	**Low**	**High**	**Low**
Q1	0. 39	0.36	0.51	0.40	0.63	0.37
Q2	0. 42	0.335	0.43	0.37	0.79	0.48
Q3	- x -	- x -	0.42	0.37	0.72	0.48
Q4	- x -	- x -	0.425	0.375	0.67	0.46

- The sales price as of August 24, 2023 was 0.3150.

(2) Holders

The number of holders of common shares as of July 31, 2023 was 710.

Names of the Top Twenty (20) shareholders as of July 31, 2023 the number of sharesheld, and the percentage of total shares outstanding held by each.

RANK	STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
1	THE WELLEX GROUP, INC.	989,472,220	989,472,220	34.225
2	PCD NOMINEE CORPORATION (FILIPINO)	831,637,400	831,637,400	28.765
3	REXLON REALTY GROUP, INC.	460,000,000	460,000,000	15.911
4	RECOVERY REAL ESTATE CORP.	350,000,000	350,000,000	12.106
5	ROPEMAN INTERNATIONAL CORP.	178,270,000	178,270,000	6.166
6	RECOVERY DEVELOPMENT CORP.	56,001,800	56,001,800	1.937
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	10,179,360	10,179,360	0.352
8	JIANXI LI	2,570,000	2,570,000	0.089
9	RICHARD RICARDO	2,460,000	2,460,000	0.085
10	VICENTE C. CO	1,575,000	1,575,000	0.054
11	INTERNATIONAL POLYMER CORP.	1,436,000	1,436,000	0.050
12	RENATO B. MAGADIA	1,000,000	1,000,000	0.035
13	ANTHONY SAMUEL LEE	900,000	900,000	0.031
14	JULIET BANGAYAN	545,000	545,000	0.019
15	RODOLFO S. ESTRELLADO	500,000	500,000	0.017
16	ELVIRA A. TING	500,000	500,000	0.017
17	BENISON L. CO	364,000	364,000	0.013
18	KENNETH T. GATCHALIAN	320,000	320,000	0.011
19	CAROLINA G. AQUINO	250,000	250,000	0.009
20	BETTY S. CHAN	250,000	250,000	0.009

(3) Dividends

The Board of Directors of the Company approved the adoption of a new dividend policy effective 2021 of maintaining an annual cash and/or share dividend pay-out of up to ten percent (10%) of its net profit after tax from the preceding year, subject to:

- the requirements of applicable laws and regulations, such as the availability of unrestricted retained earnings;
- the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and
- the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments.

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

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

On December 02, 2021, in accordance to the Stock Rights Offering (SRO) of ₱1,445,549,830.00, the Company had issued an additional shares by way of subscription to 1,445,549,830 common shares with a par value of ₱1.00 per share to its existing stockholders at ₱1.00 per rights share at the ratio of 1:1 for every common share.

The subscription of the The Wellex Group Inc. (TWGI) and its related parties is subject to Mandatory Tender Offer (MTO) still pending approval with the Securities and Exchange Commission prior to listing.

Item 5. Directors and Executive Officers

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

a. ARTHUR M. LOPEZ – 77 years old, Filipino **(Chairman)**
President - Philippine Hotel Owners Association, Inc.
Consultant – Bellevue Resort, Bellevue Suites, Double Dragon Properties Corporation and Wellworth Properties and Development Corporation
Chairman – Acesite Philippines Hotel Corporation, Legoli Holdings Inc. and Arleff Holdings Inc.
Director – Waterfront Philippines, Inc

b. KENNETH T. GATCHALIAN – 47 years old, Filipino **(Vice-Chairman)**
Director – Wellex Industries, Inc.
Director – The Wellex Group, Inc.
Treasurer/Director – Forum Pacific, Inc.
President/Director – Waterfront Philippines, Inc.

c. **ELVIRA A. TING** – 63 years old, Filipino **(President/CEO)**
Vice Chairperson / Director – Forum Pacific, Inc.
Vice President/Director – Wellex Industries, Inc.
Director/ Treasurer – Waterfront Philippines, Inc.
Treasurer /Director – Acesite Philippines, Inc.
Vice President / Director – Recovery Dev"t Corp.
Chairperson and President – Orient Pacific Corp. and Crisanta Realty Development Corporation.
Treasurer / Director – The Wellex Group, Inc.

d. DEE HUA T. GATCHALIAN – 75 years old, Filipino **(Director)**
President – Wellex Industries, Inc.
Vice President/Director – The Wellex Group, Inc.
Chairwoman and President – Westland Pacific Properties Corp.
Chairwoman and President – Palawan Estates Corp

e. **ARTHUR R. PONSARAN** - 80 years old, Filipino **(Director)**
Managing Partner – Corporate Counsels, Phils. Law Offices
Director – Forum Pacific, Inc., MCCI Corporation, Health

Carousel Philippines Inc., Philsteel Hodings Inc., Steel Corporation of the Philippines,
Corporate Secretary – Waterfront Philippines Incorporated, Acesite (Phils.) Hotel Corporation, Wilcon Corporation, Wilcon Depot, Inc., Producers Savings Bank Corporation.

f. **BYOUNG HYUN SUH –** 66 years old, Korean **(Independent Director)**
President – Pan Islands, Inc.
Independent Director – Forum Pacific, Inc.
Independent Director – Wellex Industries, Incorporated
Independent Director – Metro Alliance Holdings & Equities Corp
Director – World Okta Federation
President - Bonamis Pharmacy Phil's Corp.

g. **RICHARD L. RICARDO -** 60 years old, Filipino **(Director/ Treasurer)**
Vice President for Strategic Initiatives – The Wellex Group, Inc.
Vice President for Corporate Affairs – Acesite (Phils.) Hotel Corporation
Corporate Affairs Officer – Waterfront Philippines, Inc.
Director – Wellex Industries, Inc.
Director – Forum Pacific Inc.
Vice President for Corporate Affairs – Metro Alliance Holdings & Equities Corp.

h. **RUBEN D. TORRES** – 82 years old, Filipino **(Independent Director)**
Chairman/CEO - Services Exporters Risk Management & Consultancy Co (SERMC)
Independent Director - Waterfront Philippines, Inc.
Independent Director- Acesite Philippines Hotel Corporation
Independent Director - Wellex Industries, Inc.
President - Pacific Concorde Corporation
Corporate Treasurer - Wellex Mining Corporation
Director - Waterfront Manila Premier Development, Inc.
Independent Director - Forum Pacific, Inc.
VP-International Affairs - Trade Union Congress of the Philippines
Chairman - Taguig Lake City Development Corporation
Chairman - Alliance Energy Power and Development Inc.
Chairman - Triton Construction and Development Corporation
President - BPO Workers Association of the Phil.
Senior Partner - Torres Caparas Torres Law Offices

i. **SERGIO R. ORTIZ-LUIS, JR**.- 80 years old, Filipino **(Director)**
President/CEO – Philippine Exporters Confederation, Inc.
Director – Waterfront Philippines, Inc.
Vice Chairman - Alliance Global, Inc.
Director – Acesite (Phils.) Hotel Corp.
Honorary Chair/Treasurer – Phil. Chamber of Commerce & Industry
Founding Director - Int'l. Chamber of Commerce of the Phils.
Director - Manila Exposition Complex, Inc. (WTC)

Director – The Wellex Group

j. RENATO C. FRANCISCO.- 75 years old, Filipino **(Independent Director)**

Independent Director - Forum Pacific, Inc.
Director - Acesite (Phils.) Hotel Corporation
Independent Director – Sta. Lucia Land Inc.

k. JOSAIAS T. DELA CRUZ - 62 years old, Filipino **(IndependentDirector)**

Vice President / Treasurer - Wegen Distributed Energy Philippines Holdings Corp.
Independent Director (2021 Nominee) - Wellex Industries, Inc.
Sole Proprietor - JTDC Spinmeister Laundry Service

l. ARSENIO A. ALFILER, JR.- 77 years old, Filipino **(Corporate Secretary)**

Partner – Corporate Counsels, Phils. Law Offices
Corporate Secretary – Forum Pacific, Inc.
Assistant Corporate Secretary – Producers Savings Bank Corporation
Corporate Secretary – Suns Savings Bank Inc.
Assistant Corporate Secretary – Waterfront Philippines, Inc.,
Assistant Corporate Secretary – Acesite (Phils.) Hotel Corporation

m. AMANDO J. PONSARAN, JR.– 53 years old, Filipino **(Asst. CorporateSecretary)**

Senior Manager – Corporate Counsels, Philippines Law Offices
Corporate Secretary – Wellex Industries, Inc.
Assistant Corporate Secretary – Forum Pacific, Inc.
Corporate Secretary – Trans Realty Co., Inc.
Corporate Secretary – Health Carousel Philippines, Inc.
Corporate Secretary – Consumer Products Distribution Services, Inc.
Corporate Secretary – Transmetro Property Ventures Corporation
Corporate Secretary / Director – Schuylkill Assets Strategies (SPV-AMC) Inc.
Corporate Secretary / Director – Lion 2 Business Process, Inc.
Corporate Secretary / Director – Cadds Corporation
Assistant Corporate Secretary – Vires Energy Corporation

n. JOCELYN A. VALLE – 61 years old, Filipino **(Corporate Compliance Officer)**

Finance Head – Philippine Estates Corporation

o. GLENN GERALD D. PANTIG - 48 years old, Filipino **(Chief Operation Officer)**

Chief Operating Officer - Philippine Estates Corporation

p. **ERWIN BRYAN S. KANAPI -** 44 years old, Filipino (**Chief Risk Officer, DPO and CO for AMLC**)

Head of the Legal Department - Philippine Estates Corporation

Term of Office

The term of office of the Directors is one (1) year. We take note of SEC Memorandum Circular No. 19 Series of 2016, regarding the Term Limits for Independent Directors. Mr. Byoung Y. Suh served as Independent Director since 2016 while Ret. Justice Renato C. Francisco was elected in 2020 and Mr. Josaias T. Dela Cruz in 2021. Hence, all nominees for Independent Directors for this year's annual meeting are within the limit prescribed by the Rules.

The newly elected Directors elected the following Corporate Officers and Committee members during their organizational meeting to serve for the term 2022-2023:

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Ruben Torres (Chairperson)
Byoung Hyun Suh (Member)
Renato Francisco (Member)
Josaias Dela Cruz (Member)

EXECUTIVE COMMITTEE

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

BOARD RISK OVERSIGHT COMMITTEE

Josaias Dela Cruz (Chairperson)
Ruben Torres (Member)

Sergio Ortiz-Luis, Jr. (Member)

RELATED PARTY TRANSACTIONS (RPT) COMMITTEE

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

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

3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters.

4. None of the directors or officers of the registrant has been involved in any: (a.) Bankruptcy Petition, (b.) Violation of a Securities or Commodities Law, (c.) Conviction by final judgment,(d.) Nor has the foregoing officers been subjected to any order or decree, (e.) None of the foregoing incidents occurred during the past five (5) years up to 31 August 2023 that are material to, and for purposes of SEC's evaluation.

5. Certain Relationships and Related Transactions.

   The company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which, 25,035,115 were owned by Benguet Management Corporation ("Benguet"). In December 1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. ("Wellex"). At present, Wellex holds 989,472,220 shareholdings in the Company.

Board of Directors

The Corporation has adopted and complied with the SEC Circular No. 16 series of 2002 (Requirements on Nomination and Election of Independent Directors) and pursuant to SRC Rule 38 and its implementing rules and regulations.

The nominees for election to the Board of Directors of the Corporation on October 12, 2023 are as follows:

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

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

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

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

Pursuant to the process conducted by the Nominations Committee, the nominees for election as independent directors of the Board of Directors on October 12, 2023 are as follows:

Mr. Byoung Hyun Suh, 66 years old, Korean, is an **Independent Drector** of the Company. He also serves as the President of the Pan Islands, Inc. and Bonamis Pharmacy Phil's Corp.; Independent Director of Forum Pacific, Inc., Metro Alliance Holdings & Equities Corp and Wellex Industries, Incorporated; and Director of World Okta Federation.

Atty. Renato C. Francisco, 75 years old, Filipino, is an **Independent Director** of the Company. He also serves as an Independent Director of Forum Pacific, Inc., Acesite (Phils.) Hotel Corporation, Waterfront Phil., Inc., Wellex Industries Inc. and Sta. Lucia Land, Inc.

Mr. Josaias T. Dela Cruz, 62 years old, Filipino, is an **Independent Director** of the Company. He also serves as an Independent Director of Wellex Industries, Inc. and Forum Pacific, Inc.; Vice President / Treasurer of Wegen Distributed Energy Philippines Holdings Corp; and Sole Proprietor of JTDC Spinmeister Laundry Service.

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

(2.) Significant Employees

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

(3.) Family Relationships

Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms Dee Hua T. Gatchalian is the mother of Kenneth T. Gatchalian. There are no other family relationships.

(4.) Involvement in Certain Legal Proceedings

The Directors and officers have all the qualifications and there is none of the disqualifications.

The Company has no Material Pending Legal Proceedings to which the registrant or any of its subsidiaries or affiliates is a party

(5) Certain Relationships and Related 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, 2022 and 2021 are as follows:

Affiliates Name	Increase / - Decrease	2022		2021	
		Receivables	Payables	Receivables	Payables
Plastic City Corp.	2%	201,459,300		197,140,312	
Forum Holdings Corp.	2%	40,047,217		39,188,624	
Kennex Container Corp.	2%	37,275,422		36,615,523	
Orient Pacific Corp.	2%	35,249,436		34,688,629	
Noble Arch Realty and Constructio	3%	5,145,869		5,006,083	
Pacific Rehouse Corporation (PRC)	3385%	30,461,782		873,986	
Metro Alliance Holdings and Equities Corporation	2%	280,673,969		274,782,761	
Rexlon Realty Group, Inc.		442,480			
Westland Pacific Properties Corp.		48,948,469			
Waterfront Cebu City Hotel	0%		92,054,457		92,054,457
The Wellex Group, Inc.	0%		7,938,239		7,938,239
Concept Moulding Corp.	-98%		79,873		3,830,646
Manila Pavilion	0%		166,530		166,530
Inland Container Corporation	-50%		500,000		1,000,000
Crisanta Realty Development Corp.			8,831,858		
International Polymer Corp.	109979%		3,689,852		3,352
Total		**679,703,944**	**113,260,809**	**588,295,918**	**104,993,224**
Allowance for ECL		(34,998,309)		(34,998,309)	
		644,705,635	**113,260,809**	**553,297,609**	**104,993,224**

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.

Please refer to Note 23 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

(6) Resignation of Directors Due to Disagreement

There is no director who resigned or decline to stand for re-election because of disagreement**.**

Item 6. Compensation of Executive Officers.

1. Estimated Compensation:

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2023	₱ 840,000.00	0.00	₱ 70,000.00

GLENN GERALD PANTIG Chief Operation Officer	2023	₱ 1,320,000.00	0.00	₱ 110,000.00
JOCELYN A. VALLE Finance Head	2023	₱ 720,000.00	0.00	₱ 60,000.00
FERDINAND P. HALILI Operations Head	2023	₱ 600,000.00	0.00	₱ 50,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2023	₱ 480,000.00	0.00	₱ 40,000.00

The estimated aggregate compensation of the members of the Board of Directors and ExecutiveOfficers as a group for the year 2023 is ₱ 4,290,000.

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

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2022	₱ 840,000.00	0.00	₱ 70,000.00
GLENN GERALD PANTIG Chief Operation Officer	2022	₱ 1,265,000.00	0.00	₱ 110,000.00
JOCELYN A. VALLE Finance Head	2022	₱ 651,000.00	0.00	₱ 60,000.00
FERDINAND P. HALILI Operations Head	2022	₱ 544,288.00	0.00	₱ 50,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2022	₱ 425,000.00	0.00	₱ 40,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2022 is ₱ 4,055,288.00.

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*

ELVIRA A. TING President & CEO	2021	₱ 840,000.00	0.00	₱ 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2021	₱ 156,000.00	0.00	₱ 13,000.00
GLENN GERALD PANTIG Chief Operation Officer	2021	₱ 1,200,000.00	0.00	₱ 100,000.00
JOCELYN A. VALLE Finance Head	2021	₱ 504,000.00	0.00	₱ 42,000.00
FERDINAND P. HALILI Operations Head	2021	₱ 504,000.00	0.00	₱ 42,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2021	₱ 360,000.00	0.00	₱ 30,000.00

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

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

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

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

2. Standard Arrangement

Except for per diem of ₱50,000.00 for the Chairman per month and ₱10,000.00 per Director per board meeting, there are no other standard arrangements pursuant to which directors of the Company are compensated or are expected to be compensated directly or indirectly for any service provided directly or indirectly to the Company's during the last fiscal year and ensuing year.

3. There are no material terms of any other arrangement.

4. There is no Employment Contract between the Registrant and Named Executive Officers nor Compensatory Plan or Arrangement.

5. There are no warrants or options held by Company's CEO, executive officers and all officers and directors as a group.

Item 7. Independent Public Accountant

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

Rotation of External Auditors

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

The signing partner of our external auditor- DIAZ MURILLO DALUPAN AND COMPANY for 2020 to 2022 Audited Fiancial Staments is Mr. Richard Noel M. Ponce. He replaced Ms. Rosemary D. De Mesa who retired in 2019 from Diaz Murillo Dalupan and Company. Ms De Mesa was the signing partner of our Audited Financial Statements for 2018, replacing Jozel Francisco C. Santos, Jr. who was then the signing partner in 2017

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

(a.) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2022	₽ 667,012.50
	2021	635,250.00

2. No audit fees for other related services

(b.) Tax Fees	2022	nil
	2021	nil

(c.) All other Fees

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

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

The Audit Committee Approval Policies and Procedures for the services rendered by the External Auditors

The Corporate Governance Manual of the Company provides that the audit committee shall, among others:

1.) Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.

2.) Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.

3.) Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

Item 8. Compensation Plans

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

5. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2022, Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto.

The interim financial statements as of June 30, 2023 and other data related to the Company's financial information are likewise attached hereto.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

The gross proceeds from the Rights Offer amounting to ₱1,445,549,830.00 has a net proceeds of ₱1,423M after deducting taxes and PSE fees. In accordance with the Company's plan and application of proceeds of the SRO, the ₱956.98M were used for the acquisition of land properties for the Company's pipeline of projects and ₱466.02M for general corporate purposes.

Item 14. Restatement of Accounts

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

6. OTHER MATTERS

Item 15. Action with Respect to Reports

There is no action to be taken with respect to any report of the Company or its directors or officers, except for the approval of the minutes of the previous annual stockholders' meeting of the Company held on October 12, 2023.

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

The Minutes of the Annual Stockholders' Meeting held on October 7, 2022 contains the approval of the Minutes of the year 2021 Annual Stockholders' Meeting, the approval of the year 2021 Annual Report and the Audited Financial Statements, the ratification of the acts of the Board of Directors and management during the year 2021, the election of the external auditor, the election of external counsel and the election of the members of the Board of Directors.

The 100% voting results represent 76.93% of the stockholders present or represented either in person or by proxy of the total outstanding capital stock of the Company:

Agenda	**Voting Results**		
	For	**Against**	**Abstain**
Call to Order	100.00%	0.00%	0.00%
Certification of Notice and Quorum	100.00%	0.00%	0.00%
Approval of the Minutes of the Previous Stockholders'Meeting for the year 2021 and including the minutes dated July 05, 2022 with respect to the renewal of the credit facilities with Philippine Bank of Communication	100.00%	0.00%	0.00%
President's Report to the Stockholders for the Year 2021 and Approval of the Annual Report.	100.00%	0.00%	0.00%
Ratifications of the Acts of the Board and Management.	100.00%	0.00%	0.00%
Election of the members of the Board of Directors to serve for the term 2022-2023.	100.00%	0.00%	0.00%
Arthur M. Lopez	100.00%	0.00%	0.00%
Arthur. R. Ponsaran	100.00%	0.00%	0.00%
Byoung Hyun Suh	100.00%	0.00%	0.00%
Dee Hua T. Gatchalian	100.00%	0.00%	0.00%
Elvira A. Ting	100.00%	0.00%	0.00%
Josaias T. Dela Cruz	100.00%	0.00%	0.00%
Kenneth T. Gatchalian	100.00%	0.00%	0.00%
Renato C. Francisco	100.00%	0.00%	0.00%
Richard L. Ricardo	100.00%	0.00%	0.00%
Ruben D. Torres	100.00%	0.00%	0.00%
Sergio R. Ortiz-Luis, Jr.	100.00%	0.00%	0.00%
Appointment of External Auditor for the year 2023	100.00%	0.00%	0.00%
Appointment of External Counsel for the year 2023	100.00%	0.00%	0.00%

Amendment of the Articles of Incorporation by changing the address.	100.00%	0.00%	0.00%
Other matters	100.00%	0.00%	0.00%
Adjournment	100.00%	0.00%	0.00%

The following directors and officers were present during the 2022 ASM:

Mr. Arthur M. Lopez	-	Chairman/Director
Mr. Kenneth T. Gatchalian	-	Vice Chairman /Director
Ms. Elvira A. Ting	-	President/Director
Mr. Richard Ricardo	-	Treasurer/Investor Relations Officer/Director
Mr. Sergio Ortiz-Luiz, Jr.	-	Director
Mr. Byoung Y. Suh	-	Chief Audit Executive/Independent Director
Mr. Josaias Dela Cruz	-	Independent Drector -
Ms. Dee Hua T. Gatchalian	-	Director
Atty. Renato C. Francisco	-	Independent Drector
Atty. Arthur R. Ponsaran	-	Director
Atty. Ruben D. Torres	-	Director
Atty. Arsenio A. Alfiler Jr.	-	Corporate Secretary
Mr. Amando J. Ponsaran, Jr.	-	Asst. Corporate Secretary
Ms. Jocelyn A. Valle	-	Compliance Officer
Mr. Glenn Gerald Pantig	-	Chief Operation Officer

The stockholders who attended the 2022 ASM in person and by proxy represent 2,224,120,720 common shares, constituting 76.93% of the total outstanding capital stock of the Company as of record date September 9, 2022.

Corporate Governance

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

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

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

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

The Company submitted its Integrated Annual Corporate Governance Report (I-ACGR) on May 26, 2023 covering the year 2022.

As of August 15, 2023, there are no known material deviations from the Company's Manual of Corporate governance.

Item 16. Matters Not Required to be Submitted

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

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

In accordance with the provisions of Rule 38 of the Securities Regulation Code (SRC), as amended, the Company on March 17, 2005, has amended its By-laws, to include provisions for the nomination and election of at least two (2) independent directors and provisions for the creation and functions of the Executive Committee, Audit Committee and Corporate Governance. On October 07, 2022, the stockholders approved the amendment of the by-laws to include delagation of power to the Board to amend the by-laws, in order to comply immediately with the good corproate governance but still pending approval with the SEC to include the power.

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

The Board of Directors is still in the process of evaluating the Company's Corporate Governance Manual and the compliance with Revised Corporation code, thus the Company undertakes to comply to amend the by-laws in accordance with Revised Corporation Code and adopt the procedure for Good Corporate Governance.

Item 18. Other Proposed Actions

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

a. Call to Order;
b. Certification of Notice and Quorum;
c. Approval of the Minutes of the Previous Stockholders' Meeting for the year 2022;
d. President's Report to the Stockholders and Approval of the Annual Report for the Year 2022;

e. Ratifications of the Acts of the Board and Management for the year 2022;
f. Election of the Board of Directors to Serve for the Term 2023-2024;
g. Appointment of External Auditor for the the year 2023;
h. Appointment of External Counsel for the the year 2023;
i. Other matters; and
j. Adjournment.

Item 19. Voting Procedures

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

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

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

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

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

Other Notes to Operations and Financials:

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

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

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

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

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

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

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

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

  There were no any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.

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

  There were no any known trends, events or uncertainties (Material Impact on Sales).

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

  The Company considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as at and for the year ended December 31, 2022. However, it could have a material impact on its 2023 financial results and even years thereafter. Considering the evolving nature of this pandemic, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

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

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

- **Internal and external sources of liquidity**

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

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

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

Attention: ARSENIO A. ALFILER, JR.
Corporate Secretary

CERTIFICATION

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hands this AUG 11 day of 2023 ______________, 2023 in ~~the City of Pasig~~. QUEZON CITY

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this AUG 11 2023 ___ day of _________ 2023, 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. 366;
Page No. 74;
Book No. 621;
Series of 2023.

ATTY. ELISEO S. PALMA, JR.
Notary Public for Q.C./Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007172D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2023, at Pasig City, Metro Manila. QUEZON CITY AUG 11 2023

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this AUG 11 2023 day of ________ 2023, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 70;
Page No. 72;
Book No. VII;
Series of 2023.

ATTY. ELISEO S. PALMA, JR.
Notary Public for Q.C. / Until Dec. 31, 2024
Roll No. 50183
PTR No. 4067179 / Jan. 03, 2023/Q.C.
IBP No. 257220, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-406(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

Annex A-1

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

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

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

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

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

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

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

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

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

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

Done this AUG 11 2023 of 2023 at QUEZON CITY.

BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN to before me, this AUG 11 day of 2023 2023, at Pasig City, QUEZON CITY Metro Manila, affiant having exhibited to me her government identification (TIN 122-963-522-000) with her photograph appearing thereon.

Doc. No. 240
Page No. 74
Book No. LXII
Series of 2023.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. /Until Dec.,31, 2024
Roll No. 50183
PTR No. 4007172U/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

IN ATTESTATION OF THE ABOVE, this Certification is signed on this ___ day of ___________ 2023, at Pasig City, Metro Manila. AUG 11 2023 QUEZON CITY

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

AUG 11 2023 QUEZON CITY

SUBSCRIBED AND SWORN to before me, this ___ day of _________ 2023, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007179 /Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(08/21/2021-04/14/2025)
Adm. Matter No. NP-060(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

Doc. No. 464;
Page No. 73;
Book No. VII;
Series of 2023.

Annex A-2

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Forum Pacific, Inc.	Independent Director	Oct. 2020 - present
Acesite (Phils.) Hotel Corporation	Independent Director	Oct. 2020 - present
Waterfront Phil., Inc.	Independent Director	Oct. 2020 - present
Wellex Industries Inc	Independent Director	2021 - present
Sta. Lucia Land Inc.	Independent Director	June 15, 2023-present

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

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

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

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

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

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

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

8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in

Done this AUG 1 1 2023 of 2023 at QUEZON CITY

RENATO C. FRANCISCO
Affiant

SUBSCRIBED AND SWORN to before me, this AUG 1 1 2023 day of _________ 2023, at ~~Pasig City, Metro Manila~~ QUEZON CITY, affiant having exhibited to me her government identification (TIN 138-641-391-000) with her photograph appearing thereon.

Doc. No. 761 ;
Page No. 73 ;
Book No. XCII ;
Series of 2023.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. /Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007172D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

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

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

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

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

IN ATTESTATION OF THE ABOVE, this Certification is signed on this AUG 1 1 2023 day of ____________ 2023, at Pasig City, Metro Manila.

QUEZON CITY

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

QUEZON CITY
AUG 1 1 2023

SUBSCRIBED AND SWORN to before me, this ___ day of _________ 2023, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 769;
Page No. 72;
Book No. 1021;
Series of 2023.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. /Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007179 Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0000824/2021-04/14/2025)
Adm. Matter No. NP-065(2022-2023)
20 Kamagong St., Sampaguita Vill. East Fairview Q.C.
TIN: 138-541-197-000

Annex A-3

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2021.

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

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

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

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

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

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

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

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

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

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

Done this AUG 11 2023 of ______, 2023 at QUEZON CITY.

JOSAIAS T. DELA CRUZ
Affiant

AUG 11 2023

SUBSCRIBED AND SWORN to before me, this ___ day of _________ 2023, at Pasig QUEZON CITY City, Metro Manila, affiant having exhibited to me her government identification (TIN 123-365-209) with her photograph appearing thereon.

Doc. No. 3669;
Page No. 711;
Book No. LXI;
Series of 2023.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. /Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007179D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

UNDERTAKING

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

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

PART III

After reasonable inquiry and to the best knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the QUEZON CITY City of Pasig on AUG 11 2023 ______, 2023.

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

QUEZON CITY

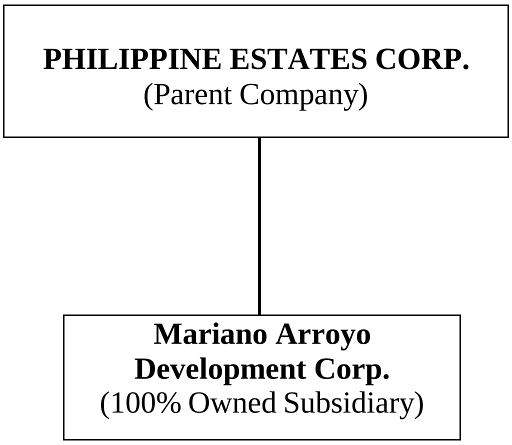
SUBSCRIBED AND SWORN to before me, this ___ day of AUG 11 2023 2023, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. /Until Dec. 31, 2024
Roll No. 50183
Notary Public
PTR No. 400[illegible], Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

Doc. No. 367;
Page No. 74;
Book No. VIII;
Series of 2023.

MANAGEMENT’S REPORT

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



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 andIFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) For Real Estate Industry, providing relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A and IFRIC interpretation for another period of three yearsuntil December 31, 2023.

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

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

a. the accounting policies applied;
b. discussion of the deferral of the subject implementation issues in the PIC Q&A;
c. qualitative discussion of the impact in the financial statements had the concerned applicationguideline in the PIC Q&A been adopted; and
d. should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard butopted 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 aboveis 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 thatprice 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 hasthe ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

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

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

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

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

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

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

Composition of the Group

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

	Percentage of ownership	
	2022	2021
Mariano Arroyo Development Corporation	**100%**	100%

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

Changes in Accounting Policies and Disclosures

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

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

New Accounting Standards, Interpretations and Amendments to Existing Standards EffectiveSubsequent 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. Beforerecognizing a separate provision for an onerous contract, the entity recognizes any impairment lossthat has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. TheGroup 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 forderecognition 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 incentivesbecause 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 theparent. 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 apost-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 suchdeductions 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 theearliest 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 correctionof 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 amendmentsare 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 entitywill 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.

Audited Financial Statements and Interim Financial Statements

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

The signing partner of our external auditor- DIAZ MURILLO DALUPAN AND COMPANY for 2020 to 2022 Audited Fiancial Staments is Mr. Richard Noel M. Ponce. He replaced Ms. Rosemary D. De Mesa who retired in 2019 from Diaz Murillo Dalupan and Company. Ms De

Mesa was the signing partner of our Audited Financial Statements for 2018, replacing Jozel Francisco C. Santos, Jr. who was then the signing partner in 2017.

Reconciliation of retained earnings available for dividend declaration.

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Equity as of December 31, 2022

CAPITAL STOCK	₱	**2,891,016,410**
DEFICIT		
At beginning of year, *as restated*		(351,125,714)
Stock issuance costs		(19,105,210)
Net income (loss) for the year		27,591,091
At end of year	₱	**(342,639,833)**
REMEASURMENT GAIN ON RETIREMENT BENEFITS		
At beginning of year, *as restated*		4,322,581
Remeasurement Gain on Retirement Benefits (net)		2,752,135
Effects of change in income tax rate		
At end of year	₱	**7,074,716**
	₱	**2,555,451,293**

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

Financial Soundness Indicators in two comparative periods.

INDICATOR	2022	2021
Current Ratio	8.37:1	4.98:1
Debt-to-Equity Ratio	0.21:1	0.33:1
Asset-to-Equity Ratio	1.21:1	1.33:1
Return on Sales	12.28%	25.14%
Past Due Ratio	4%	5%
Gross Profit Rate	52.17%	61.13%
Working Capital Turnover	0.14	0.18
Sales Projection	864M	614M
Sales Variance	-61.82%	-60.96%

NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

The Company was incorporated on May 30, 1983 formerly "Philippine Cocoa Estates Corporation" registered with Securities and Exchange Commission (SEC) under Registration No. 112978.

The Company is now known as Philippine Estates Corporation, currently engaged in a realty estate development business focusing on high/low end residential including horizontal mass housing developments and medium rise condominiums.

The primary goal and objective of the Company is to produce a qualilty housing and with a corporate vision of becoming a world-class real estate developer utilizing state-of- the-art design and technology to build projects with the highest quality and value.

The Company's real estate business is located in different emerging and high growth áreas in Luzon and Visayas namely, Iloilo, Cebu and other cities located in Metro Manila. The Company is also expanding its development mass housing Projects in a progressive areas located outside Luzon particularly Calabarzon and Bulacan areas.

The Company is majority owned and controlled by The Wellex Group, Inc., and its related parties including the Management.

(2) Business Issuer:

With the acquisition of real properties by virtue of its agreement with Rexlon Realty Group, Inc., Recovery Real Estate Corporation, Ropeman International Corporation, The Wellex Group, Inc. and Pacific Rehouse Corporation, the Company immediately conducted a study to determine the "highest and best use" of its real estate holdings for the purpose of enhancing their value and maximizing the returns to the stockholders. Based on the study conducted, the following are the projects were undertaken by the Company:

COMPLETED PROJECTS:

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

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

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

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

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

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

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

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

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

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

6. ***Chateaux Geneva.***

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

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

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

8. ***Pacific Grand Townhomes Phase 1***

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

9. ***Costa Smeralda***

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

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

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

ONGOING / CURRENT PROJECTS:

- ***Wellford Homes – Malolos***

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

- ***Wellford Residences – Mactan***

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

PROJECTS IN THE PIPELINE

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

In line with the Company's aim of expanding the existing American-inspired subdivision project Wellford Homes I located at Jaro, Iloilo, the Company launched Wellford Homes II (WHII) in 3Q 2022. WHII will be located in an area of around 9.0 hectares and will offer a total of 440 units. It is envisioned to be completed by 2Q 2025. It will offer two (options) of a two (2)-storey single detached unit with gross floor area ranging from 63 to 73 sqm. The Company was able to secure its License to Sell (LTS) for lots only with the Department of Human

Settlements and Urban Development (DHSUD) in May 2022. In the same year the Company applied for the amendment of the License to Sell of Wellford Homes Parcel B, to allow the Company to offer housing units in the said project.

.

2) ***Pacific Grand Villas Phase 5***

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

3) ***Wellford Homes Balagtas***

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

4) ***Wellford Homes Sta. Maria Phase 1***

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

5) ***Wellford Homes Sta. Maria Phase 2***

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

6) ***Winfields Village Tanza***

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

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

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

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

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

9) ***Winfields Towncenter***

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

FUTURE PROJECT(S)

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

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

FINANCIAL AND OTHER INFORMATION:

a.) Information Required:

(1) The Audited Financial Statement as of 31 December 2022 are attached hereto. The notes to Financial Statements, as well as Statement of Management Responsibility, and schedules required under Part IV(C) OF RULE 68 is included in the Annual Report(Form 17-A) **on Annex 1.**

Also attached hereto are the Interim Financial Statements as of June 30, 2023 being also required under PART IV(C) OF RULE 68 (SEC Form 17-Q).

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

Second Quarter of 2023

The Performance of the Company

For the 2Q 2023, the Company was able to post consolidated net sales of ₱ 69.03M thus registering an increase of ₱ 28.31M or 69.51% compared to the sales for same period in 2022 of ₱ 40.72M.

Realized Gross Profit increased by 94.90% or ₱19.86M from ₱40.80M this 2Q 2023 compared to ₱20.93M in 2Q 2022. Also, an increase in Other Income by 14.55% or ₱0.46M from ₱3.13M in 2Q 2022 compared to ₱3.60M in 2Q 2023. Consequently, Net Income before tax increased to ₱20.73M compared from ₱0.54M in 2Q 2022, an increase of 3739.22% or ₱20.19M.

		2023		2022		Increase (Decrease)	
		Apr-Jun	Year to date	Apr-Jun	Year to date	Amount	Percentage
REAL ESTATE SALES		69,027,703	105,173,177	40,721,354	78,378,230	28,306,349	69.51%
LESS: COST OF SALES		28,230,087	42,486,337	19,788,625	40,078,838		
GROSS PROFIT		40,797,616	62,686,840	20,932,729	38,299,392	19,864,887	94.90%
OPERATING EXPENSES		23,984,438	41,494,872	20,068,590	36,312,130		
NET OPERATING INCOME (LOSS)		16,813,178	21,191,968	864,139	1,987,262		
FINANCE COST		(3,541,573)	(7,942,460)	(3,604,103)	(6,842,849)		
OTHER INCOME		3,584,137	7,476,042	3,128,796	5,395,424	455,341	14.55%
NET INCOME (LOSS)		16,855,742	20,725,550	388,832	539,837	20,185,713	3739.22%
LESS: INCOME TAX		(1,307,078)	(1,519,679)	(252,622)	(441,068)		
DEFERRED INCOME TAX			-	-	-		
NET INCOME (LOSS) AFTER PROVISION		15,548,664	19,205,871	136,210	98,769		

Comparative Top Key Performance Indicators of the Company:

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

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

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

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing Gross Profit over Net Sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining Current Assets over Current Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

INDICATOR	Q2 2023	Q2 2022
Return on sales	22.53%	0.33%
Past due ratio	8.22%	5.70%
Gross Profit rate	59.10%	51.40%
Working Capital Turnover	0.03	0.05

Financial Condition:

The Company maintained its Financial Position as its total assets stood at P3.12B. Current ratio registered at 7.36:1. Current assets reached P2.38B while current liabilities amounted only to P0.32B. Debt –to- equity ratio stood at 0.21:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June 30, 2023.

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

a. Contract Assets - the increase of 8.83% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable

b. Accounts payable and other liabilities - the increase of 9.55% was due to an increase of output VAT of the collections from the customers, an increase of payables to contractors with payment terms and an increase in collection of titling fees from the buyers.

c. Borrowings – the decrease of -21.58% was due to payments of amortization of loans to PBCom, Qwick Finance and LDB.

d. Contract Liabilities – the increase of 7.75% was due to higher collections from the real estate buyers compared from the revenue recognized based on the percentage of completion.

e. Customers' deposits – the increase of 275.08% was due to an increase of sales reservation fees for the period.

f. Retention payable and refundable bonds - the increase of 13.62% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

g. Retirement benefits obligation – the decrease of -5.47% was due to funding of retirement funds

	Interim F/S	Audited F/S		Increase (Decrease)	
	30-Jun-23	**31-Dec-22**		Amount	Percentage
ASSETS					
Current Assets					
Cash	12,570,594	12,896,370		-325,776	-2.53%
Trade and other receivables (net)	228,579,060	240,302,213		-11,723,154	-4.88%
Contract assets	260,825,977	239,673,132		21,152,845	8.83%
Advances to related parties (net)	0	0			
Real estate inventories, net	1,772,279,541	1,752,993,351		19,286,190	1.10%
Prepayments and other current assets	101,516,276	99,787,492		1,728,784	1.73%
	2,375,771,449	2,345,652,558		30,118,891	1.28%
Non-current Assets					
Trade and other receivables (net of current portic	0	0			
Advances to related parties (net of current portioı	641,526,348	644,705,635		-3,179,287	-0.49%
Property and equipment, net	32,825,762	33,987,925		-1,162,163	-3.42%
Financial Asset at FVOCI	50,000,000	50,000,000		0	0.00%
Investment property	162,394	162,394		0	0.00%
Deferred tax assets	4,971,690	4,971,690		0	0.00%
Other noncurrent assets	10,600,773	10,286,686		314,087	3.05%
	740,086,966	744,114,330		-4,027,364	-0.54%
TOTAL ASSETS	3,115,858,415	3,089,766,888		26,091,527	0.84%
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and other liabilities	108,422,103	98,967,502		9,454,601	9.55%
Deferred gross profit	0	0			
Borrowings (current portion)	77,899,216	99,331,806		-21,432,590	-21.58%
Lease liabilities	849,136	849,136		0	0.00%
Contract Liabilities	83,655,242	77,637,926		6,017,315	7.75%
Customers' deposits	13,197,102	3,518,430		9,678,672	275.08%
	284,022,799	280,304,800		3,717,999	1.33%
Non-current Liabilities					
Advances from related parties	113,260,809	113,260,809		0	0.00%
Borrowings (non- current portion)	38,680,561	38,680,561		0	0.00%
Lease liabilities (net of current portion)	464,541	464,542		-1	0.00%
Retention payable and refundable bonds	29,907,325	26,322,916		3,584,408	13.62%
Deferred Tax Liabilities	66,141,841	66,141,841		1	0.00%
Retirement benefits obligation	8,640,126	9,140,126		-500,000	-5.47%
	257,095,203	254,010,795		3,084,408	1.21%
Total liabilities	541,118,001	534,315,595		6,802,406	1.27%
Equity					
Capital Stock	2,891,099,660	2,891,016,410		83,250	0.00%
Remeasurement gain on retirement benefits	7,074,717	7,074,716		1	0.00%
Deficit	-323,433,963	-342,639,833		19,205,870	-5.61%
Total equity	2,574,740,414	2,555,451,293		19,289,122	0.75%
TOTAL LIABILITIES AND EQUITY	3,115,858,415	3,089,766,888		26,091,528	0.84%

Results of Operation for 2022 vs 2021

In 2022, the Company was able to post a consolidated net sales of P 224.73M compared to P 180.27M sales of 2021 showing an increase of 24.66% or P 44.46M.

Realized Gross Profit increased by 6.39% or ₱7.05M from ₱117.25M this 2022 compared to ₱110.20M in 2021. While, Net Income after Tax decreased to ₱27.59M compared from ₱45.81M in 2021, a decrease of -39.77% or ₱-18.22M. This was primarily due to the provision of deferred tax in 2022, an increase of 230.78% or ₱22.33M from ₱-9.68M in 2021 to ₱ 12.66M in 2022

			Increase (Decrease)	
	2022	2021 (As restated)	Amount	Percentage
REAL ESTATE SALES	**224,731,353**	**180,268,515**	44,462,838	24.66%
COST OF REAL ESTATE SOLD -	**107,486,273**	**70,070,393**	37,415,880	53.40%
GROSS PROFIT	**117,245,080**	**110,198,122**	7,046,958	6.39%
OTHER INCOME	**24,898,409**	**16,088,475**	8,809,934	54.76%
OPERATING EXPENSES	**80,860,517**	**68,153,744**	12,706,773	18.64%
FINANCE COSTS	**14,578,911**	**16,062,657**	-1,483,746	-9.24%
INCOME BEFORE INCOME TAX	**46,704,061**	**42,070,196**	4,633,865	11.01%
PROVISION FOR INCOME TAX				
Current	**6,457,575**	**5,934,879**	522,696	8.81%
Deferred	**12,655,395**	**-9,676,630**	22,332,025	230.78%
	19,112,970	**-3,741,751**	22,854,721	610.80%
NET INCOME (LOSS) FOR THE YEAR	**27,591,091**	**45,811,947**	-18,220,856	-39.77%

The Company's current ratio registered at 8.37:1. Current Assets reached P 2.35B while Current Liabilities registered at P 0.28B. Debt-to-equity ratio registered at 0.21:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at P 3.10B

Comparative Top Key Performance Indicators of the Company:

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

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

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

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

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

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

INDICATOR **2022** **2021**

Return on Sales	12.28%	25.41%
Past Due Ratio	4%	5%
Gross Profit Rate	52.17%	61.13%
Working Capital Turnover	0.14	0.18
Sales Projection	864M	614M
Sales Variance	-61.82%	-60.96%

Financial Condition:

			Increase (Decrease)	
	2022	**2021 (As restated)**	Amount	Percentage
ASSETS				
Current Assets				
Cash - note 4	**12,896,370**	**385,033,386**	-372,137,016	-96.65%
Trade and other receivables (net) - note 5	**240,302,213**	**130,193,472**	110,108,741	84.57%
Contract assets - note 16	**239,673,132**	**167,026,032**	72,647,100	43.49%
Real estate inventories - note 6	**1,752,993,351**	**613,317,685**	1,139,675,666	185.82%
Prepayments and other current assets - note 7	**99,787,492**	**7,317,454**	92,470,038	1263.69%
	2,345,652,558	**1,302,888,029**	1,042,764,529	80.03%
Noncurrent Assets				
Advances to related parties (net) - note 23	**644,705,635**	**553,297,609**	91,408,026	16.52%
Property and equipment (net) - note 10	**33,987,925**	**37,511,125**	-3,523,200	-9.39%
Financial asset at FVOCI - note 8	**50,000,000**	**50,000,000**	0	0.00%
Investment property - note 9	**162,394**	**162,394**	0	0.00%
Deferred tax assets (net) - note 24	**4,971,690**	**4,734,409**	237,281	5.01%
Other noncurrent assets - note 11	**10,286,686**	**9,220,754**	1,065,932	11.56%
	744,114,330	**654,926,291**		
TOTAL ASSETS	**3,089,766,888**	**1,957,814,320**		
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities - note 12	**98,967,502**	**107,895,206**	-8,927,704	-8.27%
Borrowings - note 13	**99,331,806**	**90,769,256**	8,562,550	9.43%
Lease liabilities - note 27	**849,136**	**1,091,736**	-242,600	-22.22%
Contract liabilities - note 16	**77,637,926**	**58,072,892**	19,565,034	33.69%
Customers' deposits - note 14	**3,518,430**	**3,746,616**	-228,186	-6.09%
	280,304,800	**261,575,706**		
Noncurrent Liabilities				
Advances from related parties - note 23	**113,260,809**	**104,993,224**	8,267,585	7.87%
Borrowings (net of current portion) - note 13	**38,680,561**	**27,192,161**	11,488,400	42.25%
Lease liabilities (net of current portion) - note 27	**464,542**	**1,313,678**	-849,136	-64.64%
Retention payable and refundable bonds - note 15	**26,322,916**	**23,857,933**	2,464,983	10.33%
Deferred tax liabilities - note 24	**66,141,841**	**55,813,008**	10,328,833	18.51%
Retirement benefits obligation - note 25	**9,140,126**	**10,768,780**	-1,628,654	-15.12%
	254,010,795	**223,938,784**		
	534,315,595	**485,514,490**		
Equity				
Capital stock - note 17	**2,891,016,410**	**1,819,102,963**	1,071,913,447	58.93%
Remeasurement gain on retirement benefits - note 25	**7,074,716**	**4,322,581**	2,752,135	63.67%
Deficit	**-342,639,833**	**-351,125,714**	8,485,881	-2.42%
	2,555,451,293	**1,472,299,830**	1,083,151,463	73.57%
TOTAL LIABILITIES AND EQUITY	**3,089,766,888**	**1,957,814,320**	1,131,952,568	57.82%

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

a. Cash – the decrease of -96.65% was basically attributable to the acquisitions of various raw land in Iloilo, Cebu, Cavite and Bulacan.

b. Current Trade and Other Receivables – the increase of 84.57% was due to an increase in sales of Wellford Homes – Malolos project on an installment basis.

c. Contract Assets - the increase of 43.49% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable.

d. Real estate inventories – the increase of 185.82% was due to a newly set up inventories of Wellford Homes Parcel B project in Iloilo.

e. Prepayments and Other Current Assets - the increase of 1,263.69% was due to an increase in VAT Input from the acquisition of various raw land.

f. Advances to related parties - the increase of 16.52% was due to interest charged based on the terms in the Promissory Note.

g. Property and equipment (net) - the decrease of -9.39% was due to depreciation of fixed assets.

h. Deferred Tax Assets - the increase of 5.01% was due to the increase of retirement benefits obligation.

i. Other Noncurrent Assets – the increase of 11.56% was due to additional security deposits on the renewal of lease and utility deposits.

j. Accounts payable and other liabilities - the decrease of -8.27% was due to timely payments made to the contractors and suppliers.

k. Borrowings – the increase of 17.0% was due to an additional loan from Luzon Development Bank, Qwick Financing, Inc. and Philippine Bank of Communications for working capital requirements

l. Lease Liabilities - the decrease of -45.39% was due to the amortization recognized on the right-of-use-assets.

m. Contract liabilities - the increase of 33.69% was due to higher collections from the real estate buyers compared from the revenue recognized based on the percentage of completion.

n. Customers' Deposits – the decrease of -6.09% was due to an increase in reported sales from the reservations made in prior's year.

o. Advances from related parties – the increase of 7.87% was due to additional advances made for the acquisition of raw land in Cavite.

p. Retention Payable and Refundable Bonds - the increase of 10.33% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contracts of all on-going project

q. Deferred Tax Liabilities – the increase of 18.51% was due to the excess of financial realized gross profit over taxable realized gross profit and re measurement gain on retirement benefits.

r. Retirement Benefits Obligation - the decrease of -15.12% was due to decrease in present value of the retirement benefits obligation.

s. Capital stock - the increase of 58.93% was due from the proceeds of stock rights offer.

t. Remeasurement Gain on Retirement Benefits- the increase of 63.67% was due to an increase of amounts recognized in OCI for the year's actuarial valuation.

Results of Operation for 2021 vs 2020

In 2021, the Company was able to post a consolidated net sales of ₱ 180.27M compared to ₱ 169.22M sales of 2020 showing an increase of 6.53% or ₱ 11.05M.

Realized Gross Profit increased by 1.39% or ₱1.51M from ₱110.20M this 2021 compared to ₱108.70M in 2020. While, Net Income after Tax increased to ₱45.81M compared from ₱34.58M in 2020, an increase of 32.49% or ₱11.23M. This was primarily due to a decrease in deferred tax by -549.52% or ₱-11.83M from ₱2.15M in 2020 to ₱-9.68M in 2021.

			Increase (Decrease)	
	2021	2020 (As restated)	Amount	Percentage
REAL ESTATE SALES	**180,268,515**	**169,217,101**	11,051,414	6.53%
COST OF REAL ESTATE SOLD -	**-70,070,393**	**-60,526,073**	9,544,320	15.77%
GROSS PROFIT	**110,198,122**	**108,691,028**	1,507,094	1.39%
OTHER INCOME	**16,088,475**	**10,148,966**	5,939,509	58.52%
OPERATING EXPENSES	**-68,153,744**	**-61,792,701**	6,361,043	10.29%
FINANCE COSTS	**-16,062,657**	**-16,096,807**	-34,150	-0.21%
INCOME BEFORE INCOME TAX	**42,070,196**	**40,950,486**	1,119,710	2.73%
PROVISION FOR INCOME TAX				
Current	**5,934,879**	**4,218,929**	1,715,950	40.67%
Deferred	**-9,676,630**	**2,152,642**	-11,829,272	-549.52%
	-3,741,751	**6,371,571**	-10,113,322	-158.73%
NET INCOME (LOSS) FOR THE YEAR	**45,811,947**	**34,578,915**	11,233,032	32.49%

The Company’s current ratio registered at 4.98:1. Current Assets reached P 1.30B while Current Liabilities registered at P 0.26B. Debt-to-equity ratio registered at 0.33:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at P 1.96B.

Comparative Top Key Performance Indicators of the Company:

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

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

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

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

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

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

INDICATOR	**2021**	**2020**
Return on Sales	25.41%	20.43%
Past Due Ratio	5%	6%
Gross Profit Rate	61.13%	64.23%
Working Capital Turnover	0.18	0.18
Sales Projection	614M	420M
Sales Variance	-60.96%	-48.11%

Financial Condition:

	2021 (As restated)	2020	Increase (Decrease) Amount	Percentage
ASSETS				
Current Assets				
Cash - note 4	**385,033,386**	**16,836,562**	368,196,824	2186.89%
Trade and other receivables (net) - note 5	**130,193,472**	**79,854,591**	50,338,881	63.04%
Contract assets - note 16	**167,026,032**	**224,628,558**	-57,602,526	-25.64%
Advances to related parties (net) - note 23	**0**	**276,397,919**	-276,397,919	-100.00%
Real estate inventories - note 6	**613,317,685**	**579,995,742**	33,321,943	5.75%
Prepayments and other current assets - note 7	**7,317,454**	**12,653,242**	-5,335,788	-42.17%
	1,302,888,029	**1,190,366,614**		
Noncurrent Assets				
Advances to related parties (net) - note 23	**553,297,609**	**269,151,715**	284,145,894	105.57%
Property and equipment (net) - note 10	**37,511,125**	**40,402,837**	-2,891,712	-7.16%
Financial asset at FVOCI - note 8	**50,000,000**	**50,000,000**	0	0.00%
Investment property - note 9	**162,394**	**162,394**	0	0.00%
Deferred tax assets (net) - note 24	**4,734,409**	**5,501,261**	-766,852	-13.94%
Other noncurrent assets - note 11	**9,220,754**	**7,923,800**	1,296,954	16.37%
	654,926,291	**373,142,007**		
TOTAL ASSETS	**1,957,814,320**	**1,563,508,621**		
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities - note 12	**107,895,206**	**89,679,390**	18,215,816	20.31%
Borrowings - note 13	**90,769,256**	**96,027,677**	-5,258,421	-5.48%
Lease liabilities - note 27	**1,091,736**	**984,384**	107,352	10.91%
Contract liabilities - note 16	**58,072,892**	**81,801,958**	-23,729,066	-29.01%
Customers' deposits - note 14	**3,746,616**	**4,828,637**	-1,082,021	-22.41%
	261,575,706	**273,322,046**		
Noncurrent Liabilities				
Advances from related parties - note 23	**104,993,224**	**104,024,033**	969,191	0.93%
Borrowings (net of current portion) - note 13	**27,192,161**	**21,938,614**	5,253,547	23.95%
Lease liabilities (net of current portion) - note 27	**1,313,678**	**2,405,414**	-1,091,736	-45.39%
Retention payable and refundable bonds - note 15	**23,857,933**	**26,149,094**	-2,291,161	-8.76%
Deferred tax liabilities - note 24	**55,813,008**	**49,860,854**	5,952,154	11.94%
Retirement benefits obligation - note 25	**10,768,780**	**12,030,231**	-1,261,451	-10.49%
	223,938,784	**216,408,240**	7,530,544	3.48%
	485,514,490	**489,730,286**		
Equity				
Capital stock - note 17	**1,819,102,963**	**1,445,549,830**	373,553,133	25.84%
Remeasurement gain on retirement benefits - note 25	**4,322,581**	**2,042,257**	2,280,324	111.66%
Deficit	**-351,125,714**	**-373,813,752**	22,688,038	-6.07%
	1,472,299,830	**1,073,778,335**		
TOTAL LIABILITIES AND EQUITY	**1,957,814,320**	**1,563,508,621**		

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

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

b. Current Trade and Other Receivables – the increase of 63.04% was due to sales from Wellford Homes - Malolos.

c. Contract Assets - the decrease of -25.64% was due to an excess of the amount recognized as installment contracts receivable compared to consideration that was already delivered by the Company.

d. Real estate inventories – the increase of 5.75% was due to an adjustment of inventories of Wellford Homes Malolos project in Bulacan.

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

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

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

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

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

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

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

l. Contract liabilities - the decrease of -29.01% was due to higher revenue recognized based on the percentage of completion compared to the collections from the real estate buyers.

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

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

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

p. Deferred Tax Liabilities – the increase of 11.94% was due to the increase of excess of financial realized gross profit over the taxable realized gross profit.

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

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

Results of Operation for 2020 vs 2019

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

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

	2020	2019	Increase (Decrease) Amount	Percentage
REAL ESTATE SALES - note 18	**217,943,438**	212,597,813	5,345,625.00	2.51%
COST OF REAL ESTATE SOLD - note 19	**90,084,118**	96,061,696	(5,977,578.00)	-6.22%
GROSS PROFIT	**127,859,320**	**116,536,117**	11,323,203.00	9.72%
DEFERRED GROSS PROFIT	**90,046,386**	68,028,081	22,018,305.00	32.37%
REALIZED GROSS PROFIT DURING THE YEAR	**37,812,934**	**48,508,036**	(10,695,102.00)	-22.05%
REALIZED GROSS PROFIT FROM			-	
PREVIOUS YEARS SALES	**36,844,770**	59,634,967	(22,790,197.00)	-38.22%
TOTAL REALIZED GROSS PROFIT - note 16	**74,657,704**	**108,143,003**	(33,485,299.00)	-30.96%
OTHER INCOME - note 20	**10,148,966**	7,584,886	2,564,080.00	33.81%
OPERATING EXPENSES - note 21	**61,792,701**	90,985,957	(29,193,256.00)	-32.09%
FINANCE COSTS - note 22	**16,096,807**	14,468,118	1,628,689.00	11.26%
INCOME BEFORE INCOME TAX	**6,917,162**	**10,273,814**	(3,356,652.00)	-32.67%
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 25			-	
Current	**4,218,929**	18,039,694	(13,820,765.00)	-76.61%
Deferred	**2,152,643**	-6,798,520	8,951,163.00	131.66%
	6,371,572	**11,241,174**	(4,869,602.00)	-43.32%
NET INCOME (LOSS) FOR THE YEAR	**545,590**	**-967,360**	1,512,950.00	156.40%

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

Comparative Top Key Performance Indicators of the Company:

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

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

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

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

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

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

INDICATOR	2020	2019
Return on Sales	3.17%	4.83%
Past Due Ratio	6%	5%
Gross Profit Rate	58.67%	54.82%
Working Capital Turnover	0.28	0.13
Sales Projection	610M	412M
Sales Variance	-48.06%	-48.40%

Financial Condition:

		As at December 31			Increase (Decrease)	
		2020		2019	Amount	Percentage
ASSETS						
Current Assets						
Cash - note 4	₱	**16,836,562**	₱	13,004,316	3,832,246	29.47%
Trade and other receivables (net) -		**539,850,712**		508,997,744	30,852,968	6.06%
Advances to related parties (net) -		**276,397,919**		0		
Real estate inventories - note 6		**390,734,889**		398,215,592	-7,480,703	-1.88%
Prepayments and other current		**12,653,243**		17,203,858	-4,550,615	-26.45%
		1,236,473,325		**937,421,510**	299,051,815	31.90%
Noncurrent Assets						
Trade and other receivables (net of		**40,694,028**		41,752,876	-1,058,848	-2.54%
Advances to related parties (net) -		**269,151,715**		552,589,640	-283,437,925	-51.29%
Property and equipment (net) - note		**40,402,837**		41,583,149	-1,180,312	-2.84%
Financial asset at FVOCI - note 8		**50,000,000**		12,500,000	37,500,000	300.00%
Investment property - note 9		**1,072,016**		1,072,016	0	0.00%
Deferred tax assets (net) - note 25		**5,501,261**		4,399,617	1,101,644	25.04%
Other noncurrent assets - note 11		**7,923,800**		7,125,080	798,720	11.21%
		414,745,657		**661,022,378**	-246,276,721	-37.26%
TOTAL ASSETS	₱	**1,651,218,982**		**1,598,443,888**	52,775,094	3.30%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other liabilities	₱	**89,679,391**	₱	87,452,287	2,227,104	2.55%
Deferred gross profit - note 16		**144,998,054**		138,573,511	6,424,543	4.64%
Borrowings - note 13		**96,027,677**		65,773,920	30,253,757	46.00%
Lease liabilities - note 28		**984,384**		686,947	297,437	43.30%
Customers' deposits - note 14		**4,828,637**		2,901,678	1,926,959	66.41%
		336,518,143		**295,388,343**	41,129,800	13.92%
Noncurrent Liabilities						
Advances from related parties - note		**104,024,033**		104,024,033	0	0.00%
Borrowings (net of current portion) -		**21,938,614**		19,957,846	1,980,768	9.92%
Lease liabilities (net of current		**2,405,414**		1,209,496	1,195,918	98.88%
Retention payable and refundable		**26,149,094**		23,659,157	2,489,937	10.52%
Deferred tax liabilities - note 25		**62,209,661**		58,902,665	3,306,996	5.61%
Retirement benefits obligation - note		**12,030,231**		10,027,135	2,003,096	19.98%
		228,757,047		**217,780,332**	10,976,715	5.04%
		565,275,190		**513,168,675**	52,106,515	10.15%
Equity						
Capital stock - note 17		**1,445,549,830**		1,445,549,830	0	0.00%
Remeasurement gain on retirement		**2,042,257**		1,919,268	122,989	6.41%
Deficit		**(361,648,295)**		(362,193,885)	545,590	-0.15%
		1,085,943,792		**1,085,275,213**	668,579	0.06%
TOTAL LIABILITIES AND	₱	**1,651,218,982**	₱	**1,598,443,888**	52,775,094	3.30%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fwd: PHILIPPINE ESTATES CORPORATION_SEC 17-Q_9AUGUST2023

From: MSRD COVID19 (msrd_covid19@sec.gov.ph)

To: phes_finance@yahoo.com

Cc: mzsantos@sec.gov.ph

Date: Wednesday, August 9, 2023 at 11:14 AM GMT+8

Gentlemen:

Acknowledging receipt of your email below with its attachments.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION
The SEC Headquarters, 7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City 1209

---------- Forwarded message ---------
From: **Philippine Estates Corp** <phes_finance@yahoo.com>
Date: Wed, Aug 9, 2023 at 9:13 AM
Subject: PHILIPPINE ESTATES CORPORATION_SEC 17-Q_9AUGUST2023
To: ICTD Submission <ictdsubmission@sec.gov.ph>, MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: Joy Valle <joyavalle@yahoo.com>, Jun Ponsaran <sigmahanon@yahoo.com>, Nim Mendizabal <mendizabal.phes@gmail.com>

Dear SEC,

Good day!

Please see the attached SEC 17-Q,2-Q 2023 of Philippine Estates Corporation with SEC registration no. 112978.

Thank you and keep safe.

PHES

17Q_2Q_2023.pdf
1.3MB

Re: PHILIPPINE ESTATES CORPORATION_SEC 17-Q_9AUGUST2023

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

To: phes_finance@yahoo.com

Date: Wednesday, August 9, 2023 at 09:13 AM GMT+8

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

-- NOTICE TO COMPANIES --

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent

6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.

COVER SHEET

SEC Registration Number

1 1 2 9 7 8

Company Name

PHILIPPINE ESTATES CORPORATION
AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
710		December/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SEC Number 112978
File Number ______

PHILIPPINE ESTATES CORPORATION
Company's Full Name

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

8637-3112
Telephone Number

DECEMBER 31
Fiscal Year Ending
(Month and day)

SEC-FORM 17-Q
Form Type

N.A.

Amendment Designation(If applicable)

June 30, 2023
Period Ended Date

N.A.

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2023**

2. Commission identification number **112978**

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

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter

Metro Manila, Philippines

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

6. Industry Classification Code: SEC Use Only

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

7. Address of issuer's principal office

(632) 8637-3112

8. Issuer's telephone number, including area code

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

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

    Number of Shares Common Stock Issued Outstanding**: 2,891,099,660 Common** Shares

    Amount of Debt Outstanding: **P 116,579,777 (as per Financial Statements)**

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

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending June 30, 2023 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued by the Accounting Standards Council (ASC).

Earnings per Share

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

Financial Information

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

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

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

d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations

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

f. There have been no material events that happened subsequent to the interim period that needs disclosure herein.

g. The Company is contingently liable for existing lawsuits and claims from third parties arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the Financial Position and Operating Results of the company's operations.

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

1. Plan of Operation

With the easing and slow removal of the restrictions imposed by the government during the height of the Covid-19 pandemic, and under the guidance of a new Executive Department, the business sector was optimistic of the recovery of the national economy. However, due to the continued deficiency in supply of materials worldwide and the effects of the El Niño phenomenon, there has been a steady increase in prices of the basic commodities in the Philippines.

Despite the foregoing, the Company has been able to manage and proceed with the plans that it laid out at the start of the year.

With the continued brisk sales of the Company's projects in Iloilo resulting in almost the complete sellout of the remaining inventories of both Costa Smeralda and Wellford Homes Jaro Parcel A, the Company launched its newest project in Iloilo, known as Wellford Homes Jaro Parcel B.

For Cebu, the sellout of the inventories of Pacific Grand Villas and Pacific Grand Townhomes has left the Company with only Wellford Residences Mactan as its remaining project for sale. Although planning for Pacific Grand Villas Phase 5 has been completed, and the preliminary permits already acquired, recent developments have forced the Company to start considering other areas within Cebu province for possible new residential projects.

Sales of Wellford Homes Malolos has continued to improve due to the increased number of broker groups, as well as effective marketing activities. However, with the early onset of the rainy season, both sales and construction efforts are expected to be hampered, and may lead to a slight dip in productivity.

On the construction side, the Company has finally been able to proceed with several of its remaining land development items in Cebu and Iloilo. Significant portions of the perimeter fences in Pacific Grand Villas were finally closed, after both legal and construction issues were resolved. In Iloilo, land development items for Costa Smeralda and Wellford Homes Jaro Parcel A were completed, allowing the Company to be able to file for Certificates of Completion for the said projects with the Department of Human Settlements and Urban Development (DHSUD).

Here in Luzon, the Company has almost completed the land development of Phases 1 and 2 of Wellford Homes Malolos in Bulacan, and will be looking to award the land development of Phases 3 and 4 before the end of the year.

This year will see even more houses constructed, not just in Iloilo and Cebu, but most significantly from Malolos. With a lot of the initial buyers in Welford Homes Malolos already completing their downpayments and having bought house and lot packages, the Company has started the construction of several houses and townhouse clusters in its Malolos project.

Lastly, construction of Wellford Residences Mactan has gone more smoothly than expected, such that the initial projected completion date of the first tower and amenity area of 2024 has been moved forward to the last quarter of 2023. This will mark not just a milestone in the books of the Company, but more as an early gift to the buyers of Wellford Residences Mactan, who have been eagerly anticipating the delivery of their units.

New Residential and Commercial Projects

For 2023, the Company has already laid out its plans on how to improve its current inventory, as well as prepare for the new upcoming projects in its pipeline.

In Luzon, the Company will apply for the Licenses to Sell and Certificates of Registration of Wellford Homes Malolos Phases 3 and 4 by the 3rd quarter of 2023. These phases comprise the last portions of Wellford Homes Malolos, and will give the Company sufficient inventory to last for another 2 years.

At the same time, the Company has identified several properties ready for planning and development, primary of which is a 23.60-hectare property in Sta. Maria, Bulacan, projected to be a horizontal mixed-use development. Provisionally named Wellford Homes Sta. Maria, the Company is currently securing the initial government permits for the said project.

In Iloilo, the Company has already applied for the amendment of the License to Sell of Wellford Homes Parcel B, to allow the Company to offer housing units in the said project. Planning for Wellford Homes Parcels C & D, which will be follow-up projects to Wellford Homes Parcel B, will commence before the end of 2023.

The Company will continue to explore other opportunities for new projects, looking for potential growth areas outside of the locations of its current projects.

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

Pacific Grand Townhomes Phase 1

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

Costa Smeralda.

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

Wellford Homes – Jaro, Parcel A

This project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for- money. Consisting of about 10 hectares, the initial offering is an American inspired two bungalow-type house model. These single-level houses are very much suited also for senior citizens and retirees. The project was launched in November 2016, with the land development and house construction almost completed.

Wellford Homes – Malolos

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

Wellford Residences – Mactan

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

2. Financial Position

The Company maintained its Financial Position as its total assets stood at P3.12B. Current ratio registered at 7.36:1. Current assets reached P2.38B while current liabilities amounted only to P0.32B. Debt –to- equity ratio stood at 0.21:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June 30, 2023.

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

a. Contract Assets - the increase of 8.83% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable

b. Accounts payable and other liabilities - the increase of 9.55% was due to an increase of output VAT of the collections from the customers, an increase of payables to contractors with payment terms and an increase in collection of titling fees from the buyers.

c. Borrowings – the decrease of -21.58% was due to payments of amortization of loans to PBCom, Qwick Finance and LDB.

d. Contract Liabilities – the increase of 7.75% was due to higher collections from the real estate buyers compared from the revenue recognized based on the percentage of completion.

e. Customers' deposits – the increase of 275.08% was due to an increase of sales reservation fees for the period.

f. Retention payable and refundable bonds - the increase of 13.62% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

g. Retirement benefits obligation – the decrease of -5.47% was due to funding of retirement funds.

3. Result of Operations

For the 2Q 2023, the Company was able to post consolidated net sales of ₱ 69.03M thus registering an increase of ₱ 28.31M or 69.51% compared to the sales for same period in 2022 of ₱ 40.72M.

Realized Gross Profit increased by 94.90% or ₱19.86M from ₱40.80M this 2Q 2023 compared to ₱20.93M in 2Q 2022. Also, an increase in Other Income by 14.55% or ₱0.46M from ₱3.13M in 2Q 2022 compared to ₱3.60M in 2Q 2023. Consequently, Net Income before tax increased to ₱20.73M compared from ₱0.54M in 2Q 2022, an increase of 3739.22% or ₱20.19M.

Comparative Top Key Performance Indicators of the Company:

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

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

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

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing Gross Profit over Net Sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining Current Assets over Current Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

INDICATOR	Q2 2023	Q2 2022
Return on sales	22.53%	0.33%
Past due ratio	8.22%	5.7%
Gross Profit rate	59.10%	51.40%
Working Capital Turnover	0.03	0.05

4. Other Notes to 2Q 2023 Operations and Financials:

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

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

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

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

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

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

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

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

  There were no any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.

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

  There were no any known trends, events or uncertainties (Material Impact on Sales).

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

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

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

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

- **Internal and external sources of liquidity**

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

Compliance with Leading Practice on Corporate Governance

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

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

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee
- Creation of Board Committees

- Financial and Operational Reporting
- Compliance to Government Regulatory and Reportorial Requirements
- Disclosure of Transparency to the Public

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

PART II – OTHER INFORMATION

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY		
STATEMENTS OF FINANCIAL POSITION		
	Interim F/S	**Audited F/S**
	30-Jun-23	**31-Dec-22**
ASSETS		
Current Assets		
Cash	12,570,594	12,896,370
Trade and other receivables (net)	228,579,060	240,302,213
Contract assets	260,825,977	239,673,132
Advances to related parties (net)	0	0
Real estate inventories, net	1,772,279,541	1,752,993,351
Prepayments and other current assets	101,516,276	99,787,492
	2,375,771,449	2,345,652,558
Non-current Assets		
Trade and other receivables (net of current portic	0	0
Advances to related parties (net of current portior	641,526,348	644,705,635
Property and equipment, net	32,825,762	33,987,925
Financial Asset at FVOCI	50,000,000	50,000,000
Investment property	162,394	162,394
Deferred tax assets	4,971,690	4,971,690
Other noncurrent assets	10,600,773	10,286,686
	740,086,966	744,114,330
TOTAL ASSETS	3,115,858,415	3,089,766,888
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities	108,422,103	98,967,502
Deferred gross profit	0	0
Borrowings (current portion)	77,899,216	99,331,806
Lease liabilities	849,136	849,136
Contract Liabilities	83,655,242	77,637,926
Customers' deposits	13,197,102	3,518,430
	284,022,799	280,304,800
Non-current Liabilities		
Advances from related parties	113,260,809	113,260,809
Borrowings (non- current portion)	38,680,561	38,680,561
Lease liabilities (net of current portion)	464,541	464,542
Retention payable and refundable bonds	29,907,325	26,322,916
Deferred Tax Liabilities	66,141,841	66,141,841
Retirement benefits obligation	8,640,126	9,140,126
	257,095,203	254,010,795
Total liabilities	541,118,001	534,315,595
Equity		
Capital Stock	2,891,099,660	2,891,016,410
Remeasurement gain on retirement benefits	7,074,717	7,074,716
Deficit	-323,433,963	-342,639,833
Total equity	2,574,740,414	2,555,451,293
TOTAL LIABILITIES AND EQUITY	3,115,858,415	3,089,766,888

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF INCOME AND DEFICIT

	2023		2022	
	Apr-Jun	**Year to date**	**Apr-Jun**	**Year to date**
REAL ESTATE SALES	69,027,703	105,173,177	40,721,354	78,378,230
LESS: COST OF SALES	28,230,087	42,486,337	19,788,625	40,078,838
GROSS PROFIT	40,797,616	62,686,840	20,932,729	38,299,392
OPERATING EXPENSES	23,984,438	41,494,872	20,068,590	36,312,130
NET OPERATING INCOME (LOSS)	16,813,178	21,191,968	864,139	1,987,262
FINANCE COST	(3,541,573)	(7,942,460)	(3,604,103)	(6,842,849)
OTHER INCOME	3,584,137	7,476,042	3,128,796	5,395,424
NET INCOME (LOSS)	16,855,742	20,725,550	388,832	539,837
LESS: INCOME TAX	(1,307,078)	(1,519,679)	(252,622)	(441,068)
DEFERRED INCOME TAX		-	-	-
NET INCOME (LOSS) AFTER PROVISION	15,548,664	19,205,871	136,210	98,769
RETAINED EARNINGS, BEGINNING	(338,982,626)	(342,639,833)	(351,065,753)	(351,028,312)
NET INCOME (LOSS)	15,548,664	19,205,871	136,210	98,769
RETAINED EARNINGS, END	(323,433,962)	(323,433,962)	(350,929,543)	(350,929,543)
EARNINGS (LOSS) PER SHARE *	0.01	0.01	0.00	0.00

**** Based on Weighted Average number of common shares outstanding*** ***2,891,099,660***

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY				
	CAPITAL STOCK	**Remeasurement gain on retirement benefits**	**DEFICIT**	**TOTAL**
Subscribed at December 31, 2021	2,891,099,660	4,322,581	-351,028,312	2,544,393,928
Less ; Subscription Receivables	1,013,996,697			1,013,996,697
Add Net Income (Loss) as of June 30, 2022			98,769	98,769
Balance at June 30, 2022	**1,877,102,963**	**4,322,581**	**-350,929,543**	**1,530,496,000**
Subscribed and paid at December 31, 2022	2,891,016,410	7,074,717	-342,639,834	2,555,451,293
Add: Full payment of subcribed shares	83,250			83,250
Net Income (Loss) as of June 30, 2023			19,205,871	19,205,871
Balance at June 30, 2023	**2,891,099,660**	**7,074,717**	**-323,433,963**	**2,574,740,414**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CASH FLOW

	June 2023	June 2022
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	19,205,871	98,769
Adjustment to reconcile net income (loss) to net		
Cash provided by operating activities:		
Depreciation and Amortization	1,444,814	1,538,832
Amortization of deferred charges		
Income from insurance claims		
Gain on sale of property and equipment		
Provision for doubtful accounts		
Decrease (increase) in assets:		
Trade and other receivables (net)	11,723,154	16,389,300
Contract assets	(21,152,845)	
Real estates Inventories	(12,021,896)	(34,158,166)
Prepayments and other current assets	(1,728,784)	(65,274,554)
Other Assets	(314,087)	(1,160,323)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	9,454,601	2,103,298
Contract Liabilities	6,017,315	
Accrued expenses		468,998
Customers' Deposit	9,678,672	
Retention payable and refundable bond	3,584,408	
Retirement benefits obligation	(500,000)	
Deferred Income	0	(16,175,525)
Net cash provided by (used in) operating activities	25,391,223	(96,169,370)
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to raw land inventory	(7,264,295)	(340,905,903)
Additions to equipment	(282,651)	(332,747)
Deductions to real estate held for sale		
Proceeds from sale of property & equipment	-	
Net cash provided by (used in) investing activities	(7,546,945)	(341,238,650)
CASH FLOW FROM FINANCING ACTIVITIES:		
Additional deposits on subscription		
Net decrease(increase) in due to affiliates	3,179,286	(3,081,115)
Proceeds from SRO	83,250	58,000,000
Payment of long-term debts		
Payment for short-term borrowings	(21,432,590)	8,883,263
Proceeds of short term borrowings		
Net cash provided by (used in) financing activities	(18,170,054)	63,802,148
NET INCREASE (DECREASE) IN CASH	(325,776)	(373,605,872)
ADJUSTMENT OF PRIOR PERIODS	-	
CASH AT BEGINNING	12,896,370	385,033,386
CASH, ENDING BALANCE	**12,570,594**	**11,427,514**

PROPERTY AND EQUIPMENT (net)

Property and equipment as of June 30, 2023 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY PROPERTY, PLANT AND EQUIPMENT					
	Right-of-use Asset	**Transportation Equipment**	**Computer Software**	**Building & Machineries** **Furniture & Fixtures** **Office Equipment**	**TOTAL**
Cost					
At January 1, 2023	4,383,276	7,385,021	350,000	100,094,931	112,213,228
Additions	0	0	0	282,651	282,651
Disposals	-	-			0
June 30, 2023	***4,383,276***	***7,385,021***	***350,000***	***100,377,582***	***112,495,879***
					-
Accumulated Depreciation					
At January 1, 2023	-3,244,378	-6,849,746	-262,500	-67,868,679	-78,225,302
Additions	0	-107,058	-29,167	-1,308,590	-1,444,814
Disposals	-	-			
June 30, 2023	***-3,244,378***	***-6,956,803***	***-291,667***	***-69,177,269***	***-79,670,117***
					-
Net Book Value					
At January 1, 2023	***1,138,898***	***535,275***	***87,500***	***32,226,252***	***33,987,925***
June 30, 2023	***1,138,898***	***428,217***	***58,333***	***31,200,313***	***32,825,762***

BUSINESS SEGMENT INFORMATION

The business segment report of the Company as of June 30, 2023 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY								
SEGMENT REPORT								
June 30, 2023								
		Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Total
Revenue								
	Sales	19,951,843	9,310,859	7,242,807	68,667,667	0	0	105,173,177
	Cost of sale	22,519,921	3,000,133	2,728,827	14,237,456	0	0	42,486,337
	Gross Profit	(2,568,078)	6,310,726	4,513,980	54,430,211	0	0	62,686,840
	Other income	98,425	1,357,022	1,321,375	2,131,926	169,276	2,398,019	7,476,042
		(2,469,653)	7,667,748	5,835,355	56,562,137	169,276	2,398,019	70,162,882
Expenses								
	Depreciation	1,392,847	21,991	5,654	24,322	0	0	1,444,814
	Loss on Cancelled Contracts	0	0	0	2,138,442	0	0	2,138,442
	Other expenses	20,059,101	4,243,318	4,482,604	7,664,456	91,951	1,370,185	37,911,615
		21,451,948	4,265,309	4,488,258	9,827,221	91,951	1,370,185	41,494,872
Segment income (loss)		(23,921,601)	3,402,439	1,347,097	46,734,916	77,324	1,027,835	28,668,010
	Finance cost	7,942,460	0	0	0	0	0	7,942,460
	Retirement Benefit Expense	0	0	0	0	0	0	0
	Provision for Income Tax	1,519,679	0	0	0	0	0	1,519,679
Net income (loss) for the year		(33,383,741)	3,402,439	1,347,097	46,734,916	77,324	1,027,835	19,205,871
	Segment	1,761,197,943	380,646,486	218,779,877	744,738,912	1,709,261	3,814,246	3,110,886,725
	Deferred tax assets	4,971,690						4,971,690
Total assets		1,766,169,633	380,646,486	218,779,877	744,738,912	1,709,261	3,814,246	3,115,858,415
	Segment liabilities	77,402,005	100,502,636	148,916,147	86,626,032	573,813	1,877,466	415,898,099
	Borrowings	116,508,995	0	0	70,782	0	0	116,579,777
	Retirement benefits obligation	8,640,126	0	0	0	0	0	8,640,126
Total liabilities		202,551,126	100,502,636	148,916,147	86,696,814	573,813	1,877,466	541,118,001

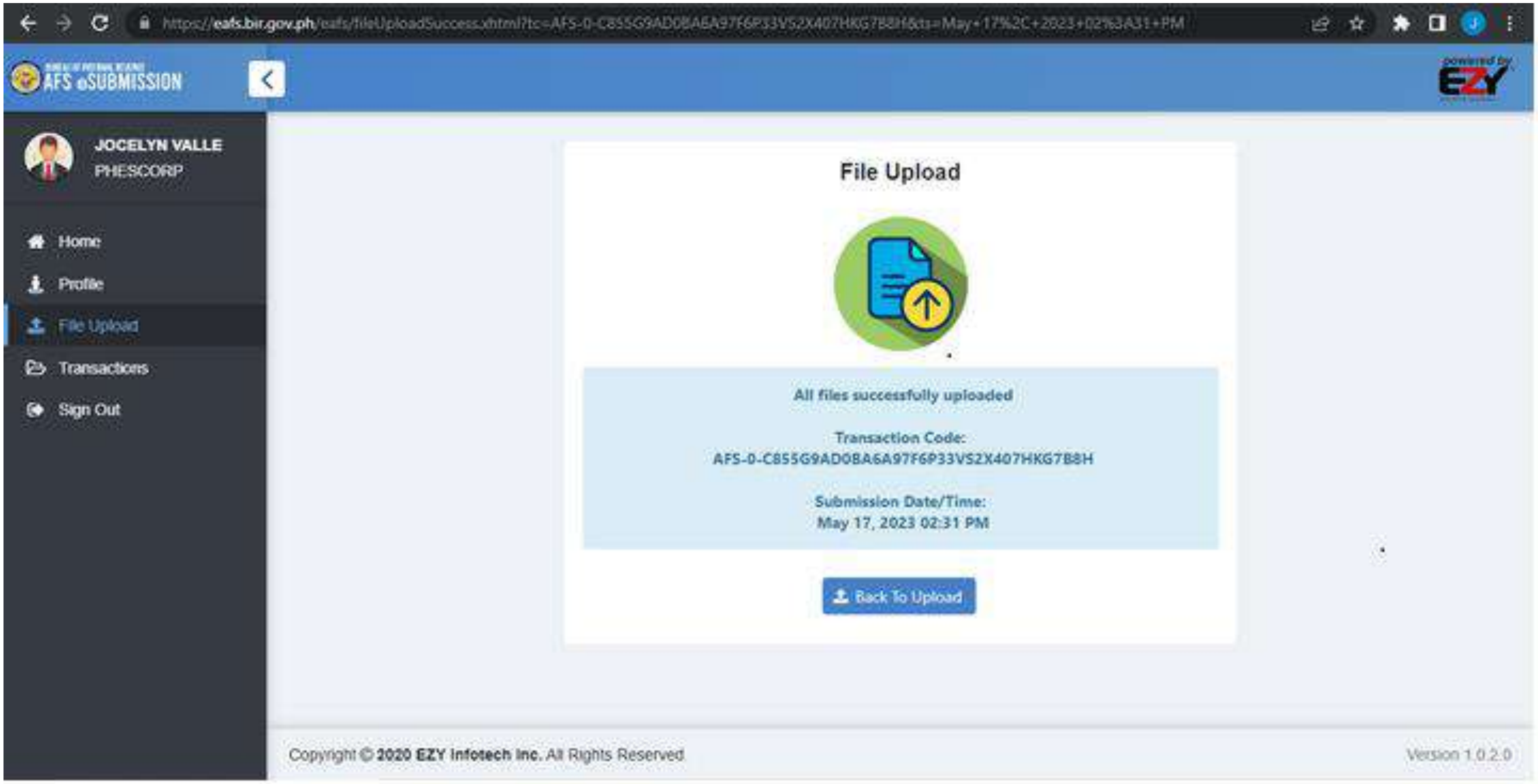
AGING OF RECEIVABLES
AS OF June 25, 2023

PROJECT	PROJECT	RECEIVABLE BALANCE	CURRENT	PAST DUE 1-30	31-60	61-90	91-120	121-180	TOTAL
PACIFIC GRAND VILLAS PHASE 1B		**1,272,264**	**120,128**	**-**	**-**	**-**	**-**	**1,152,137**	**1,152,137**
LOT	PGV1B								-
H&L	PGV1B	1,272,264	120,128					1,152,137	1,152,137
PACIFIC GRAND VILLAS PHASE 1C		**709,618**	**249,778**	**-**	**-**	**-**	**-**	**459,840**	**459,840**
LOT	PGV1C	248,987	233,909	-	-	-	-	15,078	15,078
H&L	PGV1C	460,631	15,869					444,762	444,762
PACIFIC GRAND VILLAS PHASE 4A		**20,820,246**	**19,815,119**	**33,787**	**33,787**	**33,787**	**33,787**	**869,978**	**1,005,126**
LOT	PGV4A	10,978,514	10,593,710	11,947	11,947	11,947	11,947	337,016	384,804
H&L	PGV4A	9,841,732	9,221,409	21,840	21,840	21,840	21,840	532,962	620,322
PACIFIC GRAND VILLAS PHASE 4B		**5,757,711**	**5,757,271**	**-**	**-**	**-**	**-**	**440**	**440**
LOT	PGV4B	53,377	52,937					440	440
H&L	PGV4B	5,704,334	5,704,334						-
PACIFIC GRAND TOWNHOMES		**15,624,846**	**14,812,236**	**43,372**	**43,372**	**43,372**	**43,372**	**639,124**	**812,610**
H&L	PGT	15,624,846	14,812,236	43,372	43,372	43,372	43,372	639,124	812,610
WELLFORD RESIDENCES MADISON BLDG		**671,329**	**671,329**	**-**	**-**	**-**	**-**	**-**	**-**
H&L	WRM	654,268	654,268						
LOT	WRM	17,061	17,061						
CEBU TOTAL		**44,856,014**	**41,425,860**	**77,159**	**77,159**	**77,159**	**77,159**	**3,121,519**	**3,430,153**
*** Past Due Ratio**				**0.17%**	**0.17%**	**0.17%**	**0.17%**	**6.96%**	**7.65%**
CHATEAUX GENEVA		**135,329,639**	**135,258,791**	**-**	**-**	**-**	**-**	**77,028**	**77,028**
LOT	CG	135,282,011	135,258,791					29,400	29,400
H&L	CG	47,628						47,628	47,628
COSTA SMERALDA		**1,765,876**	**1,765,876**	**-**	**-**	**-**	**-**	**-**	**-**
LOT	CS	717,823	717,823	-	-	-	-		-
H&L	CS	1,048,052	1,048,052						-
WELLFORD HOMES		**6,851,486**	**6,851,486**	**-**	**-**	**-**	**-**	**-**	**-**
H&L	WFH	6,851,486	6,851,486						-
ILOILO TOTAL		**143,947,001**	**143,876,153**	**-**	**-**	**-**	**-**	**77,028**	**77,028**
*** Past Due Ratio**								**0.05%**	**0.05%**
PLASTIC CITY INDUSTRIAL PARK		4,560,710						4,560,710	4,560,710
EMBASSY POINTE		9,049,365						9,049,365	9,049,365
									-
METRO MANILA TOTAL		**13,610,075**	**-**	**-**	**-**	**-**	**-**	**13,610,075**	**13,610,075**
* Past Due Ratio								**100.00%**	**100.00%**
WELLFORD HOMES -MALOLOS		**5,777,825**	**5,777,825**	**-**	**-**	**-**	**-**	**-**	**-**
LOT	WFM	717,817	717,817						-
H&L	WFM	5,060,007	5,060,007						-
* Past Due Ratio				-	-	-	-	-	-
GRAND TOTAL		**208,190,914**	**191,079,838**	**77,159**	**77,159**	**77,159**	**77,159**	**16,808,621**	**17,117,256**
*** Past Due Ratio**				**0.04%**	**0.04%**	**0.04%**	**0.04%**	**8.07%**	**8.22%**

SIGNATURES

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

Issuer	: **ELVIRA A. TING**
Title	: PRESIDENT / CEO
Signature	: ____________________
Date	: 7 August 2023
Principal Financial Accounting Officer Controller	: **JOCELYN A. VALLE**
Title	: FINANCE HEAD
Signature	: ____________________
Date	: 7 August 2023


https://eafs.bir.gov.ph/eafs/fileUploadSuccess.xhtml?tc=AFS-0-C855G9AD0BA6A97F6P33VS2X407HKG7B8H&ts=May+17%2C+2023+02%3A31+PM
AFS eSUBMISSION
powered by
EZY
JOCELYN VALLE
PHESCORP
Home
Profile
File Upload
Transactions
Sign Out
File Upload
All files successfully uploaded
Transaction Code:
AFS-0-C855G9AD0BA6A97F6P33VS2X407HKG7B8H
Submission Date/Time:
May 17, 2023 02:31 PM
Back To Upload
Copyright © 2020 EZY Infotech Inc. All Rights Reserved
Version 1.0.2.0

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	2	9	7	8					

Company Name

PHILIPPINE ESTATES CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
710	October/7	December/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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

Philippine Estates Corporation

Financial Statements
December 31, 2022, 2021 and 2020

and

Independent Auditors' Report

PHILIPPINE ESTATES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE ESTATES CORPORATION** is responsible for the preparation and fair presentation of the Parent Company financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of Parent Company financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

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

ARTHUR M. LOPEZ
Chairman of the Board Driver's LN N09-66-064295

ELVIRA A. TING
President / CEO SSS # 03-5412830-8

RICHARD L. RICARDO
Treasurer Driver's LN N07-81-009528

Signed this APR 28 2023 day of April, 2023

SUBSCRIBED AND SWORN to before me this APR 28 2023 day of ___.
MANDALUYONG CITY Affiant exhibits to me her ___
with No.: ___ as strong proof of her/his identity.

ATTY. JAMES K. ABUGAN
Notary Public
APPT. NO. 0442-23 Until 12-31, 2024
IBP No. 180334 Nov. 23, 2022 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VII-0020134 until 4/14/2025
TIN No. 116-239-956
PTR No. 5169663 01/09/2023
Rm. 314 J&B Bldg., 251 EDSA,
Mandaluyong City Tel. No. (02)854-523-21

DOC. NO. 458
PAGE NO. 93
BOOK NO. 35
SERIES OF 2023

Independent Auditors' Report

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

Report on the Audits of Parent Company Financial Statements

Opinion

We have audited the Parent Company financial statements of **Philippine Estates Corporation** (the 'Parent Company'), which comprise the statements of financial position as at December 31, 2022, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to Parent Company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS)), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

Revenue Recognition and Realization of Gross Profit

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

Our Response

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

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

The Parent Company's disclosures about its sales, cost of sales as well the contract assets and liabilities 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, 2022, but does not include the Parent Company financial statements and our auditor's report thereon. The SEC form 20-IS, SEC Form 17-A and Annual report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the Parent Company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Supplementary Information required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of **Philippine Estates Corporation** taken as a whole. The supplementary information in Note 35 to the Parent Company financial statements is presented for purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic Parent Company financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the Parent Company basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the Parent Company basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Financial Position

	As at December 31		
	2022	2021 *(As restated - Note 34)*	2020 *(As restated - Note 34)*
ASSETS			
Current Assets			
Cash - note 4	**₱ 12,806,829**	₱ 384,943,845	₱ 16,747,021
Trade and other receivables (net) - note 5	**240,302,213**	130,193,472	79,854,591
Contract assets - note 16	**239,673,132**	167,026,032	224,628,558
Advances to related parties (net) - note 23	**–**	–	271,831,148
Real estate inventories - note 6	**1,752,993,351**	613,317,685	579,995,742
Prepayments and other current assets - note 7	**99,787,492**	7,317,454	12,653,242
	2,345,563,017	1,302,798,488	1,185,710,302
Noncurrent Assets			
Advances to related parties (net) - note 23	**644,981,178**	553,499,982	269,323,636
Investment in a subsidiary - note 8	**7,800,000**	7,800,000	7,800,000
Financial assets at FVOCI - note 9	**50,000,000**	50,000,000	50,000,000
Property and equipment (net) - note 10	**33,987,925**	37,511,125	40,402,837
Deferred tax assets (net) - note 24	**4,971,690**	4,734,409	5,501,261
Other noncurrent assets - note 11	**10,218,505**	9,152,573	7,855,619
	751,959,298	662,698,089	380,883,353
TOTAL ASSETS	**₱3,097,522,315**	₱1,965,496,577	₱1,566,593,655
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other liabilities - note 12	**₱ 98,630,465**	₱ 107,558,169	₱ 89,342,353
Borrowings - note 13	**99,331,806**	90,769,256	96,027,677
Lease liabilities - note 27	**849,136**	1,091,736	984,384
Contract liabilities - note 16	**77,637,926**	58,072,892	81,801,958
Customers' deposits - note 14	**3,518,430**	3,746,616	4,828,637
	279,967,763	261,238,669	272,985,009
Noncurrent Liabilities			
Retention payable and refundable bonds - note 15	**26,322,916**	23,857,933	26,149,094
Borrowings (net of current portion) - note 13	**38,680,561**	27,192,161	21,938,614
Lease liabilities (net of current portion) - note 27	**464,542**	1,313,678	2,405,414
Advances from related parties - note 23	**113,260,809**	104,993,224	104,024,033
Retirement benefits obligation - note 25	**9,140,126**	10,768,780	12,030,231
Deferred tax liabilities - note 24	**66,141,841**	55,813,008	49,860,854
	254,010,795	223,938,784	216,408,240
	533,978,558	485,177,453	489,393,249
Equity			
Capital stock - note 17	**2,891,016,410**	1,819,102,963	1,445,549,830
Remeasurement gain on retirement benefits (net) - note 25	**7,074,716**	4,322,581	2,042,257
Deficit	**(334,547,369)**	(343,106,420)	(370,391,681)
	2,563,543,757	1,480,319,124	1,077,200,406
TOTAL LIABILITIES AND EQUITY	**₱3,097,522,315**	₱1,965,496,577	₱1,566,593,655

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Comprehensive Income

	For the Years Ended December 31		
	2022	2021 *(As restated - Note 34)*	2020 *(As restated - Note 34)*
REAL ESTATE SALES - note 18	**₱224,731,353**	₱180,268,515	₱169,217,101
COST OF REAL ESTATE SOLD - note 19	**(107,486,273)**	(70,070,393)	(60,526,073)
GROSS PROFIT	**117,245,080**	110,198,122	108,691,028
OTHER INCOME (net) - note 20	**24,898,409**	20,655,246	12,432,352
OPERATING EXPENSES - note 21	**(80,787,347)**	(68,123,292)	(61,773,704)
FINANCE COSTS - note 22	**(14,578,911)**	(16,062,657)	(16,096,807)
INCOME BEFORE INCOME TAX	**46,777,231**	46,667,419	43,252,869
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24			
Current	**6,457,575**	5,934,879	4,218,929
Deferred	**12,655,395**	(9,676,630)	2,152,643
	19,112,970	(3,741,751)	6,371,572
NET INCOME FOR THE YEAR	**27,664,261**	50,409,170	36,881,297
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement gain on retirement benefits (net) - note 25	**2,752,135**	2,280,324	122,989
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 30,416,396**	₱ 52,689,494	₱ 37,004,286
EARNINGS PER SHARE - note 29	**₱ 0.0117**	₱ 0.0309	₱ 0.0255

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Changes in Equity

	Capital Stock (Note 17)	**Remeasurement Gain on Retirement Benefits** (net) (Note 25)	**Deficit**	**Total**
Balance as at January 1, 2020, *as previously stated*	₱ 1,445,549,830	₱ 1,919,268	(₱ 361,983,819)	₱ 1,085,485,279
Correction of prior period error - note 34	–	–	(45,289,159)	(45,289,159)
Balance as at January 1, 2020, *as restated*	1,445,549,830	1,919,268	(407,272,978)	1,040,196,120
Comprehensive income				
Net income for the year	–	–	36,881,297	36,881,297
Remeasurement gain for the year	–	122,989	–	122,989
Total comprehensive income for the year	–	122,989	36,881,297	37,004,286
Balance as at December 31, 2020, *as restated*	1,445,549,830	2,042,257	(370,391,681)	1,077,200,406
Correction of prior period error - note 34	–	–	(19,700,180)	(19,700,180)
Balance as at December 31, 2020, *as restated*	1,445,549,830	2,042,257	(390,091,861)	1,057,500,226
Issuance of capital stock - note 17	373,553,133	–	–	373,553,133
Stock issuance costs - note 17	–	–	(3,423,729)	(3,423,729)
Comprehensive income				
Net income for the year	–	–	50,409,170	50,409,170
Remeasurement gain for the year	–	2,134,449	–	2,134,449
Effect of change in income tax rate - note 25	–	145,875	–	145,875
Total comprehensive income for the year	**–**	**2,280,324**	**50,409,170**	**52,689,494**
Balance as at December 31, 2021, ***as restated***	**1,819,102,963**	**4,322,581**	**(343,106,420)**	**1,480,319,124**
Issuance of capital stock - note 17	**1,071,913,447**	**–**	**–**	**1,071,913,447**
Stock issuance costs - note 17	**–**	**–**	**(19,105,210)**	**(19,105,210)**
Comprehensive income				
Net income for the year	**–**	**–**	**27,664,261**	**27,664,261**
Remeasurement gain for the year	**–**	**2,752,135**	**–**	**2,752,135**
Total comprehensive income for the year	**–**	**2,752,135**	**27,664,261**	**30,416,396**
Balance as at December 31, 2022	**₱2,891,016,410**	**₱7,074,716**	**(₱ 334,547,369)**	**₱2,563,543,757**

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

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Cash Flows

	For the Years Ended December 31		
	2022	2021 *(As restated - Note 34)*	2020 *(As restated - Note 34)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 46,777,231**	₱ 46,667,419	₱ 43,252,869
Adjustments for:			
Loss on cancelled contracts - note 21	**5,321,546**	6,542,785	4,956,411
Finance costs - notes 13 and 27	**14,578,911**	16,062,657	16,096,807
Depreciation - note 10	**4,154,030**	4,146,502	4,276,937
Retirement benefits expense - note 25	**2,040,860**	2,284,481	2,178,794
Interest income - notes 4, 5 and 23	**(17,416,260)**	(14,554,765)	(13,166,315)
Reversal of provision for ECL - note 5	**(305,544)**	(136,651)	–
Provision for ECL - notes 5 and 23	**65,916**	–	2,400,820
Operating income before working capital changes	**55,216,690**	61,012,428	59,996,323
Decrease (increase) in:			
Trade and other receivables	**(115,190,659)**	(57,018,317)	468,340,439
Contract assets	**(72,647,100)**	57,602,526	(224,628,558)
Real estate inventories	**(1,162,262,099)**	(40,342,521)	(382,793,268)
Prepayments and other current assets	**(92,470,037)**	5,335,787	4,550,616
Increase (decrease) in:			
Retention payable and guarantee bonds	**2,464,983**	(2,291,161)	2,489,937
Contract liabilities	**19,565,034**	(23,729,066)	81,801,958
Accounts payable and other liabilities	**(8,927,704)**	18,215,816	2,227,103
Customers' deposit	**(228,186)**	(1,082,021)	1,926,959
Cash generated from (used in) operating activities	**(1,374,479,078)**	17,703,471	13,911,509
Contributions to retirement fund - note 25	**–**	(700,000)	–
Interest received - notes 4 and 5	**6,060,012**	3,358,088	2,300,394
Income tax paid	**(6,457,575)**	(5,934,879)	(4,218,929)
Net cash provided by (used in) operating activities	**(1,374,876,641)**	14,426,680	11,992,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**500,783,183**	883,877	37,875,000
Additional advances to related parties	**(580,908,131)**	(2,032,398)	(22,271,456)
Additions to property and equipment - note 10	**(630,830)**	(1,254,790)	(311,071)
Additions to other noncurrent assets	**(1,065,932)**	(1,296,954)	(1,148,720)
Net cash used in investing activities	**(81,821,710)**	(3,700,265)	(23,356,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**128,195,132**	102,716,175	91,770,246
Payment of lease liabilities	**(1,246,093)**	(1,204,868)	(1,171,645)
Payment of finance costs - note 13	**(14,424,554)**	(15,842,173)	(15,867,361)
Payments of borrowings - note 13	**(108,144,182)**	(102,721,049)	(59,535,721)
Additional advances from related parties - note 23	**12,518,358**	2,503,352	–
Payment of advances from related parties - note 23	**(4,250,773)**	(1,534,161)	–
Issuance of capital stock - note 17	**1,071,913,447**	373,553,133	–
Net cash provided by financing activities	**1,084,561,335**	357,470,409	15,195,519
NET INCREASE (DECREASE) IN CASH	**(372,137,016)**	368,196,824	3,832,246
CASH - note 4			
At beginning of year	**384,943,845**	16,747,021	12,914,775
At end of year	**₱ 12,806,829**	₱384,943,845	₱ 16,747,021

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

PHILIPPINE ESTATES CORPORATION
Notes to Parent Company Financial Statements
As at December 31, 2022, 2021 and 2020 and for each of the three years in the period ended December 31, 2022

1. CORPORATE INFORMATION

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

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

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

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

The Parent Company's financial statements as at and for the year ended December 31, 2022, with its comparatives for 2021 and 2020, were approved and authorized for issue by the Board of Directors (BOD) on April 28, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

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

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

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

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

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

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2022 and the revenue from real estate sales in 2022. 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, 2022 as well as a decrease in the revenue from real estate sales in 2022. 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, 2022 as well as increase in interest expense in 2022.

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

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

Basis of Preparation

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

Functional and Presentation Currency

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

Current and Non-Current Classification

The Parent Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and tax liabilities are classified as non-current assets and non-current liabilities, respectively.

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, 2022.

Property, Plant and Equipment before Intended Use (Amendments to PAS 16). The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the financial statements of the Parent Company.

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. The amendments had no significant impact on the financial statements of the Parent Company.

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 amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the financial statements of the Parent Company.

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* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

The amendments had no significant impact on the financial statements of the Parent Company.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2022

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

Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). The narrow-scope amendments to PAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

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 amendments 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 amendments are applied prospectively. The amendments are 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.

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

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

Deferred Tax Related to Assets and Liabilities arising from Single Transaction (Amendments to PAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary difference arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies the how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments to PFRS 16 specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Noncurrent Liabilities with Covenants (Amendments to PAS 1). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as either current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024.

Deferred Effectivity

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

The Parent Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Parent Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2022 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Parent Company financial statements when these amendments are adopted.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

"Day 1" Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement 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 statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments

Initial Recognition, Measurement and Classification

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

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

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

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

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

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

Financial assets at amortized cost

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

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

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

As at December 31, 2022, 2021 and 2020, included under financial assets at amortized cost are the Parent Company's cash, trade and other receivables, advances to related parties and other noncurrent assets (see Notes 4, 5, 11 and 23).

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

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

Other noncurrent assets consist of refundable deposits.

Equity instruments designated at FVOCI

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

As at December 31, 2022, 2021 and 2020, the Parent Company elected to classify irrevocably its unquoted equity investments under this category (see Note 9).

Financial liabilities at amortized cost

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

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

As at December 31, 2022, 2021 and 2020, included under financial liabilities at amortized cost are the Parent Company's accounts payable and other liabilities, borrowings, retention payable and refundable bonds, lease liabilities and advances from related parties (see Notes 12, 13, 15, 23 and 27).

Accounts payable and other liabilities

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

Retention payable and refundable bonds

Retention payable pertains to ten percent (10%) of each progress payment retained by the Parent Company until full completion of the contract while refundable bonds pertains to construction, renovation and/or fencing bonds collected from buyer which will be released by the Parent Company upon completion of construction and/or renovation.

Lease liabilities

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

Advances from related parties

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

Borrowings

Borrowings are recognized initially at the transaction price which is composed of the present value of cash payable to the bank, including transaction costs. Borrowings are subsequently stated at amortized cost.

All borrowing costs are recognized as an expense in profit or loss in the period incurred. Borrowing costs are recognized on the basis of the effective interest method and are included under 'Finance costs' in the statements of comprehensive income.

Borrowings are classified as current liabilities unless the Parent Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Offsetting of Financial Instruments

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

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

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

For trade and other receivables, the Parent Company applies a simplified approach in calculating ECL. The ECL on these financial assets are estimated using a provision matrix based on the Parent Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

For advances to related parties, the Parent Company applies a general approach in calculating ECL. The Parent Company recognizes a loss allowance using management's adopted policy on ECL at the end of each reporting period.

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Parent Company, in full (without taking into account any collateral held by the Parent Company).

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

Credit-impaired financial assets

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

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

Write-off policy

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

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

Real Estate Inventories

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

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

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

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

The cost of inventory recognized in the Parent Company statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

Prepayments and Other Current Assets

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

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

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

Input Tax and Other Prepaid Taxes

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

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

Interest in Joint Operation

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

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

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

- Its expenses, including its share of any expenses incurred jointly.

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

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

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

Investment in a Subsidiary

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

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

The Parent Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in a subsidiary. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Parent Company's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. Investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in a subsidiary and is recognized in statements of comprehensive income.

Based on the management's impairment review of the Parent Company's assets, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in a subsidiary as at December 31, 2022, 2021 and 2020.

Property and Equipment

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

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

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

Right-of-use assets are assets that represent lessee's right to use an asset over the lease term. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost which includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

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

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

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

Impairment of Non-financial Assets

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

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

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

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

Contract liabilities

Contract liabilities pertain to the obligation to transfer goods or services to the buyer for which the Parent Company have received the consideration (or an amount of consideration is due) from the buyer. If the buyer pays consideration before the entities transfer goods or services to the buyer, a contract liability is recognized when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

Equity

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

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

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

Stock transaction costs of an equity transaction are accounted for as a deduction from equity.

Revenue Recognition

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

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

To determine whether to recognize revenue, the Parent Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied

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. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

Revenue from sales of completed real estate properties and undeveloped land are accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In measuring the progress of its performance obligation over time, the Parent Company use input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Parent Company use the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the Parent Company's performance in transferring control of goods or services to the buyer.

Any excess of progress of work over collections from customers is recognized as contract assets, excluding the amount presented as installment contract receivables. Installment contract receivables represent the Parent Company's right to an amount of consideration that is unconditional.

Any excess of collections over the progress of work is included in the "Contract liabilities" account in the liabilities section of the statements of financial position.

Finance income

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

Miscellaneous income

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

Cost and Expense Recognition

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

Cost of real estate sold

The Company recognizes cost of real estate sold relating to satisfied performance obligations as these are incurred. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs, if any. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Operating expenses

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

Income Taxes

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

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

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

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

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

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

Employee Benefits

Short-term employee benefits

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

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

Retirement benefits obligation

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

Related Party Relationship and Transactions

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

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

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

Segment Reporting

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

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

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

Basic Earnings Per Share (EPS)

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Parent Company financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Parent Company financial statements. The estimates and assumptions used in the Parent Company financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant Accounting Judgments in Applying the Parent Company's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

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

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

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

Lease of office space

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

Realizability of Input Value-Added Tax (VAT)

The Parent Company reviews and assesses its input tax for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation, entitlement to claim VAT paid as input tax credit against output tax liabilities, future vatable revenue, and the possibility of VAT refund. Based on management assessment, input VAT is fully realizable since this can be claimed as a tax credit against the output VAT on its vatable sales.

The Company's input VAT amounted to ₱6,978,785, Nil and ₱859,473 as at December 31, 2022, 2021 and 2020, respectively (see Note 7).

Operating Segments

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

Investment in a Subsidiary

Based on the management's impairment review of the investment in a subsidiary, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in a subsidiary as at December 31, 2022, 2021 and 2020.

Impairment of property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. Management believes that there are no indications that the property and equipment are impaired as at December 31, 2022, 2021 and 2020.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Parent Company's defense in these matters and are based upon analysis of potential results. The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Parent Company management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the Parent Company financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the Parent Company financial statements as at December 31, 2022, 2021 and 2020.

Significant Accounting Estimates and Assumptions

Revenue and Cost Recognition

The Parent Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Parent Company's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating Allowance for ECL

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

The provision matrix is based on the Parent Company's historical observed default rates. The Parent Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). For advances to related parties, the Parent Company applies a general approach in calculating ECL. The Parent Company recognizes a loss allowance using management's adopted policy on ECL at the end of each reporting period. Details about the ECL on the Parent Company's trade and other receivables, and advances to related parties are disclosed in Note 30.

The carrying amount of the Parent Company's trade and other receivables amounted to ₱240,302,213, ₱130,193,472 and ₱79,854,591 net of allowance for ECL amounting to ₱7,265,960, ₱7,505,588 and ₱7,642,239, as at December 31, 2022, 2021 and 2020, respectively (see Note 5).

The carrying amount of the Parent Company's advances to related parties amounted to ₱644,981,178, ₱553,499,982 and ₱541,154,784 net of allowance for ECL amounting to ₱25,864,767 as at December 31, 2022, 2021 and 2020, respectively (see Note 23).

Estimating Useful Lives of Assets

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

The carrying value of property and equipment as at December 31, 2022, 2021 and 2020 amounted to ₱33,987,925, ₱37,511,125 and ₱40,402,837, respectively (see Note 10).

Deferred Tax Assets

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

The Parent Company’s deferred tax assets, net of unrecognized deferred tax asset, as at December 31, 2022, 2021 and 2020 amounted to ₱4,971,690, ₱4,734,409 and ₱5,501,261, respectively (see Note 24).

Retirement Benefits Obligation

The determination of the Parent Company’s obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions shown in Note 25 to the financial statements include among others, discount rates and rates of salary increase. While the Parent Company’s believes that the assumptions made in the determination of retirement benefits are reasonable, significant change in assumptions materially affect the retirement obligation.

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

The Parent Company’s retirement benefits obligation as at December 31, 2022, 2021 and 2020 amounted to ₱9,140,126, ₱10,768,780 and ₱12,030,231, respectively (see Note 25).

4. CASH

Cash as at December 31 consists of:

	2022	2021	2020
Cash on hand	**₱ 416,446**	₱ 256,446	₱ 253,446
Cash in banks	**12,390,383**	384,687,399	16,493,575
	₱ 12,806,829	₱ 384,943,845	₱ 16,747,021

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2022, 2021 and 2020.

Interest income earned from cash in banks amounted to ₱77,108, ₱14,364, and ₱32,565 in 2022, 2021 and 2020, respectively, and recognized as part of "Other income (net)" in the Parent Company statements of comprehensive income (see Note 20).

There is no restriction on the Parent Company's cash in banks as at December 31, 2022, 2021 and 2020.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2022	2021 *(As restated)*	2020 *(As restated)*
Installment contract receivables from:			
External customers	**₱80,280,756**	₱102,031,635	₱ 44,950,053
Related parties – note 23	**4,340,519**	4,340,519	4,340,519
Receivable from government - note 28	**135,258,791**	–	–
Advances to homeowners	**11,880,628**	12,724,267	13,112,159
Receivables from contractors	**6,487,809**	6,401,865	7,137,365
Advances to employees	**2,993,786**	6,237,284	8,895,600
Other receivables	**6,325,884**	5,963,490	9,061,134
	247,568,173	137,699,060	87,496,830
Allowance for ECL	**(7,265,960)**	(7,505,588)	(7,642,239)
	₱240,302,213	₱130,193,472	₱ 79,854,591

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

	2022	2021	2020
Balance as at beginning of year	**₱ 7,505,588**	₱ 7,642,239	₱ 5,241,419
Reversal of provision during the year – note 20	**(305,544)**	(136,651)	–
Provision during the year – note 20	**65,916**	–	2,400,820
Balance as at end of year	**₱ 7,265,960**	₱ 7,505,588	₱ 7,642,239

Installment contract receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 12% to 19% in 2022, 2021 and 2020. Interest income earned amounted to ₱5,982,904, ₱3,343,724 and ₱2,267,829 in 2022, 2021 and 2020, respectively (see Note 20).

The Parent Company partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from local financial institutions. Assigned installment contract receivables as at December 31, 2022, 2021 and 2020 amounted to ₱100,876,033, ₱77,291,375 and ₱38,462,694, respectively (see Note 13).

Receivable from government represents the costs of inventory that were expropriated by the Department of Public Works and Highways (see Note 28).

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, 2022, 2021 and 2020 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2022	2021 *(As restated)*	2020 *(As restated)*
At cost:			
Raw land inventory	**₱869,451,595**	₱201,852,292	₱178,781,327
Projects under development	**785,757,573**	347,346,781	322,487,887
House and lot	**97,784,183**	64,118,612	78,726,528
	₱1,752,993,351	₱613,317,685	₱579,995,742

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

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

The Parent Company's real estate inventories consist of:

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

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

a) Chateaux Geneva

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

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

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

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

The cost of inventories recognized as expense and included in 'Cost of real estate sold' in the statements of comprehensive income amounted to ₱107,486,273, ₱70,070,393 and ₱60,526,073 for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2022, 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, 2022, 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:

	2022	2021	2020
Input tax	**₱88,620,933**	₱ –	₱ 859,473
Creditable withholding tax	**8,822,318**	3,749,071	7,635,045
Deferred input tax	**1,787,803**	2,670,898	3,591,689
Prepaid expenses	**556,438**	897,485	567,035
	₱99,787,492	₱7,317,454	₱12,653,242

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

Deferred input VAT pertains to input VAT on purchase of capital goods exceeding ₱1 million to be amortized over the useful life or sixty (60) months whichever is shorter.

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

8. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary as at December 31 consists of:

	2022	2021	2020
Mariano Arroyo Development Corp. (MADCorp)			
Percentage of ownership	**100%**	100%	100%
Carrying amount	**₱ 7,800,000**	₱ 7,800,000	₱ 7,800,000

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

The principal activity of the subsidiary is to engage in the business of dealing in real estate or other properties for industrial, commercial, residential, leisure, or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/ or appurtenant properties, and/ or interest therein.

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

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

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

	2022	2021	2020
Assets	**₱ 320,116**	₱ 320,116	₱ 4,886,887
Liabilities	**612,581**	539,411	508,959
Equity (Capital deficiency)	**(₱ 292,465)**	(₱ 219,295)	₱ 4,377,928
Revenue	**₱ –**	₱ –	₱ –
Expenses	**(73,170)**	(4,597,223)	(2,302,383)
Net loss	**(₱ 73,170)**	(₱ 4,597,223)	(₱ 2,302,383)

9. FINANCIAL ASSETS AT FVOCI

The Parent Company's financial assets at FVOCI consist of investment in unquoted shares of stock amounting to ₱50,000,000 as at December 31, 2022, 2021 and 2020, which represent ownership in Waterfront Manila Premier Development, Inc. This investment is irrevocably designated at FVOCI as the Parent Company considers this investment to be strategic in nature and it holds this investment to foreseeable future. This investment is stated at cost less impairment loss since there is no quoted price in an active market.

The Parent Company's financial assets at FVOCI as at December 31, 2022, 2021 and 2020 are not held as collateral for its financial liabilities.

10. PROPERTY AND EQUIPMENT (net)

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

December 31, 2022	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Right-of-use assets**	**Computer software**	**Total**
Cost						
At beginning of year	**₱81,074,795**	**₱7,385,020**	**₱42,986,343**	**₱4,383,277**	**₱350,000**	**₱136,179,435**
Additions	**25,000**	**–**	**605,830**	**–**	**–**	**630,830**
At end of year	**81,099,795**	**7,385,020**	**43,592,173**	**4,383,277**	**350,000**	**136,810,265**
Accumulated depreciation						
At beginning of year	**47,248,377**	**6,372,455**	**42,681,662**	**2,219,982**	**145,834**	**98,668,310**
Depreciation – note 21	**2,264,576**	**477,290**	**271,100**	**1,024,397**	**116,667**	**4,154,030**
At end of year	**49,512,953**	**6,849,745**	**42,952,762**	**3,244,379**	**262,501**	**102,822,340**
Carrying amount as at December 31, 2022	**₱31,586,842**	**₱ 535,275**	**₱ 639,411**	**₱1,138,898**	**₱ 87,499**	**₱ 33,987,925**

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

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

Fully depreciated property and equipment still in use as at December 31, 2022, 2021 and 2020 amounted to ₱88,864,029, ₱87,084,457 and ₱57,016,118, respectively

Reversal of right-of-use assets pertains to expired lease contracts.

The Parent Company's transportation equipment with a carrying amount of ₱535,275, ₱1,012,565 and, Nil was held as collateral on its borrowings as at December 31, 2022, 2021 and 2020 respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2022, 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, 2022, 2021 and 2020.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2022	2021	2020
Refundable deposits	**₱10,043,223**	₱ 8,977,291	₱ 7,680,337
Other assets	**175,282**	175,282	175,282
	₱10,218,505	₱ 9,152,573	₱ 7,855,619

Refundable deposits consist mainly of security and utility deposits.

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2022	2021	2020
Government liabilities	**₱49,072,193**	₱46,205,290	₱38,051,388
Accrued expenses	**5,534,267**	5,022,409	4,983,738
Accounts payable	**5,090,298**	21,692,407	18,760,012
Other payables	**38,933,707**	34,638,063	27,547,215
	₱98,630,465	₱107,558,169	₱ 89,342,353

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

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.

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

13. BORROWINGS

Borrowings as at December 31 consist of:

	2022	2021	2020
Current	**₱ 99,331,806**	₱ 90,769,256	₱ 96,027,677
Noncurrent	**38,680,561**	27,192,161	21,938,614
	₱138,012,367	₱117,961,417	₱ 117,966,291

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

	2022	2021	2020
Balance at beginning of year	**₱117,961,417**	₱117,966,291	₱ 85,731,766
Additions	**128,195,132**	102,716,175	91,770,246
Payments	**(108,144,182)**	(102,721,049)	(59,535,721)
Balance at end of year	**₱138,012,367**	₱117,961,417	₱117,966,291

Total interest on borrowings charged as “Finance costs” in the Parent Company statements of comprehensive income amounted to ₱14,424,554, ₱15,842,173 and ₱15,867,361 for the years ended December 31, 2022, 2021 and 2020, 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**
					2022	2021	2020	
Luzon Development Bank								
06/28/2015	Working capital	10/28/2021	10%	₱35,000,000	₱ **–**	₱ –	₱6,444,064	[a]
05/26/2017	Working capital	10/26/2021	10%	15,000,000	**–**	–	3,631,981	[a]
01/18/2018	Working capital	05/13/2022	10%	20,000,000	**–**	2,473,363	8,008,986	[a]
05/12/2021	Working capital	04/12/2024	10%	12,500,000	**6,020,382**	10,037,780	–	[a]
11/21/2019	Working capital	03/21/2022	11%	20,000,000	**–**	2,747,691	13,010,319	[a]
05/09/2021	Working capital	05/02/2024	11%	12,000,000	**5,973,319**	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	**4,786,270**	10,586,570	15,863,456	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	**2,516,352**	5,958,695	9,059,043	[a]
03/04/2020	Working capital	07/04/2021	11%	14,200,000	**–**	–	8,511,211	[a]
08/23/2022	Working capital	08/23/2025	10%	10,000,000	**9,044,920**	–	–	[a]
06/10/2022	Working capital	06/10/2025	10%	30,000,000	**25,617,041**	–	–	[a]
12/05/2022	Working capital	12/05/2025	11%	10,000,000	**10,000,000**	–	–	[a]
Philippine Bank of Communications								
06/17/2021	Working capital	12/17/2022	9%	17,376,554	**–**	11,842,019	–	[b]
08/04/2021	Working capital	02/23/2022	9%	15,596,199	**1,644,254**	12,309,350	–	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	**5,447,250**	17,719,545	–	[b]
03/14/2022	Working capital	09/10/2023	9%	16,897,272	**6,075,088**	–	–	[b]
10/25/2022	Working capital	01/19/2024	9%	18,766,453	**11,043,383**	–	–	[b]
09/26/2022	Working capital	05/10/2024	9%	20,159,374	**19,109,118**	–	–	[b]
Qwick								
08/08/2019	Working capital	03/07/2021	15%	8,266,961	**–**	–	4,349,024	[c]
03/13/2020	Working capital	08/26/2021	15%	5,466,806	**–**	–	5,461,547	[c]
09/10/2020	Working capital	03/15/2022	15%	7,326,253	**–**	7,277,219	7,277,219	[c]
02/02/2021	Working capital	08/10/2022	15%	6,060,113	**–**	6,021,926	–	[c]
02/18/2021	Working capital	05/30/2022	15%	4,587,997	**–**	4,565,870	–	[c]
05/12/2021	Working capital	30/11/2022	15%	7,169,483	**–**	7,160,141	–	[c]
10/05/2021	Working capital	03/30/2023	15%	7,807,598	**7,797,286**	7,797,286	–	[c]
03/23/2022	Working capital	10/15/2023	15%	7,241,374	**7,241,374**	–	–	[c]
04/27/2022	Working capital	09/30/2023	15%	6,262,580	**6,228,100**	–	–	[c]
09/19/2022	Working capital	03/15/2024	15%	8,868,078	**8,853,063**	–	–	[c]

Asia United Bank								
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	**615,167**	895,509	–	[d]
Central Visayas Financial Corporation								
08/09/20219	Working capital	03/03/2021	15%	2,212,313	**–**	–	1,544,870	[e]
01/20/2020	Working capital	08/28/2021	15%	7,381,376	**–**	–	7,381,376	[e]
02/28/2020	Working capital	06/30/2021	15%	7,063,267	**–**	–	7,063,266	[e]
03/13/2020	Working capital	09/15/2021	15%	3,114,545	**–**	–	3,080,091	[e]
				₱423,160,825	**₱138,012,367**	₱117,961,417	₱117,966,291	

a. Luzon Development Bank

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2022, 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 ₱52,897,983, ₱51,666,182 and Nil as at December 31, 2022, 2021 and 2020, respectively (see Note 5).

c. Qwick

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱47,978,050, ₱25,625,193 and ₱17,240,970 as at December 31, 2022, 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 ₱535,275 and ₱1,012,565 as at December 31, 2022 and 2021, respectively (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.

As at December 31, 2022, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,518,430, ₱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:

	2022	2021	2020
Retention payable	**₱17,204,532**	₱13,893,982	₱ 16,152,803
Refundable bonds	**9,118,384**	9,963,951	9,996,291
	₱26,322,916	₱23,857,933	₱ 26,149,094

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

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

16. CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities as at December 31 consist of:

	2022	2021 *(As restated)*	2020 *(As restated)*
Contract assets	**₱239,673,132**	₱167,026,032	224,628,558
Contract liabilities	**77,637,926**	58,072,892	81,801,958

Contract assets represent excess of progress of work over collections from real estate customers, excluding the amount presented as installment contract receivables.

Contract liabilities consist of collections from real estate customers, over the goods and services transferred by the Parent Company based on percentage of completion, excluding customers' deposits.

17. CAPITAL STOCK

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

	2022	2021	2020
Common stock: ₱1 par value			
Authorized: 5,000,000,000 shares	**₱5,000,000,000**	₱5,000,000,000	₱5,000,000,000
Subscribed	**₱2,891,099,660**	₱2,891,099,660	₱1,445,549,830
Less: Subscription receivables	**(83,250)**	(1,071,996,697)	–
Issued and outstanding	**₱2,891,016,410**	₱1,819,102,963	₱1,445,549,830

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

Movement in capital stock as at December 31, is as follows:

	2022	2021	2020
Issued and outstanding, beginning	**₱1,819,102,963**	₱1,445,549,830	₱1,445,549,830
Issuance of capital stock during the year	**1,071,913,447**	373,553,133	–
Issued and outstanding, ending	**₱2,891,016,410**	₱1,819,102,963	₱1,445,549,830

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.

The Parent Company incurred stock rights offering cost, which were recognized as deduction from equity, amounting to ₱19,105,210 and ₱3,423,729 as at December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, the Parent Company issued 1,071,913,447 shares and 373,553,133 shares at ₱1 per share or ₱1,071,913,447 and ₱373,553,133, respectively, from share rights offering.

Number of shares owned by public totaled and 2,891,099,600 shares or a public ownership of 35.66%, 76.28 % and 52.64% as at December 31, 2022, 2021 and 2020, respectively.

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

	Market value per share
December 31, 2022	**₱0.560**
December 31, 2021	0.510
December 31, 2020	0.425

18. REAL ESTATE SALES

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

	2022	2021 *(As restated)*	2020 *(As restated)*
House and lot	**₱129,145,390**	₱139,778,080	₱113,101,708
Lot	**55,293,096**	40,490,435	56,115,393
Condominium unit	**40,292,867**	–	–
	₱224,731,353	₱180,268,515	₱169,217,101

19. COST OF REAL ESTATE SOLD

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

	2022	2021 *(As restated)*	2020 *(As restated)*
House and lot	**₱ 58,725,971**	₱54,669,854	₱47,011,547
Lot	**25,301,602**	15,400,539	13,514,526
Condominium unit	**23,458,700**	–	–
	₱107,486,273	₱70,070,393	₱60,526,073

20. OTHER INCOME (net)

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

	2022	2021 *(As restated)*	2020 *(As restated)*
Finance income from:			
Advances to affiliates – note 23	**₱ 11,356,248**	₱ 11,196,677	₱ 10,865,921
Installment contract receivables – note 5	**5,982,904**	3,343,724	2,267,829
Cash in banks – note 4	**77,108**	14,364	32,565
Reversal of (provision for) ECL – notes 5 and 23	**239,628**	136,651	(2,400,820)
Miscellaneous income	**7,242,521**	5,963,830	1,666,857
	₱ 24,898,409	₱ 20,655,246	₱ 12,432,352

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:

	2022	2021 *(As restated)*	2020 *(As restated)*
Salaries and wages	**₱ 19,391,814**	₱ 18,200,229	₱ 15,814,691
Taxes and licenses	**14,923,705**	5,811,234	6,610,553
Commissions	**11,546,467**	9,667,971	7,028,261
Loss on cancelled contracts	**5,321,546**	6,542,785	4,956,411
Professional and legal fees	**5,227,723**	3,328,202	2,063,435
Depreciation – note 10	**4,154,030**	4,146,502	4,276,937
Advertising	**4,148,561**	1,230,064	1,686,689
Communication, light and water	**2,904,376**	2,518,091	2,273,370
Employee benefits	**2,633,920**	2,326,878	1,926,752
Retirement benefits – note 25	**2,040,860**	2,284,481	2,178,794
Travel and transportation	**1,763,081**	1,151,417	1,599,877
Security services	**1,235,963**	528,792	548,844
Representation and entertainment	**889,846**	4,707,921	5,005,844
Repairs and maintenance	**806,508**	699,874	710,874
Supplies	**756,925**	1,079,076	1,174,614
Dues and subscription	**616,412**	680,148	691,749
Insurance	**347,448**	161,818	305,682
Rental – note 27	**309,669**	275,865	141,464
Janitorial services	**103,265**	184,968	218,221
Penalty fee, interests and surcharges	**70,828**	571,954	1,310
Director fees	**58,929**	206,786	38,928
Trainings and seminars	**33,336**	26,518	–
Miscellaneous	**1,502,135**	1,791,718	2,520,404
	₱ 80,787,347	₱ 68,123,292	₱ 61,773,704

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:

	2022	2021	2020
Borrowings – note 13	**₱ 14,424,554**	₱ 15,842,173	₱ 15,867,361
Lease liabilities – note 27	**154,357**	220,484	229,446
	₱ 14,578,911	₱ 16,062,657	₱ 16,096,807

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, 2022, 2021 and 2020 are as follows:

December 31, 2022	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/	At end of year
Common key management					
Plastic City Corp. *(a)*	**₱ 197,140,311**	**₱ 462,770**	**₱ 3,856,418**	**(₱ 200)**	**₱ 201,459,299**
Forum Holdings Corp. *(b)*	**39,188,624**	**91,992**	**766,601**		**40,047,217**
Kennex Container Corp. *(b)*	**36,615,523**	**85,618**	**713,482**	**(139,201)**	**37,275,422**
Orient Pacific Corp. *(b)*	**25,596,884**	**110,137**	**500,721**	**(50,051)**	**26,157,691**
Noble Arch Realty and Construction *(c)*	**4,964,286**	**43,322**	**96,464**	**–**	**5,104,072**
Pacific Rehouse Corporation *(f)*	**873,986**	**350,194,922**	**–**	**(320,607,126)**	**30,461,782**
Metro Alliance Holdings and Equities Corporation *(e)*	**274,782,761**	**631,201**	**5,260,007**	**–**	**280,673,969**
Rexlon Realty Group, Inc	**–**	**442,480**		**–**	**442,480**
Westland Pacific Properties Corp.	**–**	**228,772,519**	**162,555**	**(179,986,605)**	**48,948,469**
Subsidiary					
Mariano Arroyo Dev't Corp	**202,374**	**73,170**	**–**	**–**	**275,544**
	579,364,749	**580,908,131**	**11,356,248**	**(500,783,183)**	**670,845,945**
Allowance for ECL	**(25,864,767)**	**–**	**–**	**–**	**(25,864,767)**
	₱553,499,982	**₱ 580,908,131**	**₱ 11,356,248**	**(₱500,783,183)**	**₱ 644,981,178**

December 31, 2021	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/	At end of year
Common key management					
Plastic City Corp. *(a)*	₱ 192,820,924	₱ 462,769	₱ 3,856,618	₱ –	₱ 197,140,311
Forum Holdings Corp. *(b)*	38,330,030	91,993	766,601	–	39,188,624
Kennex Container Corp. *(b)*	35,813,305	85,952	716,266	–	36,615,523
Orient Pacific Corp. *(b)*	25,036,076	60,087	500,721	–	25,596,884
Noble Arch Realty and Construction *(c)*	4,829,180	38,642	96,464		4,964,286
Pacific Rehouse Corporation *(f)*	891,363	100	–	(17,477)	873,986
Metro Alliance Holdings and Equities Corporation *(e)*	268,260,352	1,262,402	5,260,007	–	274,782,761
Stockholders					
International Polymer Corp. *(b)(d)*	866,400	–	–	(866,400)	–
Subsidiary					
Mariano Arroyo Dev't Corp	171,921	30,453	–	–	202,374
	567,019,551	2,032,398	11,196,677	(883,877)	579,364,749
Allowance for ECL	(25,864,767)	–	–	–	(25,864,767)
	₱ 541,154,784	₱ 2,032,398	₱11,196,677	(₱883,877)	₱553,499,982

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

Details of the Parent Company's advances from related parties as at December 31, 2022, 2021 and 2020 are as follows:

December 31, 2022	**At beginning of Year**	**Additional Advances**	**Settlement/ Reversal**	**At end of year**
Common key management				
Waterfront Cebu City Hotel	**₱ 92,054,457**	**₱ –**	**₱ –**	**₱ 92,054,457**
The Wellex Group, Inc.	**7,938,239**	**–**	**–**	**7,938,239**
Concept Moulding Corp.	**3,830,646**	**–**	**(3,750,773)**	**79,873**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
Inland Container Corporation	**1,000,000**	**–**	**(500,000)**	**500,000**
Crisanta Realty Development Corp.		**8,831,858**	**–**	**8,831,858**
Stockholders				
International Polymer Corp.	**3,352**	**3,686,500**	**–**	**3,689,852**
	₱104,993,224	**₱ 12,518,358**	**(₱4,250,773)**	**₱113,260,809**

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

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

The Parent Company obtained noninterest-bearing and unsecured cash advances from other companies under common control to support its operations and will be settled through cash payment. The Parent Company was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period. 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, 2022, 2021 and 2020 (see Note 6).

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 ₱15,780,021, ₱10,520,014 and ₱5,260,007 as at December 31, 2022, 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:

	2022	2021	2020
Short-term employee benefits	**₱ 3,300,288**	₱ 3,408,000	₱ 3,060,000
Post-employment benefits	**290,000**	282,603	306,000
Share-based payments	–	–	–
Other long-term benefits	–	–	–
	₱ 3,590,288	₱3,690,603	₱ 3,366,000

g) Transaction with the retirement fund

The Parent Company has no transactions with its retirement plan other than its benefits paid and contributions to the fund for the years ended December 31, 2022, 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:

	2022	2021 *(As restated)*	2020 *(As restated)*
Income before income tax	**₱ 46,777,231**	₱ 46,667,419	₱ 43,252,869
Tax at applicable statutory rate:	**11,694,308**	11,666,855	12,975,861
Tax effect of:			
Non-deductible expenses	**1,464,393**	2,960,052	2,895,232
Interest income subjected to final tax	**(19,277)**	(3,591)	(9,770)
Change in unrecognized deferred tax asset	**(59,907)**	(1,708,513)	720,246
Other movement	**7,451,450**	(8,570,585)	(10,209,997)
Change in income tax rate	**–**	(8,084,969)	–
	₱20,530,967	(₱3,741,751)	₱ 6,371,572

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

	2022	2021	2020
Deferred tax assets			
Allowance for ECL	**₱8,343,925**	₱8,342,589	₱10,052,102
Retirement benefits obligation	**4,643,270**	4,133,055	4,484,322
Lease liabilities	**328,420**	601,354	1,016,939
	13,315,615	13,076,998	15,553,363
Less: Unrecognized deferred tax asset	**(8,343,925)**	(8,342,589)	(10,052,102)
	₱ 4,971,690	₱ 4,734,409	₱ 5,501,261

	2022	2021 *(As restated)*	2020 *(As restated)*
Deferred tax liabilities			
Excess of financial realized gross profit over taxable realized gross profit	**₱63,498,877**	₱53,831,323	₱48,029,293
Remeasurement gain on retirement benefits	**2,358,239**	1,440,861	875,253
Right-of-use assets	**284,725**	540,824	956,308
	₱66,141,841	₱55,813,008	₱49,860,854

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 on retirement benefits amounted to ₱917,378, ₱711,483, and ₱52,709 for the years ended December 31, 2022, 2021 and 2020, 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).

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, 2022.

The movement in the retirement benefits obligation for the years ended December 31, 2022, 2021 and 2020 is as follows:

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Retirement benefits obligation**
January 1, 2022	**₱ 11,183,537**	**(₱ 414,757)**	**₱ 10,768,780**
Retirement expense:			
Current service costs	**1,492,729**	**–**	**1,492,729**
Interest expense (income)	**569,242**	**(21,111)**	**548,131**
	2,061,971	**(21,111)**	**2,040,860**
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	**(3,320,188)**	**–**	**(3,320,188)**
Experience/return	**(368,607)**	**19,281**	**(349,326)**
	(3,688,795)	**19,281**	**(3,669,514)**
As at December 31, 2022	**₱ 9,556,713**	**(₱416,587)**	**₱ 9,140,126**

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

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

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

	2022	2021	2020
Balance at beginning of year	**₱ 4,322,581**	₱ 2,042,257	₱ 1,919,268
Amounts recognized in OCI	**3,669,514**	2,845,932	175,698
Effect of change in income tax rate	**–**	145,875	–
	7,992,095	5,034,064	2,094,966
Attributable tax	**(917,379)**	(711,483)	(52,709)
Balance at end of year	**₱ 7,074,716**	₱ 4,322,581	₱ 2,042,257

Remeasurement gain on retirement benefits, net of related tax amounting to ₱917,378, ₱711,483 and ₱52,709 (see Note 24), in the statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 amounted to ₱2,752,135, ₱2,280,324, and ₱122,989, 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, 2022, 2021 and 2020 amounted to ₱2,040,860, ₱2,284,481 and ₱2,178,794, respectively (see Note 21).

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

	2022	2021	2020
Cash and cash equivalents	**₱ 320,772**	₱ 355,530	₱ 328,057
Government bonds and securities	**95,815**	59,227	55,766
	₱ 416,587	₱ 414,757	₱ 383,823

The Parent Company's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2022, 2021 and 2020.

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

	2022	2021	2020
Interest income	**₱ 21,111**	₱ 15,881	₱ 28,311
Loss on plan assets, excluding amounts included in net interest cost	**(19,281)**	(19,347)	(26,585)
	₱ 1,830	(₱ 3,466)	₱ 1,726

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

	2022	2021	2020
Discount rate	**7.19%**	5.09%	3.96%
Salary rate increase	**5.00%**	5.00%	5.00%

The discount rate at December 31, 2022, 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, 2022	**Impact on retirement benefits obligations**		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**100 bps**	**Decrease by 3.4%**	**Decrease by 3.2%**
Salary increase rate	**100 bps**	**Increase by 3.5%**	**Decrease by 3.3%**

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 years 3.0, 10.0 and 10.1 years in 2022, 2021 and 2020, respectively.

The Parent Company does not expect any contributions to post-employment benefit plans for the years ending December 31, 2022, 2021 and 2020, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

2022	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefits obligation	**₱ –**	**₱4,650,516**	**₱5,630,546**	**₱4,030,499**	**₱14,311,561**
2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ –	₱3,261,615	₱3,358,033	₱3,409,792	₱10,029,440
2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ –	₱2,457,511	₱4,298,569	₱4,159,583	₱10,915,663

26. BUSINESS SEGMENT INFORMATION

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

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

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

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

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

The segment information is as follows:

December 31, 2022	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Parent Company Total
Revenue							
Sales	₱ –	₱ 77,218,670	₱ 97,202,340	₱ 50,310,343	₱ –	₱ –	₱224,731,353
Cost of sales	–	(36,087,006)	(50,329,921)	(21,069,346)	–	–	(107,486,273)
Gross profit	–	41,131,664	46,872,419	29,240,997	–	–	117,245,080
Other income	11,657,922	2,724,544	1,244,258	4,102,373	361,018	4,808,294	24,898,409
	11,657,922	43,856,208	48,116,677	33,343,370	361,018	4,808,294	142,143,489
Expenses							
Depreciation	2,771,442	401,635	410,964	569,989	–	–	4,154,030
Loss on cancelled contracts	–	2,991,720	–	2,329,826	–	–	5,321,546
Other expenses	29,683,353	10,432,266	7,490,234	13,553,980	174,244	7,936,834	69,270,911
	32,454,795	13,825,621	7,901,198	16,453,795	174,244	7,936,834	78,746,487
Segment income (loss)	(20,796,873)	30,030,587	40,215,479	16,889,575	186,774	(3,128,540)	63,397,002
Finance cost	14,074,850	31,038	73,269	399,754	–	–	14,578,911
Retirement benefits expense	2,040,860	–	–	–	–	–	2,040,860
Provision for income tax	19,112,970	–	–	–	–	–	19,112,970
Net income (loss) for the year	(₱ 56,025,553)	₱ 29,999,549	₱ 40,142,210	₱ 16,489,821	₱ 186,774	(₱3,128,540)	₱27,664,261
Segment assets	₱1,801,740,842	₱367,647,778	₱215,849,264	₱695,831,718	₱1,591,955	₱2,089,068	₱3,084,750,625
Investment in a subsidiary	7,800,000	–	–	–	–	–	7,800,000
Deferred tax assets	4,971,690	–	–	–	–	–	4,971,690
Total assets	₱1,814,512,532	₱367,647,778	₱215,849,264	₱695,831,718	₱1,591,955	₱2,089,068	₱3,097,522,315
Segment liabilities	₱ 77,031,025	₱ 89,534,418	₱142,611,333	₱ 75,933,195	₱ 535,972	₱ 1,180,122	₱ 386,826,065
Borrowings	137,941,585	–	–	70,782	–	–	138,012,367
Retirement benefits obligation	9,140,126	–	–	–	–	–	9,140,126
Total liabilities	₱ 224,112,736	₱ 89,534,418	₱142,611,333	₱ 76,003,977	₱535,972	₱ 1,180,122	₱ 533,978,558

December 31, 2021	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Parent Company Total
Revenue							
Sales	₱ –	₱81,840,218	₱ 16,517,046	₱ 81,911,251	₱ –	₱ –	₱ 180,268,515
Cost of sales	–	(30,900,632)	(9,495,323)	(29,674,438)	–	–	(70,070,393)
Gross profit	–	50,939,586	7,021,723	52,236,813	–	–	110,198,122
Other income	9,498,335	968,944	130,622	4,137,728	993,601	4,926,016	20,655,246
	9,498,335	51,908,530	7,152,345	56,374,541	993,601	4,926,016	130,853,368
Expenses							
Depreciation	2,736,741	441,033	414,358	554,370	–	–	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
	33,567,934	13,959,120	4,047,159	13,949,835	163,500	151,263	65,838,811
Segment income (loss)	(24,069,599)	37,949,410	3,105,186	42,424,706	830,101	4,774,753	65,014,557
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
Net income (loss) for the year	(₱38,454,502))	₱ 37,900,517	₱ 2,995,243	₱ 42,363,058	₱ 830,101	₱4,774,753	₱ 50,409,170
Segment assets	₱967,485,907	₱ 389,959,005	₱ 77,001,498	₱ 512,862,274	₱ 1,322,845	₱4,330,639	₱1,952,962,168
Investment in a subsidiary	7,800,000	–	–	–	–	–	7,800,000
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
Total assets	₱980,020,316	₱ 389,959,005	₱ 77,001,498	₱ 512,862,274	₱ 1,322,845	₱4,330,639	1,965,496,577
Segment liabilities	₱ 28,149,975	₱ 137,074,660	₱ 61,635,147	₱ 128,756,375	₱ 457,696	₱ 373,403	₱356,447,256
Borrowings	117,890,635	–	–	70,782	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
Total liabilities	₱156,809,390	₱ 137,074,660	₱ 61,635,147	₱ 128,827,157	₱ 457,696	₱ 373,403	₱ 485,177,453

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Parent Company Total
Revenue						
Sales	₱ –	₱ 62,039,870	₱3,411,942	₱ 103,765,289	₱ –	₱169,217,101
Cost of sales	–	(17,391,746)	(2,127,123)	(41,007,204)	–	(60,526,073)
Gross profit	–	44,648,124	1,284,819	62,758,085	–	108,691,028
Other income	9,432,237	591,865	164	2,408,086	–	12,432,352
	9,432,237	45,239,989	1,284,983	65,166,171	–	121,123,380
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)	(26,158,222)	35,826,406	(233,740)	52,251,116	(157,090)	61,528,470
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	(₱50,587,05)	₱ 35,783,504	(₱ 375,264)	₱ 52,217,202	(₱ 157,090)	₱ 36,881,297
Segment assets	₱464,290,526	₱685,913,747	₱ 80,498,755	₱316,471,779	₱6,117,587	₱1,553,292,394
Investment in subsidiary	7,800,000	–	–	–	–	7,800,000
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱477,591,787	₱685,913,747	₱ 80,498,755	₱ 316,471,779	₱6,117,587	₱1,566,593,655
Segment liabilities	₱ 141,132,887	₱117,455,995	₱ 7,026,285	₱93,362,557	₱419,003	₱359,396,727
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱271,129,409	₱ 117,455,995	₱ 7,026,285	₱93,362,557	₱ 419,003	₱489,393,249

Although Davao and Valenzuela segments do not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2022, 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:

	2022	2021	2020
Current	**₱ 849,136**	₱ 1,091,736	₱ 984,384
Noncurrent	**464,542**	1,313,678	2,405,414
	₱ 1,313,678	₱ 2,405,414	₱ 3,389,798

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

	2022	2021	2020
Not later than one year	**₱ 929,418**	₱ 1,246,094	₱ 1,204,868
Later than one year but not later than five years	**496,200**	1,425,616	2,671,711
Future minimum lease payments	**1,425,618**	2,671,710	3,876,579
Amounts representing finance charges	**(111,940)**	(266,296)	(486,781)
	₱ 1,313,678	₱ 2,405,414	₱ 3,389,798

The net carrying amount of the right-of-use assets recognized as at December 31, 2022, 2021 and 2020 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱154,357, ₱220,484 and ₱229,446 for the years ended December 31, 2022, 2021 and 2020 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 ₱309,669, ₱275,865 and ₱141,464, for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

28. CONTINGENCIES

a) Claims from expropriated property in Chateaux Geneva

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

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

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

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

On December 18, 2017, the Special Nineteenth (19^{th}) Division of the Court of Appeals Visayas issued a decision holding that the respective appeals of plaintiff-appellant Republic of the Philippines and defendants-appellants PRC and the Parent Company were denied. The November 13, 2012 Decision of the Regional Trial Court, Sixth (6^{th}) Judicial Region, Branch 24, Iloilo City, in Civil Case no. 06-29100, and its May 22, 2013 Order are affirmed with modification in the amount of just compensation, which shall earn a legal interest at the rate of 12% per annum from the time of the subject properties taking until June 20, 2013 and, thereafter, or from July 1, 2013 until full payment thereof, the legal rate shall be 6% per annum, or a total amount of ₱1,920,374,375.

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.

On February 14, 2022, the Supreme Court founds the decision of both the RTC and CA to be conclusive and affirmed the decision of the RTC and CA with modification as to the interest. The Supreme Court denied the December 18, 2017 and Resolution dated July 18, 2018 of the CA are affirmed with modification in that an interest at the rate of 6% per annum shall be imposed on the total amount due from the finality of the decision until full payment.

The Supreme Court decision became final on October 10, 2022 and informed both parties of its Entry of judgement on November 7, 2022.

On February 9, 2023, the RTC-Iloilo issued a Writ of Execution directing the Sheriff to implement/ enforce the Decision of the Supreme Court. The Sheriff's Demand and together with the Writ of Execution have been served to the Office of the Solicitor General (OSG) and DPWH's Main Office on February 23, 2023.

The aforementioned Writ of Execution and Sheriff's demand remain unheeded. Hence, a Notice of Garnishment has been served to both Landmark of the Philippines and Development Bank of the Philippines on March 7, 2023.

On March 28, 2023, the Parent Company received a copy of the comment/opposition filed by the OSG.

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:

	2022	2021 *(As restated)*	2020 *(As restated)*
Net income	**₱ 27,664,261**	₱ 50,409,170	₱ 36,881,297
Weighted average number of common shares outstanding during the year	**2,355,059,687**	1,632,326,397	1,445,549,830
Earnings per share	**₱ 0.0117**	₱ 0.0309	₱ 0.0255

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, contract assets, advances to related parties and refundable deposit lodged in "Other noncurrent assets".

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

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

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

		December 31, 2022			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	**(a)**		**₱ 12,390,383**	**₱ –**	**₱ 12,390,383**
Trade and other receivables – note 5	**(b)**	**Simplified approach**	**247,568,173**	**(7,265,960)**	**240,302,213**
Contract assets – note 16	**(b)**	**Simplified approach**	**239,673,132**	**–**	**239,673,132**
Advances to related parties – note 23	**(c)**	**General approach**	**670,845,945**	**(25,864,767)**	**644,981,178**
Refundable deposits classified as "Other noncurrent assets" - note 11	**(d)**		**10,043,223**	**–**	**10,043,223**
Total			**₱1,180,520,856**	**(₱33,130,727)**	**₱1,147,390,129**

		December 31, 2021			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱ 384,687,399	₱ –	₱ 384,687,399
Trade and other receivables – note 5	(b)	Simplified approach	137,699,060	(7,505,588)	130,193,472
Contract assets – note 16	(b)	Simplified approach	167,026,032	–	167,026,032
Advances to related parties – note 23	(c)	General approach	579,364,749	(25,864,767)	553,499,982
Refundable deposits classified as "Other noncurrent assets" - note 11	(d)		8,977,291	–	8,977,291
Total			₱1,277,754,531	(₱33,370,355)	₱1,244,384,176

		December 31, 2020			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks– note 4	(a)		₱ 16,493,575	₱ –	₱ 16,493,575
Trade and other receivables – note 5	(b)	Simplified approach	87,496,830	(7,642,239)	79,854,591
Contract assets – note 16	(b)	Simplified approach	224,628,558	–	224,628,558
Advances to related parties – note 23	(c)	General approach	567,019,551	(25,864,767)	541,154,784
Refundable deposits classified as "Other noncurrent assets" - note 11	(d)		7,680,337	–	7,680,337
Total			₱ 903,318,851	(₱33,507,006)	₱ 869,811,845

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 and contract assets

Credit risk from installments contract receivables and contract assets are 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 and contract assets are 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 management's adopted policy on ECL. The Group determines the ECL on these items by using 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.

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, Bulacan 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.

The aging of receivables are as follows:

December 31, 2022	**Trade and other receivables**	**Advances to related parties**	**Total**
Performing	**₱228,621,242**	**₱644,981,178**	**₱873,602,420**
Doubtful			
1-30 days	**66,679**	**–**	**66,679**
31-90 days	**311,257**	**–**	**311,257**
91-180 days	**188,498**	**–**	**188,498**
181-360 days	**312,177**	**–**	**312,177**
In default			
1-2 years	**3,885,103**	**–**	**3,885,103**
2-3 years	**2,515,257**	**–**	**2,515,257**
3-5 years	**11,089,466**	**–**	**11,089,466**
Write-off	**578,494**	**25,864,767**	**26,443,261**
	₱247,568,173	**₱670,845,945**	**₱918,414,118**

December 31, 2021	Trade and other receivables	Advances to related parties	Total
Performing	₱117,994,434	₱553,499,982	₱671,494,416
Doubtful			
1-30 days	180,802	–	180,802
31-90 days	162,767	–	162,767
91-180 days	250,486	–	250,486
181-360 days	741,464	–	741,464
In default			
1-2 years	3,461,480	–	3,461,480
2-3 years	2,900,990	–	2,900,990
3-5 years	11,428,143	–	11,428,143
Write-off	578,494	25,864,767	26,443,261
	₱137,699,060	₱579,364,749	₱717,063,809

December 31, 2020	Trade and other receivables	Advances to related parties	Total
Performing	₱66,668,812	₱541,154,784	₱607,823,596
Doubtful			
1-30 days	–	–	–
31-90 days	–	–	–
91-180 days	–	–	–
181-360 days	705,548	–	705,548
In default			
1-2 years	3,852,967	–	3,852,967
2-3 years	5,229,906	–	5,229,906
3-5 years	10,461,103	–	10,461,103
Write-off	578,494	25,864,767	26,443,261
	₱ 87,496,830	₱567,019,551	₱654,516,381

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, 2022, 2021 and 2020, the Parent Company's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes government liabilities) which are presented below:

		Maturing in		
December 31, 2022	**On Demand**	**Within 1 year**	**1 to 5 years**	**Total**
Accounts payable and other liabilities*	**₱49,558,272**	**₱ –**	**₱ –**	**₱ 49,558,272**
Contract liabilities	**–**	**77,637,926**	**–**	**77,637,926**
Borrowings	**–**	**99,331,806**	**38,680,561**	**138,012,367**
Lease liabilities	**–**	**849,136**	**464,542**	**1,313,678**
Advances from related parties	**–**	**–**	**113,260,809**	**113,260,809**
Retention payable and guarantee bonds	**–**	**–**	**26,322,916**	**26,322,916**
	₱49,558,272	**₱177,818,868**	**₱178,728,828**	**₱406,105,968**

**excluding government liabilities*

		Maturing in		
December 31, 2021	On Demand	Within 1 year	1 to 5 years	Total
Accounts payable and other liabilities*	₱61,352,879	₱ –	₱ –	₱61,352,879
Contract liabilities	–	58,072,892	–	58,072,892
Borrowings	–	90,769,256	27,192,161	117,961,417
Lease liabilities	–	1,091,736	1,313,678	2,405,414
Advances from related parties	–	–	104,993,224	104,993,224
Retention payable and guarantee bonds	–	–	23,857,933	23,857,933
	₱61,352,879	₱149,933,884	₱157,356,996	₱368,643,759

**excluding government liabilities*

December 31, 2020	On Demand	Maturing in Within 1 year	1 to 5 years	Total
Accounts payable and other liabilities*	₱51,290,965	₱ –	₱ –	₱51,290,965
Contract liabilities	–	81,801,958	–	81,801,958
Borrowings	–	96,027,677	21,938,614	117,966,291
Lease liabilities	–	984,384	2,405,414	3,389,798
Advances from related parties	–	–	104,024,033	104,024,033
Retention payable and guarantee bonds	–	–	26,149,094	26,149,094
	₱51,290,965	₱178,814,019	₱154,517,155	₱384,622,139

** 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 Parent Company's market risk is manageable within conservative bounds. As at December 31, 2022, 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, 2022, 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, 2022, 2021 and 2020, the Parent Company is exposed to market interest rates through its borrowings and cash, installment contract receivables, and advances to related parties which are subject to fixed interest rates.

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

December 31, 2022	**Interest Rate**	**Interest Terms**	**Within 1 year**	**Within 1 to 7 years**	**Total**
Financial assets					
Cash in banks	**0.125% to 0.25%**	**Fixed at the date of investment**	**₱ 12,390,383**	**₱ –**	**₱ 12,390,383**
Installment contract receivables, gross	**12% to 19%**	**Fixed at the date of sale**	**84,621,275**	**–**	**84,621,275**
Advances to related parties, gross	**2%**	**Fixed based on PN renewed in 2021 -note 23**	**670,845,945**	**–**	**670,845,945**
			₱767,857,603	**₱ –**	**₱767,857,603**
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	**9.25% to 15%**	**Fixed based on PN issuance**	**₱ 99,331,806**	**₱38,680,561**	**₱138,012,367**

December 31, 2021	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱ 384,687,399	₱ –	₱ 384,687,399
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	106,372,154	–	106,372,154
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	579,364,749	–	579,364,749
			₱1,070,424,302	₱ –	₱1,070,424,302
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱90,769,256	₱27,192,161	₱117,961,417

December 31, 2020	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱16,493,575	₱ –	₱ 16,493,575
Installment contract receivables, gross	12%	Fixed at the date of sale	49,290,572	–	49,290,572
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	297,695,915	269,314,636	567,010,551
			₱363,480,062	₱269,323,636	₱632,803,698
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:

2022			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	Change in interest rate	Effect on income before tax	Effect on equity
+0.5%	**₱3,149,226**	**₱2,361,920**	+0.5%	₱4,762,314	₱ 3,571,736	+0.5%	₱ 2,574,187	₱ 1,801,931
-0.5%	**(₱3,149,226)**	**(₱2,361,920)**	-0.5%	(₱4,762,314)	(₱3,571,736)	-0.5%	(₱2,574,187)	(₱1,801,931)

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 ₱2,532,543,757, ₱1,449,319,124 and ₱1,047,200,406 as at December 31, 2022, 2021 and 2020, respectively.

The Parent Company's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 0.20:1 to 0.50:1 on a monthly basis as follows:

	2022	2021 *(As restated)*	2020 *(As restated)*
Total liabilities	**₱533,978,558**	₱485,177,453	489,393,249
Total equity	**2,563,543,757**	1,480,319,124	1,077,200,406
	0.21:1	0.33:1	0:45:1

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

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

32. FAIR VALUE INFORMATION

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

December 31, 2022	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Advances to related parties	**₱644,981,178**	**₱632,334,488**	**Level 2**	**(b)**
Refundable deposits	**10,043,223**	**9,545,892**	**Level 2**	**(c)**
	₱655,024,401	**₱641,880,380**		
Financial liabilities at amortized cost				
Advances from related parties	**₱113,260,809**	**₱ 108,862,754**	**Level 2**	**(b)**
Borrowings	**138,012,367**	**133,776,472**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**26,322,916**	**23,440,302**	**Level 2**	**(c)**
Lease liabilities	**1,313,678**	**1,262,806**	**Level 2**	**(d)**
	₱278,909,770	**₱267,342,334**		

December 31, 2021	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Advances to related parties	₱553,499,982	₱532,006,903	Level 2	(b)
Refundable deposits	8,977,291	8,830,727	Level 2	(c)
	₱562,477,273	₱540,837,630		
Financial liabilities at amortized cost				
Advances from related parties	₱104,993,224	₱100,916,209	Level 2	(b)
Borrowings	117,961,417	116,561,437	Level 2	(d)
Retention payable and guarantee bonds	23,857,933	23,000,902	Level 2	(c)
Lease liabilities	2,405,414	2,337,780	Level 2	(d)
	₱249,217,988	₱242,816,328		

December 31, 2020	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Advances to related parties	₱541,154,784	₱535,873,928	Level 2	(c)
Refundable deposits	7,680,337	7,551,063	Level 2	(b)
	₱548,835,121	₱543,424,991		
Financial liabilities at amortized cost				
Advances from related parties	₱ 104,024,033	₱ 101,984,346	Level 2	(c)
Borrowings	117,966,291	117,178,206	Level 2	(d)
Retention payable and guarantee bonds	26,149,094	25,209,759	Level 2	(b)
Lease liabilities	3,389,798	3,163,214	Level 2	(d)
	₱ 251,529,216	₱ 247,535,525		

The fair values of cash in banks, trade and other receivables 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, 2022, 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 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.

(b) 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 2022, 2021 and 2020.

(c) The fair value of refundable deposits, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 5.21% to 5.97% in 2022 and 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 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 5.97% in 2022 and 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, 2022	**Changes from financing cash flows**	**Balance as at December 31, 2022**
Borrowings	**₱ 117,961,417**	**₱ 20,050,950**	**₱ 138,012,367**
Advances from related parties	**104,993,224**	**8,267,585**	**113,260,809**
Lease liabilities	**2,405,414**	**(1,091,736)**	**1,313,678**
	₱ 225,360,055	**₱ 27,226,799**	**₱ 252,586,854**

	Balance as at January 1, 2021	Changes from financing cash flows	Balance as at December 31, 2022
Borrowings	₱ 117,966,291	(₱ 4,874)	₱ 117,961,417
Advances from related parties	104,024,033	969,191	104,993,224
Lease liabilities	3,389,798	(984,384)	2,405,414
	₱ 225,380,122	(₱ 20,067)	₱ 225,360,055

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

34. PRIOR PERIOD ERRORS

The prior period adjustments resulted from error in the recognition of revenues, cost of sales and gross profit. As a result of the error, there are also corrections on the balances of installment contract receivables, contract assets, real estate inventories, contract liabilities, deferred gross profit and deficit in the financial position, as follows:

a) Statement of financial position

	As previously stated	Effect of correction of error	As restated
January 1, 2020			
Change in equity			
Deficit	₱ 361,983,819	₱45,289,159	₱407,272,978
December 31, 2020			
Change in assets			
Trade and other receivables	₱580,544,740	(₱500,690,149)	₱79,854,591
Contract assets	–	224,628,558	224,628,558
Real estate inventories	390,734,889	189,260,853	579,995,742
Change in liabilities			
Contract liabilities	–	(81,801,958)	(81,801,958)
Deferred gross profit	(144,998,054)	144,998,054	–
Deferred tax liabilities	(62,209,661)	12,348,807	(49,860,854)
Change in equity			
Deficit	359,135,846	11,255,835	370,391,681
January 1, 2021			
Change in equity			
Deficit	₱ 359,135,846	₱19,700,180	₱378,836,026
December 31, 2021			
Change in assets			
Trade and other receivables	₱617,782,630	(₱487,589,158)	₱130,193,472
Contract assets	–	167,026,032	167,026,032
Real estate inventories	387,371,414	225,946,271	613,317,685
Change in liabilities			
Contract liabilities	–	(58,072,892)	(58,072,892)
Deferred gross profit	(156,073,566)	156,073,566	–
Deferred tax liabilities	(52,331,787)	(3,481,221)	(55,813,008)
Change in equity			
Deficit	343,009,017	97,403	343,106,420

The prior period adjustments resulted to correction of balances of real estate sales and cost of real estate sold in the statements of comprehensive income, as follows:

b) Statement of comprehensive income

	As previously stated	Effect of correction of error	As restated
December 31, 2020			
REAL ESTATE SALES	₱217,943,438	(₱48,726,337)	₱169,217,101
COST OF REAL ESTATE SOLD	(90,084,118)	(29,558,045)	(60,526,073)
GROSS PROFIT	127,859,320	(19,168,292)	108,691,028
DEFERRED GROSS PROFIT	(90,046,386)	90,046,386	–
REALIZED GROSS PROFIT DURING THE YEAR	37,812,934	70,878,094	108,691,028
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	36,844,770	(36,844,770)	–
TOTAL REALIZED GROSS PROFIT	₱74,657,704	₱34,033,324	₱108,691,028
December 31, 2021			
REAL ESTATE SALES	₱239,705,802	(₱59,437,287)	₱180,268,515
COST OF REAL ESTATE SOLD	(108,517,729)	(38,447,336)	(70,070,393)
GROSS PROFIT	131,188,073	(20,989,951)	110,198,122
DEFERRED GROSS PROFIT	(87,067,522)	87,067,522	–
REALIZED GROSS PROFIT DURING THE YEAR	44,120,551	66,077,571	110,198,122
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	35,218,959	(35,218,959)	–
TOTAL REALIZED GROSS PROFIT	₱79,339,510	₱30,858,612	₱110,198,122

Further, stock transaction costs amounting to ₱3,423,729 was erroneously charged to statements of comprehensive income in 2021. In this regard, the operating expenses was overstated in 2021 by the same amount. To correct the error, the stock transaction cost amounting to ₱3,423,729 was deducted from the operating expenses in 2021 and was directly charged to equity in 2021.

35. 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, 2022 as follows:

	Gross revenues	Output VAT
Subject to 12% VAT	**₱ 92,572,379**	**₱ 11,108,685**
Zero-rated	**–**	**–**
Exempt	**85,877,572**	**–**
	₱ 178,449,949	**₱ 11,108,685**

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, 2022 is as follows:

At beginning of year	**₱ –**
Current purchases and payments for:	
Input on capital goods exceeding 1M	**4,419,215**
Goods other than capital goods	**83,636,178**
Services/goods other than for resale or manufacture	**11,674,225**
	99,729,618
Claims against output VAT	**(11,108,685)**
At end of year	**₱88,620,933**

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, 2022.

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, 2022.

e) Documentary Stamp Tax

The Parent Company paid documentary stamp tax from availment of borrowings amounting to ₱547,067 for the year ended December 31, 2022.

f) Taxes and Licenses

Details of taxes and licenses for the year ended December 31, 2022 are as follows:

Permits and other taxes	**₱ 4,562,595**
Real property tax	**9,812,043**
Annual registration	**2,000**
	₱14,376,638

g) Withholding Taxes

Details of withholding taxes paid and accrued for the year ended December 31, 2022 are as follows:

Expanded withholding tax	**₱4,238,893**
Withholding tax on compensation	**630,302**
	₱4,869,195

h) Deficiency Tax Assessment and Tax Cases

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, 2022.

i) Other Information

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

*　　*　　*

Statement Required by Rule 68, Part I, Section 3.F,
Revised Securities Regulation Code (SRC)

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

We have audited the accompanying financial statements of **Philippine Estates Corporation** (the 'Parent Company'), as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 28, 2023. In connection with our audit, we obtained a certification from the Parent Company's corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2022. In relation to the certification issued by the corporate secretary, we conducted certain tests necessary to validate the related Parent Company's entries and balances.

In compliance with Revised SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of the work performed, as at December 31, 2022, the Parent Company has seven hundred two (702) stockholders owning one hundred (100) or more shares each.

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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

Independent Auditors' Report on
Components of Financial Soundness Indicators

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

We have audited in accordance with Philippine Standards on Auditing, the Parent Company financial statements of **Philippine Estates Corporation** (the 'Parent Company') as at December 31, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. Our audits were made for the purpose of forming an opinion on the Parent Company 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 Parent Company'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 Parent Company financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Parent Company's financial statements as at December 31, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022 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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

PHILIPPINE ESTATES CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2022

Ratio	Formula	2022	2021	2020
Profitability ratios:				
Return on assets	Net income	**₱ 27,664,261**	₱ 50,409,170	₱ 36,881,297
	Divided by: Total assets	**3,097,522,315**	1,965,496,577	1,566,593,655
	Return on assets	**0.01:1**	0.03:1	0.02:1
Return on equity	Net income	**₱ 27,664,261**	₱ 50,409,170	₱ 36,881,297
	Divided by: Total equity	**2,563,543,757**	1,480,319,124	1,077,200,406
	Return on equity	**0.01:1**	0.03:1	0.04:1
Net profit margin	Net income	**₱ 27,664,261**	₱ 50,409,170	₱ 36,881,297
	Divided by: Total revenue	**224,731,353**	180,268,515	169,217,101
	Net profit margin	**0.12:1**	0.28:1	0.22:1
Gross profit margin	Total revenue	**₱ 224,731,353**	₱ 180,268,515	₱ 169,217,101
	Less: Cost of real estate sold	**107,486,273**	70,070,393	60,526,073
	Gross profit	**117,245,080**	110,198,122	108,691,028
	Divided by: Total revenue	**224,731,353**	180,268,515	169,217,101
	Gross profit margin	**0.52:1**	0.61:1	0.64:1
Solvency and liquidity ratios:				
Current ratio	Current assets	**₱2,345,563,017**	₱1,302,798,488	₱1,185,710,302
	Divided by: Current liabilities	**279,967,763**	261,238,669	272,985,009
	Current ratio	**8.38:1**	4.99:1	4.34:1
Debt to equity ratio	Total liabilities	**₱ 533,978,558**	₱ 485,177,453	₱ 489,393,249
	Divided by: Total shareholder's equity	**2,563,543,757**	1,480,319,124	1,077,200,406
	Debt to equity ratio	**0.21:1**	0.33:1	0.45:1
Quick ratio	Quick assets*	**₱ 253,109,042**	₱ 515,137,317	₱ 96,601,612
	Divided by: Current liabilities	**279,967,763**	261,238,669	272,985,009
	Quick ratio	**0.90:1**	1.97:1	0.35:1
Cashflow liquidity ratio	Cashflow from operations	**(₱1,374,876,641)**	₱14,426,680	₱11,992,974
	Divided by: Current liabilities	**279,967,763**	261,238,669	272,985,009
	Cashflow liquidity ratio	**-491.08%**	5.52%	4.39%

Financial leverage ratio				
Asset to equity ratio	Total assets	**₱3,097,522,315**	₱1,965,496,577	₱1,566,593,655
	Divided by: Total shareholder's equity	**2,563,543,757**	1,480,319,124	1,077,200,406
	Asset to equity ratio	**1.21:1**	1.33:1	1.47:1
Debt to asset ratio				
	Total liabilities	**₱ 533,978,558**	₱ 485,177,453	₱ 489,393,249
	Divided by: Total assets	**3,097,522,315**	1,965,496,577	1,566,593,655
	Debt to asset ratio	**0.17:1**	0.25:1	0.31:1
Interest rate coverage ratio				
	Earnings before interest and tax	**₱ 61,356,142**	₱ 62,730,076	₱ 59,349,676
	Divided by: Interest expense	**14,578,911**	16,062,657	16,096,807
	Interest rate coverage ratio	**4.21:1**	3.91:1	3.69:1

**Includes Cash and Current Receivables*

Diaz Murillo
Dalupan and Company

WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

Statement Required by Rule 68, Part I, Section 5,
Revised Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Philippine Estates Corporation** (the 'Parent Company'), as at December 31, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. The supplementary information shown in *List of Supplementary Information* are presented for the purpose of filing with the Securities and Exchange Commission and are not required part of basic Parent Company financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

PHILIPPINE ESTATES CORPORATION
List of Supplementary Information
DECEMBER 31, 2022

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

PHILIPPINE ESTATES CORPORATION
Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)
December 31, 2022

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at balance sheet date	Income received and accrued
Financial assets at FVOCI				
Waterfront Manila Premier Development, Inc.	500,000	₱50,000,000	₱ –	₱ –

PHILIPPINE ESTATES CORPORATION
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additional	Accrual of Interest	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Instalment contract receivable								
International Polymer Corp.	₱ 4,340,519	₱ –	₱ –	₱ –	₱ –	₱ 4,340,519	₱ –	₱ 4,340,519
Advances to employees								
(under Trade and other receivables)	6,237,284	–	–	(3,243,498)	–	2,993,786	–	2,993,786
Advances to related parties								
Plastic City Corp.	197,140,311	462,770	3,856,418	(200)	–	–	201,459,299	201,459,299
Forum Holdings Corp.	39,188,624	91,992	766,601	–	–	–	40,047,217	40,047,217
Kennex Container Corp.	36,615,523	85,618	713,482	(139,201)	–	–	37,275,422	37,275,422
Orient Pacific Corp.	25,596,884	110,137	500,721	(50,051)	–	–	26,157,691	26,157,691
Noble Arch Realty and Construction	4,964,286	43,322	96,464	–	–	–	5,104,072	5,104,072
Pacific Rehouse Corporation	873,986	350,194,922	–	(320,607,126)	–	–	30,461,782	30,461,782
Metro Alliance Holdings and Equities Corporation	274,782,761	631,201	5,260,007	–	–	–	280,673,969	280,673,969
Rexlon Realty Group, Inc	–	442,480	–	–	–	–	442,480	442,480
Westland Pacific Properties Corp.	–	228,772,519	162,555	(179,986,605)	–	–	48,948,469	48,948,469
Mariano Arroyo Development Corporation	202,374	73,170	–	–	–	–	275,544	275,544
	₱589,942,552	**₱580,908,131**	**₱11,356,248**	**(₱504,026,681)**	**₱ –**	**₱7,334,305**	**₱670,845,945**	**₱678,180,250**

PHILIPPINE ESTATES CORPORATION
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period

Not Applicable

PHILIPPINE ESTATES CORPORATION
Schedule D – Long Term Debt
December 31, 2022

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	₱ 99,331,806	₱ 38,680,561

PHILIPPINE ESTATES CORPORATION
Schedule E – Indebtedness to Related Parties (Long Term Loans From Related Companies)
December 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
Waterfront Cebu City Hotel	₱ 92,054,457	₱ 92,054,457
The Wellex Group, Inc.	7,938,239	7,938,239
Concept Moulding Corp.	3,830,646	79,873
Inland Container Corporation	1,000,000	500,000
Manila Pavilion	166,530	166,530
Crisanta Realty Development Corp.	–	8,831,858
Stockholders		
International Polymer Corp.	3,352	3,689,852
	₱ 104,993,224	**₱113,260,809**

PHILIPPINE ESTATES CORPORATION
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2022

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

Not Applicable

PHILIPPINE ESTATES CORPORATION
Schedule G – Capital Stock
December 31, 2022

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	2,891,016,410	–	1,856,950,020	3,286,300	1,856,950,020

PHILIPPINE ESTATES CORPORATION
Reconciliation of Retained Earnings Available For Dividend Declaration
December 31, 2022

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱ –	
Add: Net income actually earned/realized during the period	–	
Net income during the period closed to Retained Earnings	–	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	–	
Add: Non-actual losses	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period		₱ –
Add (Less):		
Dividend declarations during the period	–	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
TOTAL RETAINED EARNINGS		–
END AVAILABLE FOR DIVIDEND		₱ –

Fwd: PHILIPPINE ESTATES CORPORATION_SEC Form 17-A_17 May 2023

From: MSRD COVID19 (msrd_covid19@sec.gov.ph)

To: phes_finance@yahoo.com

Cc: mzsantos@sec.gov.ph

Date: Tuesday, May 30, 2023 at 01:57 PM GMT+8

Gentlemen:

Acknowledging receipt of your email below with its attachments.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION
The SEC Headquarters, 7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City 1209

---------- Forwarded message ---------
From: **Philippine Estates Corp** <phes_finance@yahoo.com>
Date: Wed, May 17, 2023 at 4:12 PM
Subject: PHILIPPINE ESTATES CORPORATION_SEC Form 17-A_17 May 2023
To: ICTD Submission <ictdsubmission@sec.gov.ph>, MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: Jun Ponsaran(Sigma) <sigmahanon@yahoo.com>, Joy Valle <joyavalle@yahoo.com>, Nim Mendizabal <mendizabal.phes@gmail.com>

Dear SEC,

Please see the attached SEC 17-A, 2022 Audited Financial Statements and Sustainability Report of Philippine Estates Corporation with SEC Registration no. 112978.

Thank you,

PHES

SEC 17_A 2022 PHES 1.pdf
1MB

SEC 17_A 2022 PHES 2.1.pdf
2.5MB

SEC 17_A 2022 PHES 2.pdf
4.7MB

SEC 17_A 2022 PHES 3.pdf
852.8kB

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	2	9	7	8					

Company Name

PHILIPPINE ESTATES CORPORATION
AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
710	October/7	December/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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

Philippine Estates Corporation and Subsidiary

Financial Statements
December 31, 2022, 2021 and 2020

and

Independent Auditors' Report

PHILIPPINE ESTATES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

ARTHUR M. LOPEZ
Chairman of the Board

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

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

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

Signed this 5th day of May____, 2022

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

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group'), which comprise the consolidated statements of financial position as at December 31, 2022, 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, 2022, 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, 2022, 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, 2022, 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.

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.
- Verified the accuracy and mathematical calculations based on percentage-of-completion for sales transactions during the year and prior years.
- 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 the contract assets and liabilities 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, 2022, 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, 2022 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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31		
	2022	2021 *(As restated - Note 33)*	2020 *(As restated - Note 33)*
ASSETS			
Current Assets			
Cash - note 4	**₱ 12,896,370**	₱ 385,033,386	₱ 16,836,562
Trade and other receivables (net) - note 5	**240,302,213**	130,193,472	79,854,591
Contract assets - note 16	**239,673,132**	167,026,032	224,628,558
Advances to related parties (net) - note 23	–	–	276,397,919
Real estate inventories - note 6	**1,752,993,351**	613,317,685	579,995,742
Prepayments and other current assets - note 7	**99,787,492**	7,317,454	12,653,242
	2,345,652,558	1,302,888,029	1,190,366,614
Noncurrent Assets			
Advances to related parties (net of current portion) - note 23	**644,705,635**	553,297,609	269,151,715
Property and equipment (net) - note 10	**33,987,925**	37,511,125	40,402,837
Financial asset at FVOCI - note 8	**50,000,000**	50,000,000	50,000,000
Investment property - note 9	**162,394**	162,394	162,394
Deferred tax assets (net) - note 24	**4,971,690**	4,734,409	5,501,261
Other noncurrent assets - note 11	**10,286,686**	9,220,754	7,923,800
	744,114,330	654,926,291	373,142,007
TOTAL ASSETS	**₱3,089,766,888**	₱1,957,814,320	₱1,563,508,621
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other liabilities - note 12	**₱ 98,967,502**	₱ 107,895,206	₱ 89,679,390
Borrowings - note 13	**99,331,806**	90,769,256	96,027,677
Lease liabilities - note 27	**849,136**	1,091,736	984,384
Contract liabilities - note 16	**77,637,926**	58,072,892	81,801,958
Customers' deposits - note 14	**3,518,430**	3,746,616	4,828,637
	280,304,800	261,575,706	273,322,046
Noncurrent Liabilities			
Advances from related parties - note 23	**113,260,809**	104,993,224	104,024,033
Borrowings (net of current portion) - note 13	**38,680,561**	27,192,161	21,938,614
Lease liabilities (net of current portion) - note 27	**464,542**	1,313,678	2,405,414
Retention payable and refundable bonds - note 15	**26,322,916**	23,857,933	26,149,094
Deferred tax liabilities - note 24	**66,141,841**	55,813,008	49,860,854
Retirement benefits obligation - note 25	**9,140,126**	10,768,780	12,030,231
	254,010,795	223,938,784	216,408,240
	534,315,595	485,514,490	489,730,286
Equity			
Capital stock - note 17	**2,891,016,410**	1,819,102,963	1,445,549,830
Remeasurement gain on retirement benefits - note 25	**7,074,716**	4,322,581	2,042,257
Deficit	**(342,639,833)**	(351,125,714)	(373,813,752)
	2,555,451,293	1,472,299,830	1,073,778,335
TOTAL LIABILITIES AND EQUITY	**₱3,089,766,888**	₱1,957,814,320	₱1,563,508,621

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2022	2021 *(As restated - Note 33)*	2020 *(As restated - Note 33)*
REAL ESTATE SALES - note 18	**₱ 224,731,353**	₱ 180,268,515	₱ 169,217,101
COST OF REAL ESTATE SOLD - note 19	**(107,486,273)**	(70,070,393)	(60,526,073)
GROSS PROFIT	**117,245,080**	110,198,122	108,691,028
OTHER INCOME (net) - note 20	**24,898,409**	16,088,475	10,148,966
OPERATING EXPENSES - note 21	**(80,860,517)**	(68,153,744)	(61,792,701)
FINANCE COSTS - note 22	**(14,578,911)**	(16,062,657)	(16,096,807)
INCOME BEFORE INCOME TAX	**46,704,061**	42,070,196	40,950,486
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24			
Current	**6,457,575**	5,934,879	4,218,929
Deferred	**12,655,395**	(9,676,630)	2,152,642
	19,112,970	(3,741,751)	6,371,571
NET INCOME FOR THE YEAR	**27,591,091**	45,811,947	34,578,915
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement gain on retirement benefits (net) - note 25	**2,752,135**	2,280,324	122,989
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 30,343,226**	₱ 48,092,271	₱ 34,701,904
EARNINGS PER SHARE - note 29	**₱ 0.012**	₱ 0.028	₱ 0.024

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital Stock (Note 17)	Remeasurement Gain on Retirement Benefits (net) (Note 25)	Deficit	Total
Balance as at January 1, 2020, *as previously stated*	₱ 1,445,549,830	₱ 1,919,268	(₱ 363,103,508)	₱ 1,084,365,590
Correction of prior period error - note 33	–	–	(45,289,159)	(45,289,159)
Balance as at January 1, 2020, *as restated*	1,445,549,830	1,919,268	(408,392,667)	1,039,076,431
Comprehensive income:				
Net income for the year	–	–	34,578,915	34,578,915
Remeasurement gain on retirement benefits - note 25	–	122,989	–	122,989
Total comprehensive income for the year	–	122,989	34,578,915	34,701,904
Balance as at January 1, 2021, *as restated*	1,445,549,830	2,042,257	(373,813,752)	1,073,778,335
Correction of prior period error - note 33			(19,700,180)	(19,700,180)
Balance as at January 1, 2021, *as restated*	1,445,549,830	2,042,257	(393,513,932)	1,054,078,155
Issuance of capital stock - note 17	373,553,133	–	–	373,553,133
Stock issuance costs	–	–	(3,423,729)	(3,423,729)
Comprehensive income:				
Net income for the year	–	–	45,811,947	45,811,947
Remeasurement gain on retirement benefits - note 25	–	2,134,449	–	2,134,449
Effect of change in income tax rate - note 24	–	145,875	–	145,875
Total comprehensive income for the year	–	2,280,324	45,811,947	48,092,271
Balance as at January 1, 2022, *as restated*	**1,819,102,963**	**4,322,581**	**(351,125,714)**	**1,472,299,830**
Issuance of capital stock - note 17	**1,071,913,447**	–	–	**1,071,913,447**
Stock issuance costs	–	–	**(19,105,210)**	**(19,105,210)**
Comprehensive income:				
Net income for the year	–	–	**27,591,091**	**27,591,091**
Remeasurement gain on retirement benefits - note 25	–	**2,752,135**	–	**2,752,135**
Total comprehensive income for the year	–	**2,752,135**	**27,591,091**	**30,343,226**
Balance as at December 31, 2022	**₱ 2,891,016,410**	**₱ 7,074,716**	**(₱ 342,639,833)**	**₱ 2,555,451,293**

(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		
	2022	2021 *(As restated - Note 33)*	2020 *(As restated - Note 33)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**₱ 46,704,061**	₱ 42,070,196	₱ 40,950,486
Adjustments for:			
Loss on cancelled contracts - note 21	**5,321,546**	6,542,785	4,956,411
Finance costs - note 22	**14,578,911**	16,062,657	16,096,807
Depreciation - note 10	**4,154,030**	4,146,502	4,276,937
Retirement benefits expense - note 25	**2,040,860**	2,284,481	2,178,794
Interest income - notes 4, 5 and 23	**(17,416,260)**	(14,554,765)	(13,166,315)
Provision for (reversal of) ECL - notes 5 and 23	**(239,628)**	4,430,120	4,684,206
Operating income before working capital changes	**55,143,520**	60,981,976	59,977,326
Decrease (increase) in:			
Trade and other receivables	**(115,190,659)**	(57,018,317)	468,340,439
Contract assets	**(72,647,100)**	57,602,526	(224,628,558)
Real estate inventories	**(1,162,262,098)**	(44,909,292)	(385,076,653)
Prepayments and other current assets	**(92,470,038)**	5,335,787	4,550,615
Increase (decrease) in:			
Accounts payable and other liabilities	**(8,927,704)**	18,215,816	2,227,103
Customers' deposit	**(228,186)**	(1,082,021)	1,926,959
Contract liabilities	**19,565,034**	(23,729,066)	81,801,958
Retention payable and refundable bonds	**2,464,983**	(2,291,161)	2,489,937
Cash generated from (used in) operations	**(1,374,552,248)**	13,106,248	11,609,126
Contributions to retirement fund - note 25	**–**	(700,000)	–
Interest received	**6,060,012**	3,358,088	2,300,394
Income tax paid	**(6,457,575)**	(5,934,879)	(4,218,929)
Net cash provided by (used in) operating activities	**(1,374,949,811)**	9,829,457	9,690,591
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	**500,783,183**	883,877	37,875,000
Additional advances to related parties - note 23	**(580,834,961)**	2,564,825	(19,969,073)
Additions to property and equipment - note 10	**(630,830)**	(1,254,790)	(311,071)
Additions to other noncurrent assets	**(1,065,932)**	(1,296,954)	(1,148,720)
Acquisition of financial asset at FVOCI - note 8	**–**		(37,500,000)
Net cash provided by (used in) investing activities	**(81,748,540)**	896,958	(21,053,864)

Forwarded

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
		2021	2020
Continued			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	**128,195,132**	102,716,175	91,770,246
Payment of lease liabilities	**(1,246,093)**	(1,204,868)	(1,171,645)
Payment of finance costs - note 13 and 27	**(14,424,554)**	(15,842,173)	(15,867,361)
Payment of borrowings - note 13	**(108,144,182)**	(102,721,049)	(59,535,721)
Additional advances from related parties - note 23	**12,518,358**	2,503,352	–
Settlement of advances from related parties - note 23	**(4,250,773)**	(1,534,161)	–
Issuance of capital stock - note 17	**1,071,913,447**	373,553,133	–
Net cash provided by financing activities	**1,084,561,335**	357,470,409	15,195,519
NET INCREASE (DECREASE) IN CASH	**(372,137,016)**	368,196,824	3,832,246
CASH - note 4			
At beginning of year	**385,033,386**	16,836,562	13,004,316
At end of year	**₱ 12,896,370**	₱385,033,386	₱ 16,836,562

(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, 2022, 2021 and 2020 and for each of the three years in the period ended December 31, 2022

1. CORPORATE INFORMATION

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

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

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

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

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

The accompanying consolidated financial statements as at and for the year ended December 31, 2022 including its comparatives for 2021 and 2020 were approved and authorized for issue by its Board of Directors (BOD) on April 28, 2023.

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, 2022 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, 2022 as well as a decrease in the revenue from real estate sales in 2022. 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, 2022 as well as increase in interest expense in 2022.

Basis of Preparation

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

Functional and Presentation Currency

The 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.

Current and Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and tax liabilities are classified as non-current assets and non-current liabilities, respectively.

Basis of Consolidation

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

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

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

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

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

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

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

Composition of the Group

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

	Percentage of ownership		
	2022	2021	2020
Mariano Arroyo Development Corporation	**100%**	100%	100%

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2022.

Property, Plant and Equipment before Intended Use (Amendments to PAS 16). The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the Group's consolidated financial statements.

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. The amendments had no significant impact on the Group's consolidated financial statements.

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 amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the Group's consolidated financial statements.

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* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

The amendments had no significant impact on the Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2022

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.

Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). The narrow-scope amendments to PAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

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 amendments 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 amendments are applied prospectively. The amendments are 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.

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

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

Deferred Tax Related to Assets and Liabilities arising from Single Transaction (Amendments to PAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary difference arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies the how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments to PFRS 16 specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Noncurrent Liabilities with Covenants (Amendments to PAS 1). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as either current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024.

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, 2022 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.

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.

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, 2022, 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, 2022, 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, 2022, 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 27).

Accounts payable and other liabilities

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

Retention payable and refundable bonds

Retention payable pertains to ten percent (10%) of each progress payment retained by the 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.

Borrowings

Borrowings are recognized initially at the transaction price which is composed of the present value of cash payable to the bank, including transaction costs. Borrowings are subsequently stated at amortized cost.

All borrowing costs are recognized as an expense in profit or loss in the period incurred. Borrowing costs are recognized on the basis of the effective interest method and are included under 'Finance costs' in the consolidated statements of comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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, the Group applies a simplified approach in calculating ECL. 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.

For advances to related parties, the Group applies a general approach in calculating ECL. The Group recognizes a loss allowance using management’s adopted policy on ECL at the end of each reporting period.

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.

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.

Contract liabilities

Contract liabilities pertain to the obligation to transfer goods or services to the buyer for which the Group have received the consideration (or an amount of consideration is due) from the buyer. If the buyer pays consideration before the entities transfer goods or services to the buyer, a contract liability is recognized when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

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.

Stock transaction costs of an equity transaction are accounted for as a deduction from equity.

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 value-added tax and discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied

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. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

Revenue from sales of completed real estate properties and undeveloped land are accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In measuring the progress of its performance obligation over time, the Group use input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group use the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the Group's performance in transferring control of goods or services to the buyer.

Any excess of progress of work over collections from customers is recognized as contract assets, excluding the amount presented as installment contract receivables. Installment contract receivables represent the Group's right to an amount of consideration that is unconditional.

Any excess of collections over the progress of work is included in the "Contract liabilities" account in the liabilities section of the 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 Per Share

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Significant Accounting Judgments in Applying the Group's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

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

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

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

Lease of office space

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

Realizability of Input Value-Added Tax (VAT)

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

The Group's input VAT amounted to amounted to ₱6,978,785, Nil and ₱859,473 as at December 31, 2022, 2021 and 2020, respectively (see Note 7).

Operating Segments

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

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, 2022, 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, 2022, 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.

Estimating allowance for ECL

The Group uses a provision matrix to calculate ECL for trade and other receivables. 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). For advances to related parties, the Group applies a general approach in calculating ECL. The Group recognizes a loss allowance using management's adopted policy on ECL at the end of each reporting period. 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 amounted to ₱240,302,213, ₱130,193,472 and ₱79,854,591, net of allowance for ECL amounting to ₱7,265,960, ₱7,505,588 and ₱7,642,239, as at December 31, 2022, 2021 and 2020, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱644,705,635, ₱553,297,609 and ₱545,549,634, net of allowance for ECL amounting to ₱34,998,309, ₱34,998,309 and ₱30,431,538 as at December 31, 2022, 2021 and 2020, respectively (see Note 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, 2022, 2021 and 2020 amounted to ₱33,987,925, ₱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, 2022, 2021 and 2020 amounted to ₱4,971,690, ₱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, 2022, 2021 and 2020 amounted to ₱9,140,126, ₱10,768,780 and ₱12,030,231, respectively (see Note 25).

4. CASH

Cash as at December 31 consist of:

	2022	2021	2020
Cash on hand	**₱ 416,446**	₱ 256,446	₱ 253,446
Cash in banks	**12,479,924**	384,776,940	16,583,116
	₱12,896,370	₱385,033,386	₱16,836,562

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2022 and 2021.

Interest income earned from cash in banks amounted to ₱77,108, ₱14,364, and ₱32,565 in 2022, 2021 and 2020, 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, 2022, 2021 and 2020.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2022	2021 *(As restated)*	2020 *(As restated)*
Installment contract receivables from:			
External customers	**₱80,280,756**	₱102,031,635	₱44,950,053
Related parties – note 23	**4,340,519**	4,340,519	4,340,519
Receivable from government - note 28	**135,258,791**	–	–
Advances to homeowners	**11,880,628**	12,724,267	13,112,159
Receivables from contractors	**6,487,809**	6,401,865	7,137,365
Advances to employees	**2,993,786**	6,237,284	8,895,600
Other receivables	**6,325,884**	5,963,490	9,061,134
	247,568,173	137,699,060	87,496,830
Allowance for ECL	**(7,265,960)**	(7,505,588)	(7,642,239)
	₱240,302,213	₱130,193,472	₱79,854,591

Movements in the allowance for ECL are as follows:

	2022	2021	2020
Balance as at beginning of year	**₱ 7,505,588**	₱ 7,642,239	₱ 5,241,419
Reversal of provision during the year – note 20	**(305,544)**	(136,651)	–
Provision during the year – note 20	**65,916**	–	2,400,820
Balance as at end of year	**₱ 7,265,960**	₱ 7,505,588	₱ 7,642,239

Installment contract receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 12% to 19% in 2022, 2021 and 2020. Interest income earned amounted to ₱5,982,904, ₱3,343,724, and ₱2,267,829 in 2022, 2021 and 2020, respectively (see Note 20).

Receivable from government represents the costs of inventory that were expropriated by the Department of Public Works and Highways (see Note 28).

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, 2022, 2021 and 2020 amounted to ₱100,876,033, ₱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.

Receivable from contractors pertain to amount recoverable from construction projects.

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

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, 2022, 2021 and 2020 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2022	2021 *(As restated)*	2020 *(As restated)*
At cost:			
Raw land inventory	**₱ 869,451,595**	₱201,852,292	₱178,781,327
Projects under development	**775,612,833**	347,346,781	322,487,887
House and lot	**107,928,923**	64,118,612	78,726,528
	₱1,752,993,351	₱613,317,685	₱579,995,742

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

The 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, resulting to realized gross profit amounting to ₱12,353,685 in the Group 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 ₱107,486,273, ₱70,070,393 and ₱60,526,073 for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2022, 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, 2022, 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:

	2022	2021	2020
Input tax	**₱88,620,933**	₱ –	₱ 859,473
Creditable withholding tax	**8,822,317**	3,749,071	7,635,045
Deferred input tax	**1,787,803**	2,670,898	3,591,689
Prepaid expenses	**556,439**	897,485	567,035
	₱99,787,492	₱7,317,454	₱12,653,242

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

Deferred input VAT pertains to input VAT on purchase of capital goods exceeding ₱1 million to be amortized over the useful life or sixty (60) months whichever is shorter.

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, 2022, 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.

The Group's financial assets at FVOCI as at December 31, 2022, 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, 2022, 2021 and 2020.

No revenue nor direct expenses arose on the investment property for the years ended December 31, 2022, 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, 2022, 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, 2022, 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, 2022	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Right-of-use assets**	**Computer software**	**Total**
Cost						
At beginning of year	**₱81,074,795**	**₱7,385,020**	**₱42,986,343**	**₱4,383,277**	**₱350,000**	**₱136,179,435**
Additions	**25,000**	**–**	**605,830**	**–**	**–**	**630,830**
At end of year	**81,099,795**	**7,385,020**	**43,592,173**	**4,383,277**	**350,000**	**136,810,265**
Accumulated depreciation						
At beginning of year	**47,248,377**	**6,372,455**	**42,681,662**	**2,219,982**	**145,834**	**98,668,310**
Depreciation – note 21	**2,264,576**	**477,290**	**271,100**	**1,024,397**	**116,667**	**4,154,030**
At end of year	**49,512,953**	**6,849,745**	**42,952,762**	**3,244,379**	**262,501**	**102,822,340**
Carrying amount as at December 31, 2022	**₱31,586,842**	**₱ 535,275**	**₱ 639,411**	**₱1,138,898**	**₱ 87,499**	**₱ 33,987,925**

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

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

Fully depreciated property and equipment still in use as at December 31, 2022, 2021 and 2020 amounted to ₱88,864,029, ₱87,084,457 and ₱57,016,118, respectively

Reversal of right-of-use assets pertains to expired lease contracts.

The Group's transportation equipment with a carrying amount of ₱535,275, ₱1,012,565 and Nil was held as collateral on its borrowings as at December 31, 2022, 2021 and 2020 respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2022, 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, 2022, 2021 and 2020.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2022	2021	2020
Refundable deposits	**₱10,043,223**	₱8,977,291	₱7,680,337
Other assets	**243,463**	243,463	243,463
	₱10,286,686	₱9,220,754	₱7,923,800

Refundable deposits consist mainly of security and utility deposits.

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2022	2021	2020
Government liabilities	**₱49,072,193**	₱46,205,290	₱38,051,388
Accrued expenses	**5,871,304**	5,359,446	5,320,775
Accounts payable	**5,090,298**	21,692,407	18,760,012
Other payables	**38,933,707**	34,638,063	27,547,215
	₱98,967,502	₱107,895,206	₱89,679,390

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

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.

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

13. BORROWINGS

Borrowings as at December 31 consist of:

	2022	2021	2020
Current	**₱ 99,331,806**	₱ 90,769,256	₱ 96,027,677
Noncurrent	**38,680,561**	27,192,161	21,938,614
	₱138,012,367	₱117,961,417	₱ 117,966,291

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

	2022	2021	2020
Balance at beginning of year	**₱117,961,417**	₱117,966,291	₱ 85,731,766
Additions	**128,195,132**	102,716,175	91,770,246
Payments	**(108,144,182)**	(102,721,049)	(59,535,721)
Balance at end of year	**₱138,012,367**	₱117,961,417	₱117,966,291

Total interest on borrowings charged as "Finance costs" in the Group consolidated statements of comprehensive income amounted to ₱14,424,554, ₱15,842,173 and ₱15,867,361 for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

The details of borrowings of the Group are as follows:

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance 2022	2021	2020	Conditions
Luzon Development Bank								
06/28/2015	Working capital	10/28/2021	10%	₱35,000,000	**₱ –**	₱ –	₱6,444,064	[a]
05/26/2017	Working capital	10/26/2021	10%	15,000,000	**–**	–	3,631,981	[a]
01/18/2018	Working capital	05/13/2022	10%	20,000,000	**–**	2,473,363	8,008,986	[a]
05/12/2021	Working capital	04/12/2024	10%	12,500,000	**6,020,382**	10,037,780	–	[a]
11/21/2019	Working capital	03/21/2022	11%	20,000,000	**–**	2,747,691	13,010,319	[a]
05/09/2021	Working capital	05/02/2024	11%	12,000,000	**5,973,319**	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	**4,786,270**	10,586,570	15,863,456	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	**2,516,352**	5,958,695	9,059,043	[a]
03/04/2020	Working capital	07/04/2021	11%	14,200,000	**–**	–	8,511,211	[a]
08/23/2022	Working capital	08/23/2025	10%	10,000,000	**9,044,920**	–	–	[a]
06/10/2022	Working capital	06/10/2025	10%	30,000,000	**25,617,041**	–	–	[a]
12/05/2022	Working capital	12/05/2025	11%	10,000,000	**10,000,000**	–	–	[a]
Philippine Bank of Communications								
06/17/2021	Working capital	12/17/2022	9%	17,376,554	**–**	11,842,019	–	[b]
08/04/2021	Working capital	02/23/2022	9%	15,596,199	**1,644,254**	12,309,350	–	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	**5,447,250**	17,719,545	–	[b]
03/14/2022	Working capital	09/10/2023	9%	16,897,272	**6,075,088**	–	–	[b]
10/25/2022	Working capital	01/19/2024	9%	18,766,453	**11,043,383**	–	–	[b]
09/26/2022	Working capital	05/10/2024	9%	20,159,374	**19,109,118**	–	–	[b]
Qwick								
08/08/2019	Working capital	03/07/2021	15%	8,266,961	**–**	–	4,349,024	[c]
03/13/2020	Working capital	08/26/2021	15%	5,466,806	**–**	–	5,461,547	[c]
09/10/2020	Working capital	03/15/2022	15%	7,326,253	**–**	7,277,219	7,277,219	[c]
02/02/2021	Working capital	08/10/2022	15%	6,060,113	**–**	6,021,926	–	[c]
02/18/2021	Working capital	05/30/2022	15%	4,587,997	**–**	4,565,870	–	[c]
05/12/2021	Working capital	30/11/2022	15%	7,169,483	**–**	7,160,141	–	[c]
10/05/2021	Working capital	03/30/2023	15%	7,807,598	**7,797,286**	7,797,286	–	[c]
03/23/2022	Working capital	10/15/2023	15%	7,241,374	**7,241,374**	–	–	[c]
04/27/2022	Working capital	09/30/2023	15%	6,262,580	**6,228,100**	–	–	[c]
09/19/2022	Working capital	03/15/2024	15%	8,868,078	**8,853,063**	–	–	[c]

Asia United Bank								
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	**615,167**	895,509	–	[d]
Central Visayas Financial Corporation								
08/09/20219	Working capital	03/03/2021	15%	2,212,313	**–**	–	1,544,870	[e]
01/20/2020	Working capital	08/28/2021	15%	7,381,376	**–**	–	7,381,376	[e]
02/28/2020	Working capital	06/30/2021	15%	7,063,267	**–**	–	7,063,266	[e]
03/13/2020	Working capital	09/15/2021	15%	3,114,545	**–**	–	3,080,091	[e]
				₱423,160,825	**₱138,012,367**	₱117,961,417	₱117,966,291	

a. Luzon Development Bank

Notes payable were obtained for working capital requirements. The notes carry interest rate of 10% to 11% p.a. and payable in one (1) to six (6) years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱17.46 million as at December 31, 2022, 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 ₱52,897,983, ₱51,666,182 and Nil as at December 31, 2022, 2021 and 2020, respectively (see Note 5).

c. Qwick

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱47,978,050, ₱25,625,193 and ₱17,240,970 as at December 31, 2022, 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 ₱535,275, ₱1,012,565 and Nil as at December 31, 2022, 2021 and 2020, respectively (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 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.

As at December 31, 2022, 2021 and 2020, outstanding balance of the customers' deposits amounted to ₱3,518,430, ₱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:

	2022	2021	2020
Retention payable	**₱17,204,532**	₱13,893,982	₱ 16,152,803
Refundable bonds	**9,118,384**	9,963,951	9,996,291
	₱26,322,916	₱23,857,933	₱ 26,149,094

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

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

16. CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities as at December 31 consist of:

	2022	2021 *(As restated)*	2020 *(As restated)*
Contract assets	**₱239,673,132**	₱167,026,032	224,628,558
Contract liabilities	**77,637,926**	58,072,892	81,801,958

Contract assets represent excess of progress of work over collections from real estate customers, excluding the amount presented as installment contract receivables.

Contract liabilities consist of collections from real estate customers over the goods and services transferred by the Group based on percentage of completion, excluding customers' deposits.

17. CAPITAL STOCK

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

	2022	2021	2020
Common stock: ₱1 par value			
Authorized: 5,000,000,000 shares	**₱5,000,000,000**	₱5,000,000,000	₱5,000,000,000
Subscribed	**₱2,891,099,660**	₱2,891,099,660	₱1,445,549,830
Less: Subscription receivables	**(83,250)**	(1,071,996,697)	–
Issued and outstanding	**₱2,891,016,410**	₱1,819,102,963	₱1,445,549,830

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

Movement in capital stock as at December 31, is as follows:

	2022	2021	2020
Issued and outstanding, beginning	**₱1,819,102,963**	₱1,445,549,830	₱1,445,549,830
Issuance of capital stock during the year	**1,071,913,447**	373,553,133	–
Issued and outstanding, ending	**₱2,891,016,410**	₱1,819,102,963	₱1,445,549,830

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.

The Parent Company incurred stock rights offering cost amounting to ₱19,105,210 and ₱3,423,729 as at December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, the Parent Company issued 1,071,913,447 shares and 373,553,133 shares at ₱1 per share or ₱1,071,913,447 and ₱373,553,133, respectively, from share rights offering.

Number of shares owned by public totaled and 2,891,099,600 shares or a public ownership of 35.66%, 76.28 % and 52.64% as at December 31, 2022, 2021 and 2020, respectively.

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

	Market value per share
December 31, 2022	**₱0.560**
December 31, 2021	0.510
December 31, 2020	0.425

18. REAL ESTATE SALES

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

	2022	2021 *(As restated)*	2020 *(As restated)*
House and lot	**₱129,145,390**	₱139,778,080	₱113,101,708
Lot	**55,293,096**	40,490,435	56,115,393
Condominium unit	**40,292,867**	–	–
	₱224,731,353	₱180,268,515	₱169,217,101

19. COST OF REAL ESTATE SOLD

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

	2022	2021 *(As restated)*	2020 *(As restated)*
House and lot	**₱ 58,725,971**	₱54,669,854	₱47,011,547
Lot	**25,301,602**	15,400,539	13,514,526
Condominium unit	**23,458,700**	–	–
	₱107,486,273	₱70,070,393	₱60,526,073

20. OTHER INCOME (net)

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

	2022	2021 *(As restated)*	2020 *(As restated)*
Finance income from:			
Advances to affiliates – note 23	**₱11,356,248**	₱11,196,677	₱10,865,921
Installment contract receivables – note 5	**5,982,904**	3,343,724	2,267,829
Cash in banks – note 4	**77,108**	14,364	32,565
Reversal of (provision for) ECL – notes 5 and 23	**239,628**	(4,430,120)	(4,684,206)
Miscellaneous income	**7,242,521**	5,963,830	1,666,857
	₱24,898,409	₱16,088,475	₱10,148,966

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:

	2022	2021 *(As restated)*	2020 *(As restated)*
Salaries and wages	**₱ 19,391,814**	₱ 18,200,229	₱ 15,814,691
Taxes and licenses	**14,941,443**	5,828,972	6,629,326
Commissions	**11,546,467**	9,667,971	7,028,261
Loss on cancelled contracts	**5,321,546**	6,542,785	4,956,411
Professional and legal fees	**5,227,723**	3,328,202	2,063,435
Depreciation – note 10	**4,154,030**	4,146,502	4,276,937
Advertising	**4,148,561**	1,230,064	1,686,689
Communication, light and water	**2,904,376**	2,518,091	2,273,370
Employee benefits	**2,633,920**	2,326,878	1,926,752
Retirement benefits – note 25	**2,040,860**	2,284,481	2,178,794
Travel and transportation	**1,763,081**	1,151,417	1,599,877
Security services	**1,235,963**	528,792	548,844
Representation and entertainment	**889,846**	4,709,921	5,005,844
Repairs and maintenance	**806,508**	699,874	710,874
Supplies	**756,925**	1,079,076	1,174,614
Dues and subscription	**616,412**	680,148	691,749
Insurance	**347,448**	161,818	305,682
Rental – note 27	**309,669**	275,865	141,464
Janitorial services	**103,265**	184,968	218,221
Penalty fee, interests and surcharges	**70,828**	571,954	1,310
Director fees	**58,929**	206,786	38,928
Trainings and seminars	**33,336**	26,518	–
Miscellaneous	**1,557,567**	1,802,432	2,520,628
	₱80,860,517	₱68,153,744	₱61,792,701

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:

	2022	2021	2020
Borrowings – note 13	**₱14,424,554**	₱15,842,173	₱15,867,361
Lease liabilities – note 27	**154,357**	220,484	229,446
	₱14,578,911	₱16,062,657	₱16,096,807

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, 2022, 2021 and 2020 are as follows:

December 31, 2022	**At beginning of Year**	**Additional advances/ Impairment**	**Accrual of interest – note 20**	**Collection/ application/**	**At end of year**
Common key management					
Plastic City Corp. *(a)*	**₱197,140,312**	**₱ 462,770**	**₱ 3,856,418**	**(₱ 200)**	**₱201,459,300**
Forum Holdings Corp. *(b)*	**39,188,624**	**91,992**	**766,601**	**–**	**40,047,217**
Kennex Container Corp. *(b)*	**36,615,523**	**85,618**	**713,482**	**(139,201)**	**37,275,422**
Orient Pacific Corp. *(b)*	**34,688,629**	**110,137**	**500,721**	**(50,051)**	**35,249,436**
Noble Arch Realty and Construction *(c)*	**5,006,083**	**43,322**	**96,464**	**–**	**5,145,869**
Pacific Rehouse Corporation *(f)*	**873,986**	**350,194,922**	**–**	**(320,607,126)**	**30,461,782**
Metro Alliance Holdings and Equities Corporation *(e)*	**274,782,761**	**631,201**	**5,260,007**	**–**	**280,673,969**
Rexlon Realty Group, Inc.	**–**	**442,480**	**–**	**–**	**442,480**
Westland Pacific Properties Corp.	**–**	**228,772,519**	**162,555**	**(179,986,605)**	**48,948,469**
	588,295,918	**580,834,961**	**11,356,248**	**(500,783,183)**	**679,703,944**
Allowance for ECL	**(34,998,309)**	**–**	**–**	**–**	**(34,998,309)**
	₱553,297,609	**₱580,834,961**	**₱11,356,248**	**(₱500,783,183)**	**₱644,705,635**

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

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

Details of the Group's advances from related parties as at December 31, 2022, 2021 and 2020 are as follows:

December 31, 2022	**At beginning of Year**	**Additional Advances**	**Settlement/ Reversal**	**At end of year**
Common key management				
Waterfront Cebu City Hotel	**₱ 92,054,457**	**₱ –**	**₱ –**	**₱ 92,054,457**
The Wellex Group, Inc.	**7,938,239**	**–**	**–**	**7,938,239**
Concept Moulding Corp.	**3,830,646**	**–**	**(3,750,773)**	**79,873**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
Inland Container Corporation	**1,000,000**	**–**	**(500,000)**	**500,000**
Crisanta Realty Development Corp.		**8,831,858**	**–**	**8,831,858**
Stockholders				
International Polymer Corp.	**3,352**	**3,686,500**	**–**	**3,689,852**
	₱104,993,224	**₱ 12,518,358**	**(₱4,250,773)**	**₱113,260,809**

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

December 31, 2020	At beginning of Year	Additional Advances	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 and will be settled through cash payment. The Group was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period. 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, 2022, 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 ₱15,780,021, ₱10,520,014 and ₱5,260,007 as at December 31, 2022, 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 Group under aggregate amount specified in PAS 24, '*Related Party Disclosures*' for the years ended December 31 is as follows:

	2022	2021	2020
Short-term employee benefits	**₱ 3,300,288**	₱ 3,408,000	₱ 3,060,000
Post-employment benefits	**290,000**	282,603	306,000
Share-based payments	–	–	–
Other long-term benefits	–	–	–
	₱ 3,590,288	₱3,690,603	₱ 3,366,000

h) Transaction with the retirement fund

The Group has no transactions with its retirement plan other than its benefits paid and contributions to the fund for the years ended December 31, 2022, 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:

	2022	2021 *(As restated)*	2020 *(As restated)*
Income before tax	**₱46,704,061**	₱42,070,196	₱40,950,486
Tax at applicable statutory rate:	**11,676,015**	10,517,549	12,285,146
Tax effect of:			
Nondeductible expenses	**134,007**	2,960,452	2,895,232
Expired NOLCO	**3,697**	3,833	5,859
Interest income subjected to final tax	**(19,277)**	(3,591)	(9,770)
Change in unrecognized deferred tax assets	**(48,970)**	(1,256,643)	1,405,102
Other movement	**7,367,498**	(8,340,724)	(10,209,998)
Change in income tax rate	**–**	(7,622,627)	–
	₱19,112,970	(₱3,741,751)	₱ 6,371,571

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

	2022	2021	2020
Deferred tax assets			
Allowance for ECL	**₱10,170,633**	₱10,169,297	₱11,422,133
Retirement benefits obligation	**4,643,270**	4,133,055	4,484,322
Lease liabilities	**328,420**	601,354	1,016,939
NOLCO	**24,124**	13,187	16,994
	15,166,447	14,916,893	16,940,388
Less: Unrecognized deferred tax assets	**(10,194,757)**	(10,182,484)	(11,439,127)
	₱ 4,971,690	₱ 4,734,409	₱ 5,501,261

	2022	2021 *(As restated)*	2020 *(As restated)*
Deferred tax liabilities			
Excess of financial realized gross profit over taxable realized gross profit	**₱63,498,877**	₱53,831,323	₱48,029,293
Remeasurement gain on retirement benefits	**2,358,239**	1,440,861	875,253
Right-of-use assets	**284,725**	540,824	956,308
	₱66,141,841	₱55,813,008	₱49,860,854

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 on retirement benefits amounted to ₱917,379, ₱711,483, and ₱52,709 for the years ended December 31, 2022, 2021 and 2020, 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, 2022, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year Incurred	Expiration Date	2021	Additions	Expired	Claimed	**2022**
2022	2025	₱ –	₱73,170	₱ –	₱ –	**₱ 73,170**
2021	2026	28,452	–	–	–	**28,452**
2020	2025	18,997	–	–	–	**18,997**
2019	2022	18,488		(18,488)	–	**–**
		₱65,937	₱73,170	(₱18,488)	₱ –	**₱120,619**

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, 2022.

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

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Retirement benefits obligation**
January 1, 2022	**₱ 11,183,537**	**(₱ 414,757)**	**₱ 10,768,780**
Retirement expense:			
Current service costs	**1,492,729**	**–**	**1,492,729**
Interest expense (income)	**569,242**	**(21,111)**	**548,131**
	2,061,971	**(21,111)**	**2,040,860**
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	**(3,320,188)**	**–**	**(3,320,188)**
Experience/return	**(368,607)**	**19,281**	**(349,326)**
	(3,688,795)	**19,281**	**(3,669,514)**
As at December 31, 2022	**₱ 9,556,713**	**(₱416,587)**	**₱ 9,140,126**

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

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

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

	2022	2021	2020
Balance at beginning of year	**₱ 4,322,581**	₱ 2,042,257	₱ 1,919,268
Amounts recognized in OCI	**3,669,514**	2,845,932	175,698
Effect of change in income tax rate	**–**	145,875	–
	7,992,095	5,034,064	2,094,966
Attributable tax	**(917,379)**	(711,483)	(52,709)
Balance at end of year	**₱ 7,074,716**	₱ 4,322,581	₱ 2,042,257

Remeasurement gain on retirement benefits, net of related tax amounting to ₱917,379, ₱711,483 and ₱52,709 (see Note 24), in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 amounted to ₱2,752,135, ₱2,280,324, and ₱122,989, 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, 2022, 2021 and 2020 amounted to ₱2,040,860, ₱2,284,481 and ₱2,178,794, respectively (see Note 21).

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

	2022	2021	2020
Cash and cash equivalents	**₱ 320,772**	₱ 355,530	₱ 328,057
Government bonds and securities	**95,815**	59,227	55,766
	₱ 416,587	₱ 414,757	₱ 383,823

The Group’s plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2022, 2021 and 2020.

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

	2022	2021	2020
Interest income	**₱ 21,111**	₱ 15,881	₱ 28,311
Loss on plan assets, excluding amounts included in net interest cost	**(19,281)**	(19,347)	(26,585)
	₱ 1,830	(₱ 3,466)	₱ 1,726

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

	2022	2021	2020
Discount rate	**7.19%**	5.09%	3.96%
Salary rate increase	**5.00%**	5.00%	5.00%

The discount rate at December 31, 2022, 2021 and 2020 was based on the BVAL benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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

December 31, 2022	**Impact on retirement benefits obligations**		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**100 bps**	**Decrease by 3.4%**	**Decrease by 3.2%**
Salary increase rate	**100 bps**	**Increase by 3.5%**	**Decrease by 3.3%**

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

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

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

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

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

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

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

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

The weighted average duration of the defined benefit obligation is years 3.0, 10.0 and 10.1 years in 2022, 2021 and 2020, respectively.

The Group does not expect any contributions to post-employment benefit plans for the years ending December 31, 2023, 2022 and 2021, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

2022	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefits obligation	**₱ –**	**₱4,650,516**	**₱5,630,546**	**₱4,030,499**	**₱14,311,561**

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

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

26. BUSINESS SEGMENT INFORMATION

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

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

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

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

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

The segment information is as follows:

December 31, 2022	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Total
Revenue							
Sales	₱ –	₱ 77,218,670	₱ 97,202,340	₱ 50,310,343	₱ –	₱ –	₱ 224,731,353
Cost of sales	–	(36,087,006)	(50,329,921)	(21,069,346)	–	–	(107,486,273)
Gross profit	–	41,131,664	46,872,419	29,240,997	–	–	117,245,080
Other income	11,657,922	2,724,544	1,244,258	4,102,373	361,018	4,808,294	24,898,409
	11,657,922	43,856,208	48,116,677	33,343,370	361,018	4,808,294	142,143,489
Expenses							
Depreciation	2,771,442	401,635	410,964	569,989	–	–	4,154,030
Loss on cancelled contracts	–	2,991,720	–	2,329,826	–	–	5,321,546
Other expenses	29,756,523	10,432,266	7,490,234	13,553,980	174,244	7,936,834	69,344,081
	32,527,965	13,825,621	7,901,198	16,453,795	174,244	7,936,834	78,819,657
Segment income (loss)	(20,870,043)	30,030,587	40,215,479	16,889,575	186,774	(3,128,540)	63,323,832
Finance cost	14,074,850	31,038	73,269	399,754	–	–	14,578,911
Retirement benefits expense	2,040,860	–	–	–	–	–	2,040,860
Provision for income tax	19,112,970	–	–	–	–	–	19,112,970
Net income (loss) for the year	(₱ 56,098,723)	₱ 29,999,549	₱ 40,142,210	₱ 16,489,821	₱ 186,774	(₱3,128,540)	₱ 27,591,091
Segment assets	₱1,801,623,021	₱367,647,778	₱215,849,264	₱695,831,718	₱1,754,349	₱ 2,089,068	₱3,084,795,198
Deferred tax assets	4,971,690	–	–	–	–	–	4,971,690
Total assets	₱1,806,594,711	₱367,647,778	₱194,849,264	₱695,831,718	₱1,754,349	₱ 2,089,068	₱3,089,766,888
Segment liabilities	₱ 77,368,062	₱ 89,534,418	₱142,611,333	₱ 75,933,195	₱ 535,972	₱ 1,180,122	₱ 387,163,102
Borrowings	137,941,585	–	–	70,782	–	–	138,012,367
Retirement benefits obligation	9,140,126	–	–	–	–	–	9,140,126
Total liabilities	₱ 224,449,773	₱ 89,534,418	₱142,611,333	₱ 76,003,977	₱ 535,972	₱ 1,180,122	₱ 534,315,595

December 31, 2021	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Total
Revenue							
Sales	₱ –	₱ 81,840,218	₱ 16,517,046	₱ 81,911,251	₱ –	₱ –	₱ 180,268,515
Cost of sales	–	(30,900,632)	(9,495,323)	(29,674,438)	–	–	(70,070,393)
Gross profit	–	50,939,586	7,021,723	52,236,813	–	–	110,198,122
Other income	4,931,564	968,944	130,622	4,137,728	993,601	4,926,016	16,088,475
	4,931,564	51,908,530	7,152,345	56,374,541	993,601	4,926,016	126,286,597
Expenses							
Depreciation	2,736,741	441,033	414,358	554,370	–	–	4,146,502
Loss on cancelled contracts	–	4,803,720	–	1,739,065	–	–	6,542,785
Other expenses	30,861,645	8,714,367	3,632,801	11,656,400	163,500	151,263	55,179,976
	33,567,934	13,959,120	4,047,159	13,949,835	163,500	151,263	65,838,811
Segment income (loss)	(28,666,822)	37,949,410	3,105,186	42,424,706	830,101	4,774,753	60,417,334
Finance cost	15,842,173	48,893	109,943	61,648	–	–	16,062,657
Retirement benefits expense	2,284,481	–	–	–	–	–	2,284,481
Provision for income tax	(3,741,751)	–	–	–	–	–	(3,741,751)
Net income (loss) for the year	(₱43,051,725)	₱ 37,900,517	₱ 2,995,243	₱ 42,363,058	₱ 830,101	₱4,774,753	₱ 45,811,947
Segment assets	₱967,441,256	₱389,959,005	₱ 77,001,498	₱512,862,274	₱1,485,239	₱4,330,639	₱1,953,079,911
Deferred tax assets	4,734,409	–	–	–	–	–	4,734,409
Total assets	₱972,175,665	₱389,959,005	₱ 77,001,498	₱512,862,274	₱1,322,845	₱4,330,639	₱1,957,814,320
Segment liabilities	₱ 28,487,012	₱137,074,660	₱ 61,635,147	₱128,756,375	₱ 457,696	₱ 373,403	₱ 356,784,293
Borrowings	117,890,635	–	–	70,782	–	–	117,961,417
Retirement benefits obligation	10,768,780	–	–	–	–	–	10,768,780
Total liabilities	₱157,146,427	₱137,074,660	₱ 61,635,147	₱128,827,157	₱ 457,696	₱ 373,403	₱ 485,514,490

December 31, 2020	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Total
Revenue						
Sales	₱ –	₱62,039,870	₱3,411,942	₱103,765,289	₱ –	₱ 169,217,101
Cost of sales	–	(17,391,746)	(2,127,123)	(41,007,204)	–	(60,526,073)
Gross profit	–	44,648,124	1,284,819	62,758,085	–	108,691,028
Other income	7,148,851	591,865	164	2,408,086	–	10,148,966
	7,148,851	45,239,989	1,284,983	65,166,171	–	118,839,994
Expenses						
Depreciation	3,876,604	22,680	29,693	347,960	–	4,276,937
Loss on cancelled contracts	–	3,192,021	–	1,764,390	–	4,956,411
Other expenses	31,732,852	6,198,882	1,489,030	10,802,705	157,090	50,380,559
	35,609,456	9,413,583	1,518,723	12,915,055	157,090	59,613,907
Segment income (loss)	(28,460,605)	35,826,406	(233,740)	52,251,116	(157,090)	59,226,087
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	6,371,571	–	–	–	–	6,371,571
Net income (loss) for the year	(₱ 52,889,43)	₱ 35,783,504	(₱ 375,264)	₱ 52,217,202	(₱ 157,090)	₱ 34,578,915
Segment assets	₱468,843,098	₱685,913,747	₱80,498,755	₱316,471,779	₱6,279,981	₱1,558,007,360
Deferred tax assets	5,501,261	–	–	–	–	5,501,261
Total assets	₱474,344,359	₱685,913,747	₱80,498,755	₱316,471,779	₱6,279,981	₱1,563,508,621
Segment liabilities	₱141,469,924	₱117,455,995	₱ 7,026,285	₱ 93,362,557	₱ 419,003	₱ 359,733,764
Borrowings	117,966,291	–	–	–	–	117,966,291
Retirement benefits obligation	12,030,231	–	–	–	–	12,030,231
Total liabilities	₱271,466,446	₱ 117,455,995	₱ 7,026,285	₱ 93,362,557	₱ 419,003	₱ 489,730,286

Although Davao and Valenzuela segments do not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2022 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:

	2022	2021	2020
Current	**₱ 849,136**	₱ 1,091,736	₱ 984,384
Noncurrent	**464,542**	1,313,678	2,405,414
	₱ 1,313,678	₱ 2,405,414	₱ 3,389,798

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

	2022	2021	2020
Not later than one year	**₱ 929,418**	₱ 1,246,094	₱ 1,204,868
Later than one year but not later than five years	**496,200**	1,425,616	2,671,711
Future minimum lease payments	**1,425,618**	2,671,710	3,876,579
Amounts representing finance charges	**(111,940)**	(266,296)	(486,781)
	₱ 1,313,678	₱ 2,405,414	₱ 3,389,798

The net carrying amount of the right-of-use assets recognized as at December 31, 2022, 2021 and 2020 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱154,357, ₱220,484 and ₱229,446 for the years ended December 31, 2022, 2021 and 2020 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 ₱309,669, ₱275,865 and ₱141,464, for the years ended December 31, 2022, 2021 and 2020, 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 (2nd) portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

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

On December 18, 2017, the Special Nineteenth (19th) Division of the Court of Appeals Visayas issued a decision holding that the respective appeals of plaintiff-appellant Republic of the Philippines and defendants-appellants PRC and the Parent Company were denied. The November 13, 2012 Decision of the Regional Trial Court (RTC), Sixth (6th) Judicial Region, Branch 24, Iloilo City, in Civil Case no. 06-29100, and its May 22, 2013 Order are affirmed with modification in the amount of just compensation, which shall earn a legal interest at the rate of 12% per annum from the time of the subject properties taking until June 20, 2013 and, thereafter, or from July 1, 2013 until full payment thereof, the legal rate shall be 6% per annum or a total amount of ₱1,920,374,375.

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.

On February 14, 2022, the Supreme Court founds the decision of both the RTC and CA to be conclusive and affirmed the decision of the RTC and CA with modification as to the interest. The Supreme Court denied the December 18, 2017 and Resolution dated July 18, 2018 of the CA are affirmed with modification in that an interest at the rate of 6% per annum shall be imposed on the total amount due from the finality of the decision until full payment.

The Supreme Court decision became final on October 10, 2022 and informed both parties of its Entry of judgement on November 7, 2022.

On February 9, 2023, the RTC-Iloilo issued a Writ of Execution directing the Sheriff to implement/ enforce the Decision of the Supreme Court. The Sheriff's Demand and together with the Writ of Execution have been served to the Office of the Solicitor General (OSG) and DPWH's Main Office on February 23, 2023.

The aforementioned Writ of Execution and Sheriff's demand remain unheeded. Hence, a Notice of Garnishment has been served to both Landmark of the Philippines and Development Bank of the Philippines on March 7, 2023.

On March 28, 2023, the Parent Company received a copy of the comment/opposition filed by the OSG.

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 PER SHARE

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

	2022	2021 *(As restated)*	2020 *(As restated)*
Net income	**₱ 27,591,091**	₱ 45,811,947	₱34,578,915
Weighted average number of common shares outstanding during the year	**2,355,059,687**	1,632,326,397	1,445,549,830
Earnings per share	**₱ 0.012**	₱ 0.028	₱ 0.024

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, contract assets, advances to related parties (net) and refundable deposit lodged in "Other noncurrent assets".

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

Category	Description	Basis for recognizing ECL	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	25%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	50%	25%	3
	Amount is over 2 year to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	25%	3

	Amount is over 3 year to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	100%	3

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

		December 31, 2022			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	**(a)**		**₱ 12,479,924**	**₱ –**	**₱ 12,479,924**
Trade and other receivables – note 5	**(b)**	**Simplified approach**	**247,568,173**	**(7,265,960)**	**240,302,213**
Contract assets	**(b)**	**Simplified approach**	**239,673,132**	**–**	**239,673,132**
Advances to related parties – note 23	**(c)**	**General approach**	**679,703,944**	**(34,998,309)**	**644,705,635**
Refundable deposits classified as "Other noncurrent assets" - note 11	**(d)**		**10,043,223**	**–**	**10,043,223**
Total			**₱1,189,468,396**	**(₱42,264,269)**	**₱1,147,204,127**

		December 31, 2021			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱ 384,776,940	₱ –	₱ 384,776,940
Trade and other receivables – note 5	(b)	Simplified approach	137,699,060	(7,505,588)	130,193,472
Contract assets	(b)	Simplified approach	167,026,032	–	167,026,032
Advances to related parties – note 23	(c)	General approach	588,295,918	(34,998,309)	553,297,609
Refundable deposits classified as "Other noncurrent assets" – note 11	(d)		8,977,291	–	8,977,291
Total			₱ 1,286,775,241	(₱42,503,897)	₱1,244,271,344

		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)	Simplified approach	87,496,830	(7,642,239)	79,854,591
Contract assets	(b)	Simplified approach	224,628,558	–	224,628,558
Advances to related parties – note 23	(c)	General approach	575,981,172	(30,431,538)	545,549,634
Refundable deposits classified as “Other noncurrent assets” – note 11	(d)		7,680,337	–	7,680,337
Total			₱ 912,370,013	(₱38,073,777)	₱ 874,296,236

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 and contract assets

Credit risk from installments contract receivables and contract assets are 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 and contract assets are 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 management's adopted policy on ECL. The Group determines the ECL on these items by using 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.

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.

The ageing of receivables are as follows:

December 31, 2022	**Trade and other receivables**	**Advances to related parties**	**Total**
Performing	**₱228,621,242**	**₱644,705,635**	**₱873,326,877**
Doubtful			
1-30 days	**66,679**	**–**	**66,679**
31-90 days	**311,257**	**–**	**311,257**
91-180 days	**188,498**	**–**	**188,498**
181-360 days	**312,177**	**–**	**312,177**
In default			
1-2 years	**3,885,103**	**–**	**3,885,103**
2-3 years	**2,515,257**	**–**	**2,515,257**
3-5 years	**11,089,466**	**–**	**11,089,466**
Write-off	**578,494**	**34,998,309**	**35,576,803**
	₱247,568,173	**₱679,703,944**	**₱927,272,117**

December 31, 2021	Trade and other receivables	Advances to related parties	Total
Performing	₱ 117,994,434	₱553,297,609	₱671,292,043
Doubtful			
1-30 days	180,802	–	180,802
31-90 days	162,767	–	162,767
91-180 days	250,486	–	250,486
181-360 days	741,464	–	741,464
In default			
1-2 years	3,461,480	–	3,461,480
2-3 years	2,900,990	–	2,900,990
3-5 years	11,428,143	–	11,428,143
Write-off	578,494	34,998,309	35,576,803
	₱137,699,060	₱588,295,918	₱725,994,978

December 31, 2020	Trade and other receivables	Advances to related parties	Total
Performing	₱66,668,812	₱545,549,634	₱612,218,446
Doubtful			
1-30 days	–	–	–
31-90 days	–	–	–
91-180 days	–	–	–
181-360 days	705,548	–	705,548
In default			
1-2 years	3,852,967	–	3,852,967
2-3 years	5,229,906	–	5,229,906
3-5 years	10,461,103	–	10,461,103
Write-off	578,494	30,431,538	31,010,032
	₱87,496,830	₱575,981,172	₱663,478,002

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, 2022, 2021 and 2020, the Group's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

		Maturing in		
December 31, 2022	**On Demand**	**Within 1 year**	**1 to 5 Years**	**Total**
Accounts payable and other liabilities*	**₱49,895,309**	**₱ –**	**₱ –**	**₱49,895,309**
Borrowings	–	**99,331,806**	**38,680,561**	**138,012,367**
Contract liabilities	**–**	**77,637,926**	**–**	**77,637,926**
Lease liabilities	–	**849,136**	**464,542**	**1,313,678**
Advances from related parties	–	–	**113,260,809**	**113,260,809**
Retention payable and guarantee bonds	–	–	**26,322,916**	**26,322,916**
	₱49,895,309	**₱177,818,868**	**₱178,728,828**	**₱406,443,005**

**excluding government liabilities*

		Maturing in		
December 31, 2021	On Demand	Within 1 year	1 to 5 Years	Total
Accounts payable and other liabilities*	₱61,689,916	₱ –	₱ –	₱61,689,916
Borrowings	–	90,769,256	27,192,161	117,961,417
Contract liabilities	–	58,072,892	–	58,072,892
Lease liabilities	–	1,091,736	1,313,678	2,405,414
Advances from related parties	–	–	104,993,224	104,993,224
Retention payable and guarantee bonds	–	–	23,857,933	23,857,933
	₱61,689,916	₱149,933,884	₱157,356,996	₱368,980,796

**excluding government liabilities*

		Maturing in		
December 31, 2020	On Demand	Within 1 year	1 to 5 Years	Total
Accounts payable and other liabilities*	₱51,628,003	₱ –	₱ –	₱ 51,628,003
Borrowings	–	96,027,677	21,938,614	117,966,291
Contract liabilities	–	81,801,958	–	81,801,958
Lease liabilities	–	984,384	2,405,414	3,389,798
Advances from related parties	–	–	104,024,033	104,024,033
Retention payable and guarantee bonds	–	–	26,149,094	26,149,094
	₱51,628,003	₱178,814,019	₱154,517,155	₱384,959,177

**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 Group's market risk is manageable within conservative bounds. As at December 31, 2022 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, 2022, 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, 2022, 2021 and 2020, the Group is exposed to market interest rates through its borrowings and cash, installment contract receivables, and advances to related parties which are subject to fixed interest rates.

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

December 31, 2022	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱12,479,924	₱ –	₱12,479,924
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	84,621,275	–	84,621,275
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	–	679,703,944	679,703,944
			₱97,101,199	₱679,703,944	₱776,805,143
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱99,331,806	₱38,680,561	₱ 138,012,367

December 31, 2021	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱384,776,940	₱ –	₱ 384,776,940
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	106,372,154	–	106,372,154
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	–	588,295,918	588,295,918
			₱491,149,094	₱588,295,918	₱1,079,445,012
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱ 90,769,256	₱ 27,192,161	₱ 117,961,417

December 31, 2020	Interest Rate	Interest Terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash in banks	0.125% to 0.25%	Fixed at the date of investment	₱16,583,116	₱ –	₱ 16,583,116
Installment contract receivables, gross	12%	Fixed at the date of sale	49,290,572	–	49,290,572
Advances to related parties, gross	2%	Fixed based on PN renewed in 2018 -note 23	306,829,457	269,151,715	575,981,172
			₱ 372,703,145	₱269,151,715	₱ 641,854,860
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:

2022			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	Change in interest rate	Effect on income before tax	Effect on equity
+0.5%	**₱3,193,964**	**₱2,395,473**	+0.5%	₱ 4,807,418	₱ 3,605,563	+0.5%	₱ 2,619,443	₱ 1,833,610
-0.5%	**(₱3,193,964)**	**(₱2,395,473)**	-0.5%	(₱4,807,418)	(₱3,605,563)	-0.5%	(₱2,619,443)	(₱1,833,610)

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 ₱2,555,451,293, ₱1,472,299,830 and ₱1,073,778,335 as at December 31, 2022, 2021 and 2020, respectively.

The Group's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 0.20:1 to 0.55:1 on a monthly basis as follows:

	2022	2021 *(As restated)*	2020 *(As restated)*
Total liabilities	**₱534,315,595**	₱485,514,490	489,730,286
Total equity	**2,555,451,293**	1,472,299,830	1,073,778,335
	0.21:1	0.33:1	0:46:1

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

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

32. FAIR VALUE ESTIMATION

Assets and liabilities not measured at fair value

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

December 31, 2022	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Investment property	**₱ 162,394**	**₱180,637,600**	**Level 2**	**(a)**
Advances to related parties	**644,705,635**	**619,670,929**	**Level 2**	**(b)**
Refundable deposits	**10,043,223**	**9,545,892**	**Level 2**	**(c)**
	₱654,911,252	**₱809,854,421**		
Financial liabilities at amortized cost				
Advances from related parties	**₱113,260,809**	**₱ 108,862,754**	**Level 2**	**(b)**
Borrowings	**138,012,367**	**133,776,472**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**26,322,916**	**23,440,302**	**Level 2**	**(c)**
Lease liabilities	**1,313,678**	**1,289,761**	**Level 2**	**(d)**
	₱278,909,770	**₱267,369,289**		

December 31, 2021	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Investment property	₱ 162,394	₱180,637,600	Level 2	(a)
Advances to related parties	553,297,609	531,812,389	Level 2	(b)
Refundable deposits	8,977,291	8,830,727	Level 2	(c)
	₱562,437,294	₱721,280,716		
Financial liabilities at amortized cost				
Advances from related parties	₱104,993,224	₱100,916,209	Level 2	(b)
Borrowings	117,961,417	116,561,437	Level 2	(d)
Retention payable and guarantee bonds	23,857,933	23,000,902	Level 2	(c)
Lease liabilities	2,405,414	2,337,780	Level 2	(d)
	₱249,217,988	₱242,816,328		

December 31, 2020	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Refundable deposits	₱7,680,337	₱7,551,063	Level 2	(c)
Investment property	162,394	240,240,000	Level 2	(a)
Advances to related parties	545,549,634	540,272,149	Level 2	(b)
	₱553,392,365	₱788,063,212		
Financial liabilities at amortized cost				
Advances from related parties	₱ 104,024,033	₱ 101,984,346	Level 2	(b)
Borrowings	117,966,291	117,178,206	Level 2	(d)
Retention payable and guarantee bonds	26,149,094	25,209,759	Level 2	(c)
Lease liabilities	3,389,798	3,163,214	Level 2	(d)
	₱ 251,529,216	₱ 247,535,525		

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

Financial asset at FVOCI amounting to ₱50,000,000 as at December 31, 2022, 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 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.

(b) 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 2022, 2021 and 2020.

(c) The fair value of refundable deposits, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 5.21% to 5.97% in 2022 and 1.66% to 2.68% in 2021 and 1.71% to 1.85% in 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 5.97% in 2022 and 2.68% in 2021 and 1.85% to 5.07% in 2020.

33. PRIOR PERIOD ERROR

The prior period adjustments resulted from the error on the recognition of revenues, costs of sales and gross profit. As a result of the error, there are also corrections on the balances of installment contract receivables, contract assets, real estate inventories, contract liabilities, deferred gross profit and deficit in the consolidated statements of financial position, as follows:

a) Statement of financial position

	As previously stated	Effect of correction of error	As restated
January 1, 2020			
Change in equity			
Deficit	₱363,103,508	₱45,289,159	₱408,392,667
December 31, 2020			
Change in assets			
Trade and other receivables	₱580,544,740	(₱500,690,149)	₱79,854,591
Contract assets	–	224,628,558	224,628,558
Real estate inventories	390,734,889	189,260,853	579,995,742
Change in liabilities			
Contract liabilities	–	(81,801,958)	(81,801,958)
Deferred gross profit	(144,998,054)	144,998,054	–
Deferred tax liabilities	(62,209,661)	12,348,807	(49,860,854)
Change in equity			
Deficit	362,557,918	11,255,834	373,813,752
January 1, 2021			
Change in equity			
Deficit	₱362,557,918	₱19,700,180	₱382,258,098
December 31, 2021			
Change in assets			
Trade and other receivables	₱617,782,630	(₱487,589,158)	₱130,193,472
Contract assets	–	167,026,032	167,026,032
Real estate inventories	387,371,414	225,946,271	613,317,685
Change in liabilities			
Contract liabilities	–	(58,072,892)	(58,072,892)
Deferred gross profit	(156,073,566)	156,073,566	–
Deferred tax liabilities	(52,331,787)	(3,481,221)	(55,813,008)
Change in equity			
Deficit	351,028,312	97,402	351,125,714

The prior period adjustments resulted to the correction of balances of real estate sales and cost of real estate sold in the consolidated statements of comprehensive income, as follows:

b) Statement of comprehensive income

	As previously stated	Effect of correction of error	As restated
December 31, 2020			
REAL ESTATE SALES	₱217,943,438	(₱48,726,337)	₱169,217,101
COST OF REAL ESTATE SOLD	(90,084,118)	(29,558,045)	(60,526,073)
GROSS PROFIT	127,859,320	(19,168,292)	108,691,028
DEFERRED GROSS PROFIT	(90,046,386)	90,046,386	–
REALIZED GROSS PROFIT DURING THE YEAR	37,812,934	70,878,094	108,691,028
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	36,844,770	(36,844,770)	–
TOTAL REALIZED GROSS PROFIT	₱74,657,704	₱34,033,324	₱108,691,028
December 31, 2021			
REAL ESTATE SALES	₱239,705,802	(₱59,437,287)	₱180,268,515
COST OF REAL ESTATE SOLD	(108,517,729)	(38,447,336)	(70,070,393)
GROSS PROFIT	131,188,073	(20,989,951)	110,198,122
DEFERRED GROSS PROFIT	(87,067,522)	87,067,522	–
REALIZED GROSS PROFIT DURING THE YEAR	44,120,551	66,077,571	110,198,122
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	35,218,959	(35,218,959)	–
TOTAL REALIZED GROSS PROFIT	₱79,339,510	₱30,858,612	₱110,198,122

Further, stock transaction costs amounting to ₱3,423,729 was erroneously charged to consolidated statements of comprehensive income in 2021. In this regard, the operating expenses was overstated in 2021 by the same amount. To correct the error, the stock transaction cost amounting to ₱3,423,729 was deducted from the operating expenses in 2021 and was directly charged to equity in 2021.

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, 2022	**Changes from financing cash flows**	**Balance as at December 31, 2022**
Borrowings	**₱ 117,961,417**	**₱ 20,050,950**	**₱ 138,012,367**
Advances from related parties	**104,993,224**	**8,267,585**	**113,260,809**
Lease liabilities	**2,405,414**	**(1,091,736)**	**1,313,678**
	₱ 225,360,055	**₱ 27,226,799**	**₱ 252,586,854**

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

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

* * *

Components of Financial Soundness Indicators

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group') as at December 31, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. 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, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022 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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2022

Ratio	Formula	2022	2021	2020
Profitability ratios:				
Return on assets	Net income	**₱ 27,591,091**	₱ 45,811,947	₱ 34,578,915
	Divided by: Total assets	**3,089,766,888**	1,957,814,320	1,563,508,621
	Return on assets	**0.01:1**	0.02:1	0.02:1
Return on equity				
	Net income	**₱ 27,591,091**	₱ 45,811,947	₱ 34,578,915
	Divided by: Total equity	**2,555,451,293**	1,472,299,830	1,073,778,335
	Return on equity	**0.01:1**	0.03:1	0.03:1
Net profit margin				
	Net income	**₱ 27,591,091**	₱ 45,811,947	₱ 34,578,915
	Divided by: Total revenue	**224,731,353**	180,268,515	169,217,101
	Net profit margin	**0.12:1**	0.25:1	0.20:1
Gross profit margin				
	Total revenue	**₱ 224,731,353**	₱ 180,268,515	₱ 169,217,101
	Less: Cost of real estate sold	**107,486,273**	70,070,393	60,526,073
	Gross profit	**117,245,080**	110,198,122	108,691,028
	Divided by: Total revenue	**224,731,353**	180,268,515	169,217,101
	Gross profit margin	**0.52:1**	0.61:1	0.64:1
Solvency and liquidity ratios:				
Current ratio	Current assets	**₱2,345,652,558**	₱1,302,888,029	₱1,190,366,614
	Divided by: Current liabilities	**280,304,800**	261,575,706	273,322,046
	Current ratio	**8.37:1**	4.98:1	4.36:1
Debt to equity ratio				
	Total liabilities	**₱ 534,315,595**	₱ 485,514,490	₱ 489,730,286
	Divided by: Total shareholder's equity	**2,555,451,293**	1,472,299,830	1,073,778,335
	Debt to equity ratio	**0.21:1**	0.33:1	0.46:1
Quick ratio				
	Quick assets*	**₱ 253,198,583**	₱ 515,226,858	₱ 96,691,153
	Divided by: Current liabilities	**280,304,800**	261,575,706	273,322,046
	Quick ratio	**0.90:1**	1.97:1	0.35:1
Cashflow liquidity ratio				
	Cashflow from operations	**(₱1,374,949,811)**	₱9,829,457	₱9,690,591
	Divided by: Current liabilities	**280,304,800**	261,575,706	273,322,046
	Cashflow liquidity ratio	**-490.52%**	3.76%	3.55%

Financial leverage ratio				
Asset to equity ratio	Total assets	**₱3,089,766,888**	₱1,957,814,320	₱1,563,508,621
	Divided by: Total shareholder's equity	**2,555,451,293**	1,472,299,830	1,073,778,335
	Asset to equity ratio	**1.21:1**	1.33:1	1.46:1
Debt to asset ratio				
	Total liabilities	**₱ 534,315,595**	₱ 485,514,490	₱ 489,730,286
	Divided by: Total assets	**3,089,766,888**	1,957,814,320	1,563,508,621
	Debt to asset ratio	**0.17:1**	0.25:1	0.31:1
Interest rate coverage ratio				
	Earnings before interest and tax	**₱ 61,282,972**	₱ 58,132,853	₱ 57,047,293
	Divided by: Interest expense	**14,578,911**	16,062,657	16,096,807
	Interest rate coverage ratio	**4.20:1**	3.62:1	3.54:1

**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
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Avenue
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Philippine Estates Corporation and Subsidiary** (the 'Group') as at December 31, 2022, 2021 and 2020, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. The supplementary information shown in the *List of Supplementary Information* as additional component required by Rule 68, Part I, Section 5 of the Revised Securities Regulation Code, is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic consolidated financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
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. 1738-A, Group A, effective until March 30, 2025 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 28, 2023

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
List of Supplementary Information
DECEMBER 31, 2022

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, 2022

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at balance sheet date	Income received and accrued
Financial assets at FVOCI				
Waterfront Manila Premier Development, Inc.	500,000	₱50,000,000	₱ –	₱ –

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additional	Accrual of Interest	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Instalment contract receivable								
International Polymer Corp.	₱ 4,340,519	₱ –	₱ –	₱ –	₱ –	₱ 4,340,519	₱ –	₱ 4,340,519
Advances to employees								
(under Trade and other receivables)	6,237,284	–	–	(3,243,498)	–	2,993,786	–	2,993,786
Plastic City Corp.	197,140,312	462,770	3,856,418	(200)	–	–	201,459,300	201,459,300
Forum Holdings Corp.	39,188,624	91,992	766,601		–	–	40,047,217	40,047,217
Kennex Container Corp.	36,615,523	85,618	713,482	(139,201)	–	–	37,275,422	37,275,422
Orient Pacific Corp.	34,688,629	110,137	500,721	(50,051)	–	–	35,249,436	35,249,436
Noble Arch Realty and Construction	5,006,083	43,322	96,464		–	–	5,145,869	5,145,869
Pacific Rehouse Corporation	873,986	350,194,922	-		–	–	30,461,782	30,461,782
				(320,607,126)				
Metro Alliance Holdings and Equities Corporation	274,782,761	631,201	5,260,007	–	–	–	280,673,969	280,673,969
Rexlon Realty Group, Inc	–	442,480	–	–	–	–	442,480	442,480
Westland Pacific Properties Corp.	–	228,772,519	162,555	(179,986,605)		–	48,948,469	48,948,469
	₱598,873,721	**₱580,834,961**	**₱11,356,248**	**(₱504,026,681)**	**₱ –**	**₱ 7,334,305**	**₱679,703,944**	**₱687,038,249**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Subsidiary							
Mariano Arroyo Development Corporation	₱ 202,374	₱ 73,170	₱ –	₱ –	₱ –	₱ 275,544	₱ 275,544

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule D – Long Term Debt
December 31, 2022

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	₱ 99,331,806	₱ 38,680,561

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule E – Indebtedness to Related Parties (Long Term Loans From Related Companies)
December 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
Waterfront Cebu City Hotel	₱ 92,054,457	₱ 92,054,457
The Wellex Group, Inc.	7,938,239	7,938,239
Concept Moulding Corp.	3,830,646	79,873
Inland Container Corporation	1,000,000	500,000
Manila Pavilion	166,530	166,530
Crisanta Realty Development Corp.	–	8,831,858
Stockholders		
International Polymer Corp.	3,352	3,689,852
	₱ 104,993,224	**₱113,260,809**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2022

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

Not Applicable

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule G – Capital Stock
December 31, 2022

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	2,891,016,410	–	1,856,950,020	3,286,300	1,856,950,020

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Reconciliation of Retained Earnings Available For Dividend Declaration
December 31, 2022

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱ –	
Add: Net income actually earned/realized during the period	–	
Net income during the period closed to Retained Earnings	–	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	–	
Add: Non-actual losses	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period		₱ –
Add (Less):		
Dividend declarations during the period	–	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
TOTAL RETAINED EARNINGS		–
END AVAILABLE FOR DIVIDEND		₱ –

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
Map of Conglomerate or Group of Companies within which the Company Belongs
December 31, 2022

Philippine Estates Corporation
(Parent Company)

Mariano Arroyo Development Corporation
(Subsidiary)

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

PART III

After reasonable inquiry and to the best knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on ______________, 2023.

QUEZON CITY
AUG 11 2023

AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

AUG 11 2023

SUBSCRIBED AND SWORN to before me, this ___ day of _________ 2023, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

QUEZON CITY

Notary Public

ATTY. ELISEO S. [illegible]MA, JR.
Notary Public for Q.C. Until Dec. 31, 2024
Roll No. 50183
PTR No. 4007172D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

Doc. No. 368;
Page No. 74;
Book No. 1XII;
Series of 2023.

Certification

I **JOCELYN A. VALLE, Finance Head** of **PHILIPPINE ESTATES CORPORATION** with SEC registration number **112978** with principal office at **35th Floor, One Corporate Centre, Julia Vargas Avenue cor. Meralco, Avenue, Ortigas Center, Pasig City**, on oath state:

1) That on behalf of **PHILIPPINE ESTATES CORPORATION**, I have caused this **SEC FORM 20-IS** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHILIPPINE ESTATES CORPORATION** will comply with the requirements set forth in SEC Notice dated 24 JUNE 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of August, 2023. Pasig City.

JOCELYN A. VALLE
Finance Head
TIN : 110-820-293

AUG 11 2023

SUBSCRIBED AND SWORN to before me this _____day of__________,20____.

NOTARY PUBLIC

ATTY. ELISEO SUCALMA, JR.
Notary Public for Q.C //Until Dec.,31, 2024
Roll No. 50183
PTR No. 4007172D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VII-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

DOC NO. 765
PAGE NO. 77
BOOK NO. LXI
SERIES OF 2023

Daily Tribune
WITHOUT FEAR • WITHOUT FAVOR

Concept and Information Group, Inc.
3450 Concept Building, Florida St., Makati City
Editorial: + 632 88310496
Advertising: +632 8810976 / 88337085 / 85515148
Concept TIN: 006-339-109-000

11 August 2023

TO: **Nimfa S. Mendizabal**
Senior Manager - Finance
PHILIPPINE ESTATES CORPORATION

FROM: **Mary Ann Datoy**
Accounting Assistant

RE: Request for Quotation Online & Print Publication for September 20 & 21, 2023

BLACK & WHITE/CLASSIFIED AD

AD SIZE	:	**4col. x 20cm x 2 publications**
RATE/COL/ CM.	:	**120.00/colcm + 12% vat + 200 notary fee (print)** **80.00/colcm + 12% vat (online)**
COMPUTATION	:	**4 x 20 x 2 (120) + 12% VAT + P 200 = Php 21,704.00** **4 x 20 x 2 (80) + 12% VAT = Php 14,336.00**
TOTAL COST	**:**	**Php 36,040.00**

Please contact (02) 8310976 / +63939051951340 for any clarification.

Thank you.

Conforme:

ELVIRA A. TING
President & CEO
Philippine Estates Corporation

BusinessMirror
A broader look at today's business

August 9, 2023

MS. ELVIRA A. TING
President
PHILIPPINE ESTATES CORPORATION

Dear Ms. Ting,

Greetings from the leading business newspaper in the country!

We sincerely appreciate your interest in collaborating with us for this campaign. It is an honor to once again be partnering with **PHILIPPINE ESTATES CORPORATION**. **BusinessMirror** remains at the forefront of market innovation, offering comprehensive insights into today's business landscape. Kindly find below the quotation for the Notice of Annual Stockholder Meetings to be featured in both our print and online platforms on **September 20-21, 2023**:

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 100 Affidavit fee
Total cost: P 32,356.00 VAT Inc.

Online rate:
Php 20,000.00 + 12% Vat and Php 100 Affidavit fee
Total cost: Php 22,500.00
(To be posted online in BusinessMirror website's Business Section in word file plus company logo)

<u>**SPECIAL QUOTATION COST: Php 54,856.00**</u>

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,

kvmauricio

KARINNA "BIM" MAURICIO
Account Manager

CONFORME:

ELVIRA A. TING
President / CEO