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SEC Registration No.

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

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

(Company's Full Name)

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

J U L I A V A R G A S C O R . M E R A L C O A V E .

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

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

JOCELYN A. VALLE

Contact Person

8637-3112

Contact Telephone No.

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S E C - 1 7 A

FORM TYPE

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

710

Total No. of Stockholders

PHP 123,073,265

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

MSEC Number 112978

File Number _____

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

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

(Company's Address)

(02) 8637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 17-A
(Form Type)

Amended Designation (if applicable)

2023

Period Ended Date

(Secondary Licensed Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2023.
2. SEC Identification Number 112978 3. BIR Tax Identification No. 000-263-366
4. Exact name of issuer as specified in its charter PHILIPPINE ESTATES CORPORATION
5. METRO MANILA, PHILIPPINES (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. 35th Floor, One Corporate Centre, Julia Vargas Avenue cor. Meralco, Avenue
Ortigas Center, Pasig City 1605
Address of principal office Postal Code
8. Telephone No. 8637-3112 Area Code: 02
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
Authorized Capital Stocks: Common shares 5,000,000,000 with par Value of P1.00 per share
No. of shares of Common Stock Issued and Outstanding: **2,891,099,660 Common Shares**
Amount of Debt Outstanding: ₱ 123,073,265 (as per Financial Statements)
11. Are any or all of these securities listed on a Stock Exchange.
Yes [X] No []
If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE COMMON SHARES
12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No []
(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [X] No []

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

Number of Shares	1,030,863,340
Market price as of 12/31/23	<u>₱ 0.325</u>
Aggregate Market Value as of 12/31/2023	<u>₱ 335,030,586</u> =====

PART 1 – BUSINESS

A. Description of Business:

(1) Business Development

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

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

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

To align the Company to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, the SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class “A” and Class “B” classification of the Company’s shares; and (d) the change in the par value of the shares from P10.00 to P1.00 per share.

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

To further expand its real estate business and to continue the construction of housing developments and/or for purposes of acquiring additional land where to establish its housing projects, the Company conducted a Stock Right Offering (SRO) at the ratio of 1:1 per share or a total of with a par value of ₱1.00 per share equivalent to 1,445,549,830 issued from the unissued portion of the authorized capital stock of the Company.

To date, the current authorized capital stock of the Company is ₱5,000,000,000.00 consisting of 5,000,000,000 Common Shares with a par value of ₱1.00 per share. The total issued and outstanding capital stock of the Company is 2,891,099,660 Common Shares with a par value of ₱1.00 per share.

(2) Business of Issuer

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

The following are the projects of the Company:

Completed Projects:

1. Pearl of the Orient Tower.

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

(No revenue for 2023)

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

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

(No revenue for 2023)

3. Pacific Grand Villas Phase I.

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

(No revenue for 2023)

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.

Revenue for 2023: ₱ 9,247,813.93 5.21%

5. Pacific Grand Villas Phase III.

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

(No revenue for 2023)

6. Chateaux Geneva.

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

(No revenue for 2023)

7. Pacific Grand Villas Phase IV.

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

Revenue for 2023: ₱ 322,721.40 0.18%

8. Pacific Grand Townhomes Phase I.

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

Revenue for 2023: ₱ 6,993,000.00 3.94%

9. Costa Smeralda.

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

Revenue for 2023: ₱ 49,886,158.43 28.130%

ONGOING / CURRENT PROJECTS:

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

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

Revenue for 2023: ₱ 24,782,673.04 13.97%

2. Wellford Residences – Mactan

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

Revenue for 2023: ₱ 33,100,710.82 18.66%

3. Wellford Homes - Malolos

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

Wellford Homes Malolos' sales continued to grow in 2023, with Phase 1 and Phase 2 inventories nearly sold out. The Company has filed for the Licenses to Sell and a Certificates of Registration for Phases 3 and 4, and plans to launch these new phases by the end of the second quarter of 2024.

Revenue for 2023: ₱ 53,032,578.33 29.91%

PROJECTS IN THE PIPELINE

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

In line with the Company's aim of expanding the existing American-inspired subdivision project Wellford Homes I located at Jaro, Iloilo, the Company is expected to launch Wellford Homes II (WHII) by 2022. WHII will have in an area of about 9.0 hectares and will offer a total of 440 units. The development is envisioned to be completed by 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. 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. The Company has commissioned a master planner before laying the ground works for the development. 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.

3. 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.

4. 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.

5. Wellford Homes Balagtas

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

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)

a. Jaro Grand Estates - South

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

Competition:

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

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

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

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

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

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

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

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

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

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

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

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

Sources and availability of raw materials:

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

Transactions with and/or dependence on related parties:

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

Details of the Group's advances to related parties as at December 31, 2023, 2022 and 2021 are as follows:

December 31, 2023	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)	₱201,459,300	₱ 462,770	₱3,856,419	₱ –	₱205,778,489
Forum Holdings Corp. (b)	40,047,217	91,992	766,601	–	40,905,810
Kennex Container Corp. (b)	37,275,422	85,498	712,482	(50,000)	38,023,402
Orient Pacific Corp. (b)	35,249,436	60,087	500,722	–	35,810,245
Noble Arch Realty and Construction (c)	5,145,869	56,662	96,464	–	5,298,995
Pacific Rehouse Corporation (f)	30,461,782	–	–	(28,380,433)	2,081,349
Metro Alliance Holdings and Equities Corporation (e)	280,673,969	631,201	5,260,007	–	286,565,177
Rexlon Realty Group, Inc.	442,480	–	–	(442,480)	–
Westland Pacific Properties Corp. (g)	48,948,469	516,399	883,326	(4,600,000)	45,748,194
	679,703,944	1,904,609	12,076,021	(33,472,913)	660,211,661
Allowance for ECL	(34,998,309)	(5,624,503)	–	–	(40,622,812)
	₱644,705,635	(₱3,719,894)	₱12,076,021	(₱33,472,913)	₱619,588,849

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

Details of the Group's advances from related parties as at December 31, 2023, 2022 and 2021 are as follows:

December 31, 2023	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.	79,873	–	(79,873)	–
Manila Pavilion	166,530	–	–	166,530
Inland Container Corporation	500,000	1,000,000	–	1,500,000
Crisanta Realty Development Corp.	8,831,858	–	(8,831,858)	–
Pacific Plastic Corporation	–	2,500,000	–	2,500,000
Stockholders				
International Polymer Corp.	3,689,852	–	–	3,689,852
	₱113,260,809	₱3,500,000	(₱16,849,970)	₱99,910,839

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

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.

On December 21, 2023, The Wellex Group Inc. (TWGI), Crisanta Realty Development Corporation (CRDC) entered into a Memorandum of Agreement with Pacific Rehouse Corporation (PRC) for the assignment of its related party balances with the Group. TWGI and CRDD assigned their rights for the collection of their receivables from the Group to PRC amounting to ₱7,938,239 and ₱12,679,735, respectively. These assignments partially settled their obligation to PRC.

On the same dated, RRGi assigned its right for collection of their receivable amounting to ₱442,480 in favor of the Group. The assignment settled the obligation of RRGi to the Group

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 the 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. On January 31, 2024, the promissory note was extended for another three (3) years.

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. On January 31, 2024, the promissory note was extended for another three (3) years.

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 a promissory note indicating an extension of term for another three (3) years, starting January 31, 2021, and will mature on January 31, 2024. On January 31, 2024, the promissory note was extended for another three (3) years.

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, 2023 and 2022 (see Note 5).

e) Metro Alliance Holdings and Equities Corporation (MAHEC)

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

On March 15, 2021, MAHEC issued a promissory note amounting to ₱263,000,345. The term of the loan is five (5) years maturing on March 15, 2026, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱5,260,007 for the years ended December 31, 2023, 2022 and 2021.

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) Westland Pacific Properties Corporation (WPPC)

On October 28, 2022, WPPC issued a promissory note amounting to ₱48,766,408. The term of the loan is three (3) years maturing on October 31, 2025, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱883,328 and ₱162,555 for the years ended December 31, 2023 and 2022

h) 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:

	2023	2022
Short-term employee benefits	₱3,984,616	₱3,725,288
Post-employment benefits	360,000	330,000
Share-based payments	—	—
Other long-term benefits	—	—
	₱4,344,616	₱4,055,288

i) 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, 2023 and 2022.

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

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

Effect of existing or probable governmental regulations on the business:

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

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

Cost and effect of compliance with environmental laws:

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

Need for any governmental approval of principal products and services:

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

Item 2. Properties

The Company has the following real estate properties:

<u>PROJECT/ PROPERTY</u>	<u>LOCATION</u>	<u>AREA</u>	<u>REMARKS</u>
Pacific Grand Villas 1	Mactan Island Cebu	10.2 has (531 lots)	Completed
Pacific Grand	Mactan Island	8.70 has	Completed

Villas 2	Cebu	(261 lots)	
Pacific Grand Villas 3	Mactan Island Cebu	8.40 has	Completed
Pacific Grand Villas 4	Mactan Island Cebu	6.70 has	
4A			Completed
4B			Completed
Pacific Grand Townhomes	Mactan Island Cebu	7,359 sqm.	Completed
MetroTech Industrial Park (formerly Plastic City Industrial Park)	Valenzuela City	30 has (110 lots)	Completed
Chateaux Geneva (JV w/ PRC)	Jaro, Iloilo City	10 has (421 lots)	Completed
Pearl of the Orient Tower (formerly Embassy Pointe Tower) (JV w/ Pearl of the Orient Realty & Devt. Corp.)	Roxas Blvd.	7,600 sqm. (91 units)	Completed
Costa Smeralda (Coastal Villas) Jaro, Iloilo		8.9 has	Completed
Wellford Homes Parcel A	Jaro, Iloilo	10 has (106 units)	Completed
Wellford Residences-Madison Bldg.	Cebu City	80 units	79.53% Complete
Wellford Homes Malolos	Bulacan	6.75 has	Phase 1- 40% Complete Phase 2- 91.71% Complete

Facilities owned by the Company are generally in good condition.

For the year 2023, the Company secured another credit line/loan from Luzon Development Bank, Philippine Bank of Communications and Qwick Financing Inc. in the amount of ₱34.80million, ₱57.66million and ₱11.02 million respectively, obtained for working capital requirements. The notes carry interest rate of 9-15% p.a. and payable in 3 years, with interest payable monthly in advance. The loan is secured with real estate properties.

Item 3. Legal Proceedings

a) Claims from expropriated property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation 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.

On July 4, 2023, the RTC ordered the defendants, including Parent Company that their money claims against the DPWH must first be brought before the Commission on Audit

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.

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

During the Annual Stockholders' Meeting held on October 12, 2023, the following matters formed part of the Agenda and were submitted to the vote of, and were subsequently approved by a unanimous vote of the stockholders owning 79.75% of the shares issued and outstanding:

- 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 year 2023;
- h. Appointment of External Counsel for the year 2023;
- i. Other matters; and
- j. Adjournment.

(a) Elected members of the Board of Directors:

NAMES	AGE	CITIZENSHIP
ARTHUR M. LOPEZ	77	FILIPINO
ARTHUR R. PONSARAN	80	FILIPINO
BYONG HYUN SUH*	67	KOREAN
DEE HUA T. GATCHALIAN	75	FILIPINO
ELVIRA A. TING	63	FILIPINO
JOSAIAS DELA CRUZ*	62	FILIPINO
KENNETH T. GATCHALIAN	47	FILIPINO
RENATO C. FRANCISCO*	75	FILIPINO
RICHARD L. RICARDO	60	FILIPINO
RUBEN TORRES	82	FILIPINO

** Independent Directors*

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS:

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

1. Market Information

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

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

	2023		2022	
	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>
Q1	0.39	0.36	0.51	0.40
Q2	0.42	0.335	0.43	0.37
Q3	0.35	0.30	0.42	0.37
Q4	0.36	0.305	0.425	0.375

- The share price as of December 31, 2023 was P0.325.*

2. Holders

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

Names of the Top Twenty (20) shareholders as of December 31, 2023, the number of shares held (fully paid and partially paid shares), and the percentage of total shares outstanding held by each.

RANK	STOCKHOLDER'S NAME	NO. OF SHARES HELD	PERCENTAGE OF OWNERSHIP
1	PCD NOMINEE CORPORATION (FILIPINO)	2,189,885,630	75.746

2	REXLON REALTY GROUP, INC.	200,000,000	6.918
3	ROPEMAN INTERNATIONAL CORP.	178,270,000	6.166
4	RECOVERY REAL ESTATE CORP.	150,000,000	5.188
5	THE WELLEX GROUP, INC.	143,892,990	4.977
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	12,479,260	0.432
7	RECOVERY DEVELOPMENT CORP.	3,000,900	0.104
8	JIANXI LI	2,570,000	0.089
9	VICENTE C. CO	1,575,000	0.054
10	RICHARD RICARDO	1,230,000	0.043
11	RENATO B. MAGADIA	1,000,000	0.035
12	ANTHONY SAMUEL LEE	900,000	0.031
13	INTERNATIONAL POLYMER CORP.	718,000	0.025
14	JULIET BANGAYAN	545,000	0.019
15	RODOLFO S. ESTRELLADO	500,000	0.017
16	ELVIRA A. TING	500,000	0.017
17	BENISON L. CO	364,000	0.013
18	KENNETH T. GATCHALIAN	320,000	0.011
19	CAROLINA G. AQUINO	250,000	0.009
20	BETTY S. CHAN	250,000	0.009

3. Dividends

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

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

On July 14, 2021, the Board approved the adoption of a new dividend policy effective 2021 of maintaining an annual cash and/or share dividend pay-out of up to ten percent (10%) of its net profit after tax from the preceding year, subject to: (i) the requirements of applicable laws and regulations, such as the availability of

unrestricted retained earnings; (ii) the terms and conditions of its outstanding bonds and loan facilities, as the case maybe; and (iii) the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments.

4. Recent Sale of Unregistered Securities

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

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

A) FULL FISCAL YEAR:

Results of Operations:

In 2023, the Company posted consolidated net sales of ₱ 277.12M, compared to ₱224.73M in 2022, reflecting an increase of 23.31% or ₱ 52.39M.

Realized Gross Profit increased by 53.21%, or ₱62.39M, from ₱179.64M in 2023 compared to ₱117.25M in 2022. Meanwhile, Net Income after Tax rose to ₱58.47M from ₱27.59M in 2022, marking a 111.92% increase or ₱30.88M. This surge can be primarily attributed to the lower cost of sales resulting from the disposal of raw land in Cavite.

The Company's current ratio registered at 11.86:1. Current Assets reached ₱ 2.70B while Current Liabilities registered at ₱ 0.23B. Debt-to-equity ratio registered at 0.19:1. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at ₱ 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.

<u>INDICATOR</u>	<u>2023</u>	<u>2022</u>
Return on Sales	21.10%	12.28%
Past Due Ratio	5.84%	4%
Gross Profit Rate	64.82%	52.17%
Working Capital Turnover	0.12	0.14
Sales Projection	506M	864M
Sales Variance	-45.23%	-61.82%

Financial Condition:

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

- a. Cash – the increase of 19.61% was mainly due to collections from buyers and the establishment of revolving funds to address immediate petty cash needs in the branch office.
- b. Current Trade and Other Receivables – the increase of 27.41% was due to an increase in sales of Costa Smeralda and Wellford Homes – Malolos projects on an installment basis.
- c. Prepayments and Other Current Assets - the decrease of -24.16% was due to an application of VAT Input against VAT Output recognized for the year.
- d. Deferred Tax Assets - the increase of 13.54% was due to the increase of allowance for impairment on advances.
- e. Accounts payable and other liabilities - the increase of 13.08% was due to an increase in accrual for the expenses incurred but not yet paid.
- f. Total Borrowings – the decrease of -10.82% was due to payments of matured loans from Qwick Financing, Inc. and Philippine Bank of Communications.
- g. Total Lease Liabilities - the increase of 124.89% was due to the extension of lease terms for the period.
- h. Contract liabilities - the decrease of -73.10% was due to the recognition of sales based on the percentage of completion from the prior collections recorded as contract liabilities.
- i. Customers’ Deposits – the increase of 69.39% was due to an increase in sales reservation fees.
- j. Advances from related parties – the decrease of -11.79% was due to the offsetting of advances from related parties against the raw land acquired.

- k. Retention Payable and Refundable Bonds - the increase of 17.33% 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
- l. Deferred Tax Liabilities – the increase of 23.58% was mainly due to the Effect of adoption of PFRS 15.
- m. Remeasurement Gain on Retirement Benefits- the increase of 12.96% was due to a decrease in attributable tax.
- n. Deficit - the decrease of -17.07% was due to net income recognized for the year 2023 amounting to ₱58M.

10. ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

Results of Operations:

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.

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:

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.

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.

The Company’s current ratio registered at 4.98:1. Current Assets reached ₱ 1.30B while Current Liabilities registered at ₱ 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 ₱ 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 a vis forecasted sales.

<u>INDICATOR</u>	<u>2021</u>	<u>2020</u>
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:

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.

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

Realized Gross Profit decreased by -30.96% or ₱-33.49M from ₱74.66M this 2020 compared to ₱108.14M in 2019. However, Net Income after Tax increased to ₱0.55M compared from ₱-0.97M

in 2019, an increase of 156.40% or ₱1.51M. This was primarily due to a decrease in current tax of -76.61% or ₱-13.82M from ₱18.04M in 2019 to ₱4.22M in 2020.

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

Comparative Top Key Performance Indicators of the Company:

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

- f. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- g. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- h. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.
- i. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.
- j. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

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

Financial Condition:

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

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

- b. Current Trade and Other Receivables – the increase of 6.06% was due to sales from Wellford Homes - Malolos.
- c. Prepayments and Other Current Assets - the decrease of 26.45% was due to application of creditable withholding tax for the year's income tax due per Income Tax Return.
- d. Financial Asset - the increase of 300% was due to an additional investment in Waterfront Manila Premier Development, Inc.
- e. Deferred Tax Assets - the increase of 25.04% was due to the effects of CREATE a newly approved corporate income tax rate.
- f. Other Noncurrent Assets – the increase of 11.21% was due to additional security deposits on the renewal of lease and utility deposits.
- g. Borrowings – the increase of 37.60% was the result of loans availed from Luzon Development Bank for working capital.
- h. Lease Liabilities - the increase of 78.75% was due to the additional right-of-use asset.
- i. Customers' Deposits – the increase of 66.41% was due to an increase in sales reservation fees.
- j. Retention Payable and Refundable Bonds - the increase of 10.52% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contracts of all on-going project
- k. Retirement Benefits Obligation - the increase of 19.98% was due to an expense recognized based on actuarial valuation for 2020.
- l. Deferred Tax Liabilities – the increase of 5.61% was due to the effects of CREATE a newly approved corporate income tax rate.
- m. Remeasurement Gain on Retirement Benefits- the increase of 6.41% was due to an increase of amounts recognized in OCI for the year's actuarial valuation

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

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

Comparative Top Key Performance Indicators of the Company:

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

- a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.
- d. Working Capital – The Company’s ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.
- e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

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

Financial Condition:

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

- a. Cash – the decrease of 29.85% was basically attributable to the payments of prior years’ payables and current payables incurred particularly on the newly set up sales office in Malolos.
- b. Current Trade and Other Receivables – the decrease of 8.73% was due to the slump in sales.
- c. Real Estates Inventories – the decrease of 38.95% was due to a reclassification from raw land inventory to advances to affiliates.
- d. Prepayments and Other Current Assets - the decrease of 32.85% was due to application of creditable withholding tax for the year’s income tax due.
- e. Non-Current Trade and Other Receivables – the increase of 34.82% was due to an increase of old accounts from external customers

- f. Advances to Related Parties – the increase of 104.71% was due to a reclassification from raw land inventory to advances to affiliates.
- g. Deferred Tax Assets – the increase of 16.40% was due to higher corporate income tax paid per ITR than on the tax due per financial statements for the year.
- h. Accounts Payable and Other Liabilities – the increase of 19.38% was due to an increase of advance payments made by the customers for their titling fees.
- i. Borrowings – the decrease of 24.26% was due to payment of matured loans.
- j. Customers' Deposits – the decrease of 49.62% was due to increase in reported sales from the reservations made in prior's year.
- k. Retirement Benefits Obligation - the increase 28.79% was due to an expense recognized based on actuarial valuation for 2019.
- l. Deferred Tax Liabilities – the decrease of 10.35% was due to excess of taxable realized gross profit over financial realized gross profit.
- m. Remeasurement Gain on Retirement Benefits- the decrease 43.04% was due to an increase of changes in financial assumptions for the year's actuarial valuation.

PLAN OF OPERATION

The COVID-19 pandemic had a wide-ranging influence on different sectors around the world, including finance, healthcare, essential services, and the construction industry. It disrupted supply networks, interrupted activities, and caused economic downturns throughout numerous regions. However, by the end of 2023, the world had gradually recovered from the adverse effects of the pandemic, with Philippine Estates among those who had finally been able to fully resume operations at pre-pandemic levels.

The Company's projects in Iloilo namely Chateaux Geneva, Costa Smeralda, and Wellford Homes Jaro Parcel A, which are technically almost sold out, reflect a continuing need for horizontal projects in the said province. As a result, the Company has decided to push through another project, Wellford Homes Jaro Parcel B, which offers both lot only and house and lot packages. The said project saw the introduction of two new model units in the fourth quarter of 2023, and is currently awaiting the release of the amended License to Sell and Certificate of Registration. The project will begin its land development before the end of the third quarter of 2024.

For Cebu, Wellford Residences Mactan Building 1 (Madison), the Company's first midrise residential project, is now under construction and is expected to be completed by the second quarter of 2024. Although the plans for Wellford Residences Mactan Building 2 have been completed, the Company has opted to wait and see until Wellford Residences Mactan Building 1's inventory has been significantly depleted before Building 2 is introduced. Pacific Grand Villas Phase 5, on the other hand, is yet to be launched due to the ongoing moratorium in Lapu-Lapu City on new residential projects, despite the fact that its plans and preliminary permits have already been acquired.

In Bulacan, Wellford Homes Malolos' sales continued to grow in 2023, with Phase 1 and Phase 2 inventories nearly sold out. The Company has filed for the Licenses to Sell and a Certificates of Registration for Phases 3 and 4, and plans to launch these new phases by the end of the second quarter of 2024.

On the construction side, a significant number of houses in Cebu and Iloilo scheduled for construction in 2023 were completed and handed over to buyers. The development of Wellford Residences Mactan Building 1 in Cebu was almost 90% complete at the end of 2023, with completion scheduled for the second quarter of 2024. Meanwhile, more and more houses are currently being built in Malolos, with the first batch of houses to be turned over to buyers by the first quarter of 2024.

New Residential and Commercial Projects

For the coming year, 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 development of Wellford Homes Santa Maria will see the expansion of Philippine Estates to another city in Bulacan and has already brought excitement to the Company's slate of brokers. Masterplanned to be a 15-hectare horizontal mixed-use development, this new offering in Bulacan will have residential, commercial, and recreational components, and will cater to the growing needs of the community. The said project is currently in the latter planning stages and is scheduled to be launched by the fourth quarter of 2024.

Winfields Village Tanza in Cavite, a 19.7-hectare horizontal development, and Wellford Homes Balagtas in Bulacan, a 10-hectare horizontal residential development are currently being eyed as the next projects to be offered in the coming years.

In Iloilo, the Company has begun bidding for the Land Development for Wellford Homes Parcel B, which will allow the Company to field additional queries from unit buyers as the land development progresses. The Company is also planning for Wellford Homes parcels C and D, which will be follow-up projects to Wellford Homes Parcel B.

With the road improvements surrounding the famous Mushroom Area near our Iloilo projects, the area is being considered for a possible commercial space that will cater to the needs of the locals in the vicinity.

The Company will continue to look for potential growth areas outside of the locations of its current projects, slowly establishing a wider base and reach by offering more and more complete developments.

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.

- **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)**

There were no significant elements of income or loss (from continuing operations).

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

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

- **Internal and external sources of liquidity**

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

Item 7. Financial Statements

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

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

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

Independent Public Accountant

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

1. Audit and Audit-Related Fees

	<u>YEAR</u>	<u>AMOUNT</u>
a. Audit of Financial Statement	2023	₱ 704,000.00
	2022	667,012.50

2. No audit fees for other related services

3. Tax Fees	2023	nil
	2022	nil

4. All other fees

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

- a. **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
- 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. **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
- 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** – 67 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. **JOSAIAS DELA CRUZ** – 62 years old, Filipino (**Independent Director**)
- Independent Director - Wellex Industries, Inc.
 - Vice President / Treasurer – Wegen Distributed Energy Philippines Holdings Corp
 - Sole Proprietor - JTDC Spinmeister Laundry Service.
- i. **RENATO C. FRANCISCO** - 75 years old, Filipino (**Independent Director**)
- Director – Acesite (Phils.) Hotel Corporation
 - Independent Director – Forum Pacific, Inc., Sta. Lucia Land Inc
- j. **RUBEN TORRES -- 82** years old, Filipino (**Director**)
- Chairman/CEO - Services Exporters Risk Management & Consultancy Co (SERMC)
 - Independent Director - Waterfront Philippines, Inc.
 - Independent Director- Acesite Philippines Hotel Corporation
 - Independent Director - Wellex Industries, Inc.
 - President - Pacific Concorde Corporation
 - Corporate Treasurer - Wellex Mining Corporation
 - Director - Waterfront Manila Premier Development, Inc.
 - Independent Director - Forum Pacific, Inc.
 - VP-International Affairs - Trade Union Congress of the Philippines
 - Chairman - Taguig Lake City Development Corporation
 - Chairman - Alliance Energy Power and Development Inc.
 - Chairman - Triton Construction and Development Corporation
 - President - BPO Workers Association of the Phil.
 - Senior Partner - Torres Caparas Torres Law Offices.
- k. **SERGIO R. ORTIZ-LUIS, JR.** - 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.
- l. **ARSENIO A. ALFILER, JR.** 77 years old, Filipino (**Corporate Secretary**)
- Partner – Corporate Counsels, Phils. Law Offices.
 - Corporate Secretary – Forum Pacific, Inc., Acesite (Phils.) Hotel Corporation.
 - Asst. Corporate Secretary – Waterfront Philippines, Inc., Iloilo City Development Bank
- m. **AMANDO J. PONSARAN, JR.**– 53 years old, Filipino (**Asst. Corporate Secretary**)
- Senior Manager – Corporate Counsels, Philippines Law Offices
 - Corporate Secretary – Wellex Industries, Inc.
 - Corporate Secretary – Trans Realty Co., Inc.
 - Corporate Secretary – Health Carousel Philippines, Inc.

- Corporate Secretary – Consumer Products Distribution Services, Inc.
 - Corporate Secretary – Trasmetro Property Ventures Corporation
 - Corporate Secretary – 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 PANTIG – 48 years old, Filipino (Chief Operating Officer)**
- Chief Operating Officer - Philippine Estates Corporation.
- p. ERWIN BRYAN S. KANAPI - 45 years old, Filipino (Chief Risk Officer, DPO and CO for AMLC)**
- Head of the Legal Department - Philippine Estates Corporation
1. Pursuant to the By-Laws of the Company, the term of office of the Directors is one (1) year. In accordance with SEC Memorandum Circular No. 19 Series of 2016, concerning the Term Limits for Independent Directors. Mr. Byoung Y. Suh served as Independent Director since 2016, which will expire on 2025 while Ret. Justice Renato C. Francisco was elected in 2020 and Mr. Josaias T. Dela Cruz in 2021, will expire on 2029 and 2030, respectively. The Company will continue to monitor and evaluate the term limits of the current Independent Directors.
 2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.
 3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms Dee Hua T. Gatchalian is the mother of Kenneth T. Gatchalian.
 4. None of the directors or officers of the registrant has been involved in any bankrupt petition, or a violation of a Securities or Commodities Law nor has been convicted by final judgment, nor has been subjected to any order or decree.

Item 10. Executive Compensation

1. Estimated Compensation:

<i>Name and Principal position Mo.)</i>	<i>Year</i>	<i>Salary</i>	<i>Other Annual Bonus Compensation (13th</i>	
ELVIRA A. TING President & CEO	2023	₱ 840,000.00	0.00	₱ 70,000.00
PANTIG, GLENN GERALD Chief Operating Officer	2023	₱ 1,347,301.37	0.00	₱ 120,000.00
JOCELYN A. VALLE Finance Head	2023	₱ 733,650.68	0.00	₱ 65,000.00

FERDINAND P. HALILI Operations Head	2023	₱ 627,301.37	0.00	₱ 60,000.00
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ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2023	₱ 436,362.88	0.00	₱ 45,000.00
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The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2023 is P 4,344,616.30.

Each member of the Board of Directors is given P 10,000.00 per diem for attendance at a special or regular board meeting, and the Chairman receives ₱50,000.00 per month.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners:

<u>Class</u> <u>Total</u>	<i>Name and Address of</i> <i>% to</i> <u>Record/Beneficial Owner</u>	<u>Citizenship</u>	<i>Amount and Nature</i> <i>Record/Beneficial</i> <u>Ownership ("r" or "b")</u>
Common 34.91 %	THE WELLEX GROUP, INC. **** 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 1,009,208,220 "r"
Common 15.94 %	REXLON REALTY GROUP, INC. ** 22 nd FLR. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY	FILIPINO	P 460,960,000 "r"
Common 12.11 %	RECOVERY REAL ESTATE CORP. * 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 350,000,000 "r"
Common 6.17%	ROPEMAN INT'L., CORP. *** #7 T. SANTIAGO STREET CANUMAY, VALENZUELA METRO MANILA	FILIPINO	P 178,270,000 "r"

2. Security Ownership of Management

<u>Class</u> <u>Total</u>	<i>Name and Address of</i> <i>% to</i> <u>Record/Beneficial Owner</u>	<u>Citizenship</u>	<i>Amount and Nature</i> <i>Record/Beneficial</i> <u>Ownership ("r" or "b")</u>
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Common 0.017%	Elvira A. Ting President/CEO	Filipino	500,000
Common 0.011%	Kenneth T. Gatchalian Vice Chairman	Filipino	320,000
Common 0.000%	Josaias Dela Cruz Independent Director.	Filipino	100
Common 0.000%	Dee Hua T. Gatchalian Director	Filipino	2,000
Common 0.000%	Arthur M. Lopez Chairman	Filipino	1,000
Common 0.000%	Renato C. Francisco Independent Director	Filipino	100
Common 0.000%	Ruben Torres Director	Filipino	100
Common 0.000%	Sergio R. Ortiz-Luis, Jr. Director	Filipino	1,000
Common 0.000%	Arthur R. Ponsaran Director	Filipino	1,000
Common 0.085%	Richard L. Ricardo Director/Treasurer	Filipino	2,460,000
Common 0.000%	Byoung Hyun Suh Independent Director	Korean	1,000

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

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

Item 12. Certain Relationships and Related Transactions.

The Company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which,

25,035,115 were owned by Benguet Management Corporation (“Benguet”). In December 1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. (“Wellex”). At present, Wellex Group and its related parties owns 2,070,701,020 or 71.62% shareholdings in the Company.

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

Report on SEC Form 17-C was filed by the Company on July 10, 2023 with the following information:

“Please be advised that the annual meeting of the stockholders of **PHILIPPINE ESTATES CORPORATION** held on October 12, 2023, the following matters were taken up and acted upon by the Board and the Stockholders in the manner indicated:

1. The stockholders elected the members of the Board of Directors to serve for the term 2023-2024. Those elected regular members of the Board were:

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

2. The stockholders designated Diaz Murillo Dalupan & Company as the Corporation’s external auditors.
3. The stockholders designated Corporate Counsels, Philippines – Law Offices as the Corporation’s external counsel.

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

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

AUDIT COMMITTEE

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

EXECUTIVE COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

BOARD RISK OVERSIGHT COMMITTEE

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

RELATED PARTY TRANSACTIONS (RPT) COMMITTEE

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

PART IV – CORPORATE GOVERNANCE

For submission on or before May 30, 2024

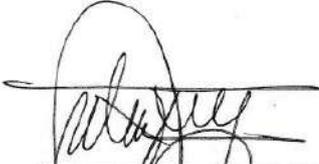
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this SEC FORM 17-A for the year 2023 is signed on behalf of the issue by the undersigned thereunto duly authorized, in the City of Pasig on April , 2024.

By:



ARTHUR M. LOPEZ
Chairman



ELVIRA A. TING
President & CEO



RICHARD L. RICARDO
Treasurer



JOCELYN A. VALLE
Finance Head/Corp. Information Officer

SUBSCRIBED AND SWORN to before me this 25th day of April, 2024
 affiants exhibited to me their respective competent evidences of identity as follows:

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

PASIG CITY

Doc No. 224
 Page No. 40
 Book No. 32
 Series of 2024


FERDINAND D. AYAHAO
Notary Public
 For and in Pasig City and the Municipality of Pateros
 Appointment No. 96 (2024-2025) valid until 12/31/2025
 MCLE Exemption No. VIII-BEP003234, until 04/14/28
 RAH No. 46377, IBP LRN 02459; OR. 535886; 06/21/2001
 TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City
 Unit 5, West Tower PSE, Exchange Road
 Ortigas Center, Pasig City Tel. +632-86314090

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	2	9	7	8				
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Company Name

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

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

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

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A
---	---

COMPANY INFORMATION

Company's Email Address

phes_finance@yahoo.com
--

Company's Telephone Number/s

8637-3112

Mobile Number

09178338243

No. of Stockholders

702

Annual Meeting
Month/Day

October/12

Fiscal Year
Month/Day

December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jocelyn A. Valle

Email Address

phesfinance@gmail.com
--

Telephone Number/s

8637-3112

Mobile Number

NA

Contact Person's Address

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

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

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

***Philippine Estates Corporation and
Subsidiary***

*Financial Statements
December 31, 2023 and 2022*

and

Independent Auditors' Report



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ARTHUR M. LOPEZ
Chairman of the Board

ELVIRA A. TING
President / CEO

RICHARD L. RICARDO
Treasurer

Signed this APR 23 2024 day of April, 2024

SUBSCRIBED AND SWORN to before me APR 23 2024 day of April, 2024
affiants exhibited to me their respective competent evidences of identity as follows:

Table with 3 columns: Name, Tax Identification Number, Issuer. Rows include Arthur M. Lopez, Elvira A. Ting, and Richard L. Ricardo.

Doc No., Page No., Book No., Series of

PASIG CITY

FERDINAND D. AYAHAO
Notary Public

For and in Pasig City and the Municipality of Pateros
Appointment No. 96 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VII-BEP008234, until 04/14/28
Roll No. 46377; IBP LRN 02459; OR 585886; 06/21/2001
TIN 123-011-785; PTR 163-4583AA; 01/03/24; Pasig City
Unit 5, West Tower PSE/Exchange Road
Ortigas Center, Pasig City Tel: +632-86314090

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, 2023 and 2022, 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, 2023, and notes to consolidated financial statements, including material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

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

Global Reach, Global Quality

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

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 assess 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, 2023, 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, 2023 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 June 23, 2026

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. 10081052, January 6, 2024, Makati City

BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2024

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31	
	2023	2022
ASSETS		
Current Assets		
Cash - note 4	₱ 15,425,378	₱ 12,896,370
Trade and other receivables (net) - note 5	306,165,947	240,302,213
Contract assets - note 16	241,577,815	239,673,132
Advances to related parties (net) - note 23	318,764,748	—
Real estate inventories - note 6	1,743,174,653	1,752,993,351
Prepayments and other current assets - note 7	75,680,791	99,787,492
	2,700,789,332	2,345,652,558
Noncurrent Assets		
Advances to related parties (net of current portion) - note 23	300,824,101	644,705,635
Property and equipment (net) - note 10	33,540,931	33,987,925
Financial asset at FVOCI - note 8	50,000,000	50,000,000
Investment property - note 9	162,394	162,394
Deferred tax assets (net) - note 24	5,645,032	4,971,690
Other noncurrent assets - note 11	10,248,370	10,286,686
	400,420,828	744,114,330
TOTAL ASSETS	₱3,101,210,160	₱3,089,766,888
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 12	₱ 111,915,719	₱ 98,967,502
Borrowings - note 13	87,698,791	99,331,806
Lease liabilities - note 27	1,170,157	849,136
Contract liabilities - note 16	20,883,332	77,637,926
Customers' deposits - note 14	5,959,886	3,518,430
	227,627,885	280,304,800
Noncurrent Liabilities		
Advances from related parties - note 23	99,910,839	113,260,809
Borrowings (net of current portion) - note 13	35,374,474	38,680,561
Lease liabilities (net of current portion) - note 27	1,784,149	464,542
Retention payable and refundable bonds - note 15	30,883,421	26,322,916
Deferred tax liabilities - note 24	81,735,831	66,141,841
Retirement benefits obligation - note 25	8,970,619	9,140,126
	258,659,333	254,010,795
	486,287,218	534,315,595
Equity		
Capital stock - note 17	2,891,099,660	2,891,016,410
Remeasurement gain on retirement benefits - note 25	7,991,401	7,074,716
Deficit	(284,168,119)	(342,639,833)
	2,614,922,942	2,555,451,293
TOTAL LIABILITIES AND EQUITY	₱3,101,210,160	₱3,089,766,888

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

For the Years Ended December 31

	2023	2022	2021 <i>(As restated - Note 33)</i>
REAL ESTATE SALES - note 18	₱ 277,124,870	₱ 224,731,353	₱ 180,268,515
COST OF REAL ESTATE SOLD - note 19	(97,488,235)	(107,486,273)	(70,070,393)
GROSS PROFIT	179,636,635	117,245,080	110,198,122
OTHER INCOME (net) - note 20	23,494,960	24,898,409	16,088,475
OPERATING EXPENSES - note 21	(103,698,865)	(80,860,517)	(68,153,744)
FINANCE COSTS - note 22	(15,372,777)	(14,578,911)	(16,062,657)
INCOME BEFORE INCOME TAX	84,059,953	46,704,061	42,070,196
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24			
Current	10,973,153	6,457,575	5,934,879
Deferred	14,615,086	12,655,395	(9,676,630)
	25,588,239	19,112,970	(3,741,751)
NET INCOME FOR THE YEAR	58,471,714	27,591,091	45,811,947
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement gain on retirement benefits (net) - note 25	916,685	2,752,135	2,280,324
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱ 59,388,399	₱ 30,343,226	₱ 48,092,271
EARNINGS PER SHARE - note 29	₱ 0.020	₱ 0.012	₱ 0.028

(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, 2021, <i>as previously stated</i>	₱ 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, <i>as restated</i>	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	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 January 1, 2023	2,891,016,410	7,074,716	(342,639,833)	2,555,451,293
Issuance of capital stock - note 17	83,250	-	-	83,250
Comprehensive income:				
Net income for the year	-	-	58,471,714	58,471,714
Remeasurement gain on retirement benefits - note 25	-	916,685	-	916,685
Total comprehensive income for the year	-	916,685	58,471,714	59,388,399
Balance as at December 31, 2023	₱ 2,891,099,660	₱ 7,991,401	(₱ 284,168,119)	₱ 2,614,922,942

(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

	2023	2022	2021 <i>(As restated - Note 33)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	₱ 84,059,953	₱ 46,704,061	₱ 42,070,196
Adjustments for:			
Loss on cancelled contracts - note 21	7,916,409	5,321,546	6,542,785
Finance costs - note 22	15,372,777	14,578,911	16,062,657
Depreciation - note 10	3,959,224	4,154,030	4,146,502
Retirement benefits expense - note 25	1,552,740	2,040,860	2,284,481
Interest income - notes 4, 5 and 23	(19,960,851)	(17,416,260)	(14,554,765)
Recovery of ECL - notes 5 and 23	(2,336,330)	(239,628)	-
Provision for ECL - notes 5 and 23	5,624,503	-	4,430,120
Operating income before working capital changes	96,188,425	55,143,520	60,981,976
Decrease (increase) in:			
Trade and other receivables	(71,443,813)	(115,190,659)	(57,018,317)
Contract assets	(1,904,683)	(72,647,100)	57,602,526
Real estate inventories	9,818,698	(1,162,262,098)	(44,909,292)
Prepayments and other current assets	24,106,701	(92,470,038)	5,335,787
Increase (decrease) in:			
Accounts payable and other liabilities	12,948,216	(8,927,704)	18,215,816
Customers' deposit	2,441,456	(228,186)	(1,082,021)
Contract liabilities	(56,754,594)	19,565,034	(23,729,066)
Retention payable and refundable bonds	4,560,505	2,464,983	(2,291,161)
Cash generated from (used in) operations	19,960,911	(1,374,552,248)	13,106,248
Contributions to retirement fund - note 25	(500,000)	-	(700,000)
Interest received	7,884,830	6,060,012	3,358,088
Income tax paid	(10,973,153)	(6,457,575)	(5,934,879)
Net cash provided by (used in) operating activities	16,372,588	(1,374,949,811)	9,829,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	33,472,913	500,783,183	883,877
Additional advances to related parties - note 23	(1,904,609)	(580,834,961)	2,564,825
Additions to property and equipment - note 10	(715,800)	(630,830)	(1,254,790)
Additions to other noncurrent assets	38,316	(1,065,932)	(1,296,954)
Net cash provided by (used in) investing activities	30,890,820	(81,748,540)	896,958

Forwarded

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

For the Years Ended December 31

	2023	2022	2021 <i>(As restated - Note 33)</i>
<i>Continued</i>			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	103,481,498	128,195,132	102,716,175
Payment of lease liabilities	(1,299,999)	(1,246,093)	(1,204,868)
Payment of finance costs - note 13 and 27	(15,228,579)	(14,424,554)	(15,842,173)
Payment of borrowings - note 13	(118,420,600)	(108,144,182)	(102,721,049)
Additional advances from related parties - note 23	3,500,000	12,518,358	2,503,352
Settlement of advances from related parties - note 23	(16,849,970)	(4,250,773)	(1,534,161)
Issuance of capital stock - note 17	83,250	1,071,913,447	373,553,133
Net cash provided by (used in) financing activities	(44,734,400)	1,084,561,335	357,470,409
NET INCREASE (DECREASE) IN CASH	2,529,008	(372,137,016)	368,196,824
CASH - note 4			
At beginning of year	12,896,370	385,033,386	16,836,562
At end of year	₱ 15,425,378	₱ 12,896,370	₱385,033,386

(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, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023

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, 2023 including its comparatives for 2022 and 2021 were approved and authorized for issue by its Board of Directors (BOD) on April 12, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and 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, 2023 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, 2023 as well as a decrease in the revenue from real estate sales in 2023. 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, 2023 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	
	2023	2022
Mariano Arroyo Development Corporation	100%	100%

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2023.

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 provide 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. Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

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.

Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

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 also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such 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, 2023

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 waiver 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.

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.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies 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, 2024.

Cash Flow Statements and PFRS 7 (Amendments), Financial Instruments: Disclosures – Supplier Finance Arrangements. The amendment does not define supplier finance arrangements. Instead, the amendment describes the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. The entities will have to disclose in the notes information that enables users of the financial statements to assess how supplier finance arrangements affect an entities' liabilities and cash flows and understand its effect on exposure to liquidity risk and how the entity may be affected if the arrangements were no longer available.

The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability. The amendment specifies that a currency is exchangeable when an entity can exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at measurement date and for a specified purpose while a currency is not exchangeable into other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions. The amendment requires the disclosure of additional information when a currency is not exchangeable.

The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

Deferred Effectivity

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

The Group has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2023 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 cost 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 the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022, 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 an 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 assets, 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 in 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 assets 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 has 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 a 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 are 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 assets 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. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Material Accounting Judgments in Applying the Group's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

The Group has entered into a 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 venturer. 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 represents 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 ₱60,920,136 and ₱88,620,933 as at December 31, 2023 and 2022 respectively (see Note 7).

Operating Segments

The Group's operating business segments are organized and managed separately according to location of business activities. The Group classifies business segments based on the 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, 2023 and 2022.

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, 2023 and 2022.

Material 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 ₱306,165,947, and ₱240,302,213 net of allowance for ECL amounting to ₱4,929,630 and ₱7,265,960, as at December 31, 2023 and 2022, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱619,588,849, and ₱644,705,635, net of allowance for ECL amounting to ₱40,622,812 and ₱34,998,309 as at December 31, 2023, 2022 and 2021, 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, 2023 and 2022 amounted to ₱33,540,931, and ₱33,987,925, 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, 2023 and 2022 amounted to ₱5,645,032 and ₱4,971,690 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, 2023, 2022 and 2021 amounted to ₱8,970,619, and ₱9,140,126, respectively (see Note 25).

4. CASH

Cash as at December 31 consist of:

	2023	2022
Cash on hand	₱ 496,446	₱ 416,446
Cash in banks	14,928,932	12,479,924
	₱15,425,378	₱12,896,370

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2023 and 2022.

Interest income earned from cash in banks amounted to ₱14,868, ₱77,108, and ₱14,364 in 2023, 2022 and 2021, 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, 2023, 2022 and 2021.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2023	2022
Installment contract receivables from:		
External customers	₱146,730,279	₱80,280,756
Related parties – note 23	4,340,519	4,340,519
Receivable from the government - note 28	135,258,791	135,258,791
Advances to homeowners	6,959,765	11,880,628
Receivables from contractors	6,045,500	6,487,809
Advances to employees	3,784,781	2,993,786
Other receivables	7,975,942	6,325,884
	311,095,577	247,568,173
Allowance for ECL	(4,929,630)	(7,265,960)
	₱306,165,947	₱240,302,213

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

	2023	2022
Balance as at beginning of year	₱7,265,960	₱7,505,588
Recovery of provision during the year – note 20	(2,336,330)	(305,544)
Provision during the year – note 20	–	65,916
Balance as at end of year	₱4,929,630	₱7,265,960

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 2023, 2022 and 2021. Interest income earned amounted to ₱7,869,962, ₱5,982,904, and ₱3,343,724 in 2023, 2022 and 2021, respectively (see Note 20).

The Group partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from local financial institutions. Assigned installment contract receivables as at December 31, 2023 and 2022 amounted to ₱116,475,403 and ₱120,292,357, respectively (see Note 13).

Receivable from the 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.

Receivable from contractors pertains to the 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, 2023 and 2022 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2023	2022
At cost:		
Raw land inventory	₱ 882,759,909	₱ 869,451,595
Projects under development	572,853,012	785,757,573
House and lot	287,561,732	97,784,183
	₱1,743,174,653	₱1,752,993,351

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 costs 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 a 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 ₱97,488,235, ₱107,486,273 and ₱70,070,393 for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2023 and 2022, 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, 2023 and 2022 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2023	2022
Input tax	₱60,920,136	₱88,620,933
Creditable withholding tax	13,097,321	8,822,318
Deferred input tax	1,081,117	1,787,803
Prepaid expenses	582,217	556,438
	₱75,680,791	₱99,787,492

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

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

8. FINANCIAL ASSET AT FVOCI

The Group's financial assets at FVOCI consist of investment in unquoted shares of stock amounting to ₱50,000,000 as at December 31, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022.

No revenue nor direct expenses arose on the investment property for the years ended December 31, 2023 and 2022.

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, 2023 and 2022 is not held as collateral for its liabilities and is 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, 2023 and 2022.

10. PROPERTY AND EQUIPMENT (net)

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

December 31, 2023	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Right-of-use assets	Computer software	Total
Cost						
At beginning of year	₱ 81,099,795	₱ 7,385,020	₱ 43,592,173	₱ 4,383,277	₱ 350,000	₱ 136,810,265
Additions	12,054	–	703,746	2,796,430	–	3,512,230
Write-off	–	–	–	(3,055,786)	–	(3,055,786)
At end of year	81,111,849	7,385,020	44,295,919	4,123,921	350,000	137,266,709
Accumulated depreciation						
At beginning of year	49,512,953	6,849,745	42,952,762	3,244,379	262,501	102,822,340
Depreciation – note 21	2,270,481	213,630	370,869	1,016,745	87,499	3,959,224
Write-off	–	–	–	(3,055,786)	–	(3,055,786)
At end of year	51,783,434	7,063,375	43,323,631	1,205,338	350,000	103,725,778
Carrying amount as at December 31, 2023	₱ 29,328,415	₱ 321,645	₱ 972,288	₱ 2,918,583	₱ –	₱ 33,540,931
December 31, 2022						
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

Fully depreciated property and equipment still in use as at December 31, 2023 and 2022 amounted to ₱90,622,873 and ₱88,864,029, respectively

Reversal of right-of-use assets pertains to expired lease contracts.

The Group's transportation equipment with a carrying amount of ₱321,645 and ₱535,275 was held as collateral on its borrowings as at December 31, 2023 and 2022 respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2023 and 2022 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, 2023 and 2022.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2023	2022
Refundable deposits	P10,004,907	P10,043,223
Other assets	243,463	243,463
	P10,248,370	P10,286,686

Refundable deposits consist mainly of security and utility deposits.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2023	2022
Government liabilities	P 45,759,643	P49,072,193
Accrued expenses	21,898,707	5,871,304
Accounts payable	5,167,227	5,090,298
Other payables	39,090,142	38,933,707
	P111,915,719	P98,967,502

Accrued expenses are 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 are composed of collections from customers for payment of retitling and property taxes.

13. BORROWINGS

Borrowings as at December 31 consist of:

	2023	2022
Current	P 87,698,791	P 99,331,806
Noncurrent	35,374,474	38,680,561
	P123,073,265	P138,012,367

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

	2023	2022
Balance at beginning of year	₱138,012,367	₱117,961,417
Additions	103,481,498	128,195,132
Payments	(118,420,600)	(108,144,182)
Balance at end of year	₱123,073,265	₱138,012,367

Total interest on borrowings charged as “Finance costs” in the Group consolidated statements of comprehensive income amounted to ₱15,228,579, ₱14,424,554 and ₱15,842,173 for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

The details of borrowings of the Group are as follows:

Date obtained	Purpose	Maturity	Interest rate	Loan amount	Outstanding balance		Conditions
					2023	2022	
Luzon Development Bank							
05/12/2021	Working capital	04/12/2024	10%	12,500,000	₱1,582,312	₱6,020,382	[a]
05/09/2021	Working capital	05/02/2024	11%	12,000,000	897,016	5,973,319	[a]
08/06/2020	Working capital	09/06/2023	11%	17,000,000	–	4,786,270	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	–	2,516,352	[a]
08/23/2022	Working capital	08/23/2025	10%	10,000,000	5,957,699	9,044,920	[a]
06/10/2022	Working capital	06/10/2025	10%	30,000,000	16,159,352	25,617,040	[a]
12/05/2022	Working capital	12/05/2025	11%	10,000,000	7,023,587	10,000,000	[a]
02/07/2023	Working capital	02/07/2026	12%	10,000,000	7,567,449	–	[a]
09/13/2023	Working capital	09/13/2026	12%	10,000,000	9,295,645	–	[a]
10/05/2023	Working capital	10/05/2026	12%	14,800,000	14,110,038	–	[a]
Philippine Bank of Communications							
08/04/2021	Working capital	02/23/2022	9%	15,596,199	–	1,644,254	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	–	5,447,250	[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	513,854	11,043,383	[b]
09/26/2022	Working capital	05/10/2024	9%	20,159,374	4,868,795	19,109,118	[b]
02/13/2023	Working capital	08/13/2024	9%	21,008,846	9,695,577	–	[b]
07/13/2023	Working capital	01/13/2025	9.25%	19,360,857	14,248,437	–	[b]
08/01/2023	Working capital	02/01/2025	9.25%	17,290,426	13,651,941	–	[b]
Qwick							
10/05/2021	Working capital	03/30/2023	15%	7,807,598	–	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	6,280,152	8,853,063	[c]
01/16/2023	Working capital	08/27/2024	15%	4,500,000	4,471,882	–	[c]
08/29/2023	Working capital	08/13/2024	15%	6,521,368	6,441,766	–	[c]
Asia United Bank							
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	307,763	615,168	[d]
				₱326,198,655	₱123,073,265	₱138,012,367	

a. Luzon Development Bank

Notes payable were obtained for working capital requirements. The notes carry an interest rate of 10% to 12% 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, 2023 and 2022 (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 ₱96,585,957 and ₱90,112,727 as at December 31, 2023 and 2022, respectively (see Note 5).

c. Qwick

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱19,889,446 and ₱30,179,630 as at December 31, 2023 and 2022, respectively (see Note 5).

d. Asia United Bank

Note payable amounted to ₱924,800 and was secured by chattel mortgage with carrying amount of ₱613,541 and ₱823,898 as at December 31, 2023 and 2022, respectively (see Note 10).

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, 2023 and 2022, outstanding balance of the customers' deposits amounted to ₱5,959,886 and ₱3,518,430, respectively.

15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

	2023	2022
Retention payable	₱ 21,157,815	₱ 17,204,532
Refundable bonds	9,725,606	9,118,384
	₱ 30,883,421	₱ 26,322,916

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:

	2023	2022
Contract assets	₱241,577,815	₱239,673,132
Contract liabilities	20,883,332	77,637,926

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:

	2023	2022
Common stock: ₱1 par value		
Authorized: 5,000,000,000 shares	₱5,000,000,000	₱5,000,000,000
Subscribed	₱2,891,099,660	₱2,891,099,660
Less: Subscription receivables	-	(83,250)
Issued and outstanding	₱2,891,099,660	₱2,891,016,410

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:

	2023	2022
Issued and outstanding, beginning	₱2,891,016,410	₱1,819,102,963
Issuance of capital stock during the year	83,250	1,071,913,447
Issued and outstanding, ending	₱2,891,099,660	₱2,891,016,410

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, 2023 and 2022, the Parent Company issued 83,250 shares and 1,071,913,447 shares at ₱1 per share or ₱83,250 and ₱1,071,913,447, respectively, from share rights offering.

Number of shares owned by public totaled 1,030,863,340 shares or a public ownership of 36% as at December 31, 2023 and 2022.

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

	Market value per share
December 31, 2023	₱0.340
December 31, 2022	0.560
December 31, 2021	0.510

18. REAL ESTATE SALES

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

	2023	2022	2021 (As restated)
House and lot	₱ 53,493,099	₱129,145,390	₱139,778,080
Lot	190,531,060	55,293,096	40,490,435
Condominium unit	33,100,711	40,292,867	–
	₱277,124,870	₱224,731,353	₱180,268,515

19. COST OF REAL ESTATE SOLD

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

	2023	2022	2021 (As restated)
House and lot	₱28,954,722	₱ 58,725,971	₱54,669,854
Lot	49,503,135	25,301,602	15,400,539
Condominium unit	19,030,378	23,458,700	–
	₱97,488,235	₱107,486,273	₱70,070,393

20. OTHER INCOME (net)

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

	2023	2022	2021 (As restated)
Finance income from:			
Advances to affiliates – note 23	₱12,076,021	₱11,356,248	₱11,196,677
Installment contract receivables – note 5	7,869,962	5,982,904	3,343,724
Cash in banks – note 4	14,868	77,108	14,364
Recovery of (provision for) ECL – notes 5 and 23	(3,288,173)	239,628	(4,430,120)
Miscellaneous income	6,822,282	7,242,521	5,963,830
	₱23,494,960	₱24,898,409	₱16,088,475

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:

	2023	2022	2021 <i>(As restated)</i>
Salaries and wages	₱ 20,142,511	₱ 19,391,814	₱ 18,200,229
Taxes and licenses	18,608,148	14,941,443	5,828,972
Commissions	12,659,077	11,546,467	9,667,971
Loss on cancelled contracts	7,916,409	5,321,546	6,542,785
Representation and entertainment	7,587,133	889,846	4,709,921
Advertising	4,536,365	4,148,561	1,230,064
Professional and legal fees	4,310,460	5,227,723	3,328,202
Depreciation – note 10	3,959,224	4,154,030	4,146,502
Communication, light and water	3,479,529	2,904,376	2,518,091
Employee benefits	2,902,803	2,633,920	2,326,878
Travel and transportation	1,958,193	1,763,081	1,151,417
Repairs and maintenance	1,782,839	806,508	699,874
Security services	1,608,726	1,235,963	528,792
Retirement benefits – note 25	1,552,740	2,040,860	2,284,481
Supplies	976,023	756,925	1,079,076
Insurance	779,910	347,448	161,818
Dues and subscription	470,695	616,412	680,148
Rental – note 27	261,573	309,669	275,865
Janitorial services	104,253	103,265	184,968
Director fees	98,929	58,929	206,786
Penalty fee, interests and surcharges	95,731	70,828	571,954
Trainings and seminars	20,632	33,336	26,518
Miscellaneous	7,886,962	1,557,567	1,802,432
	₱ 103,698,865	₱80,860,517	₱68,153,744

Miscellaneous expenses consist 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:

	2023	2022	2021
Borrowings – note 13	₱15,228,579	₱ 14,424,554	₱ 15,842,173
Lease liabilities – note 27	144,198	154,357	220,484
	₱15,372,777	₱ 14,578,911	₱ 16,062,657

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, 2023 and 2022 are as follows:

December 31, 2023	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)	₱201,459,300	₱ 462,770	₱3,856,419	₱ –	₱205,778,489
Forum Holdings Corp. (b)	40,047,217	91,992	766,601	–	40,905,810
Kennex Container Corp. (b)	37,275,422	85,498	712,482	(50,000)	38,023,402
Orient Pacific Corp. (b)	35,249,436	60,087	500,722	–	35,810,245
Noble Arch Realty and Construction (c)	5,145,869	56,662	96,464	–	5,298,995
Pacific Rehouse Corporation (f)	30,461,782	–	–	(28,380,433)	2,081,349
Metro Alliance Holdings and Equities Corporation (e)	280,673,969	631,201	5,260,007	–	286,565,177
Rexlon Realty Group, Inc.	442,480	–	–	(442,480)	–
Westland Pacific Properties Corp. (g)	48,948,469	516,399	883,326	(4,600,000)	45,748,194
	679,703,944	1,904,609	12,076,021	(33,472,913)	660,211,661
Allowance for ECL	(34,998,309)	(5,624,503)	–	–	(40,622,812)
	₱644,705,635	(₱3,719,894)	₱12,076,021	(₱33,472,913)	₱619,588,849
December 31, 2022					
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.(g)	–	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

Advances to related parties as at December 31 consist of:

	2023	2022
Current	₱318,764,748	₱ –
Noncurrent	300,824,101	644,981,178
	₱619,588,849	₱644,981,178

Details of the Group's advances from related parties as at December 31, 2023 and 2022 are as follows:

December 31, 2023	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.	79,873	–	(79,873)	–
Manila Pavilion	166,530	–	–	166,530
Inland Container Corporation	500,000	1,000,000	–	1,500,000
Crisanta Realty Development Corp.	8,831,858	–	(8,831,858)	–
Pacific Plastic Corporation	–	2,500,000	–	2,500,000
Stockholders				
International Polymer Corp.	3,689,852	–	–	3,689,852
	₱113,260,809	₱3,500,000	(₱16,849,970)	₱99,910,839

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

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.

On December 21, 2023, The Wellex Group Inc. (TWGI), Crisanta Realty Development Corporation (CRDC) entered into a Memorandum of Agreement with Pacific Rehouse Corporation (PRC) for the assignment of its related party balances with the Group. TWGI and CRDD assigned their rights for the collection of their receivables from the Group to PRC amounting to ₱7,938,239 and ₱12,679,735, respectively. These assignments partially settled their obligation to PRC.

On the same dated, RRGi assigned its right for collection of their receivable amounting to ₱442,480 in favor of the Group. The assignment settled the obligation of RRGi to the Group.

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 the 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. On January 31, 2024, the promissory note was extended for another three (3) years.

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. On January 31, 2024, the promissory note was extended for another three (3) years.

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 a promissory note indicating an extension of term for another three (3) years, starting January 31, 2021, and will mature on January 31, 2024. On January 31, 2024, the promissory note was extended for another three (3) years.

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, 2023 and 2022 (see Note 5).

e) Metro Alliance Holdings and Equities Corporation (MAHEC)

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

On March 15, 2021, MAHEC issued a promissory note amounting to ₱263,000,345. The term of the loan is five (5) years maturing on March 15, 2026, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱5,260,007 for the years ended December 31, 2023, 2022 and 2021.

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) Westland Pacific Properties Corporation (WPPC)

On October 28, 2022, WPPC issued a promissory note amounting to ₱48,766,408. The term of the loan is three (3) years maturing on October 31, 2025, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱883,328 and ₱162,555 for the years ended December 31, 2023 and 2022.

h) 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:

	2023	2022
Short-term employee benefits	₱3,984,616	₱3,725,288
Post-employment benefits	360,000	330,000
Share-based payments	–	–
Other long-term benefits	–	–
	₱4,344,616	₱4,055,288

i) 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, 2023 and 2022.

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:

	2023	2022	2021 (As restated)
Income before tax	₱84,059,953	₱46,704,061	₱42,070,196
Tax at applicable statutory rate:	21,015,890	11,679,674	10,747,410
Tax effect of:			
Nondeductible expenses	3,750,420	1,464,393	2,960,452
Expired NOLCO	–	3,697	3,833
Interest income subjected to final tax	(3,717)	(19,277)	(3,591)
Change in unrecognized deferred tax assets	825,646	(48,970)	(1,246,171)
Other movements	–	6,033,453	(8,571,585)
Change in income tax rate	–	–	(7,632,099)
	₱25,588,239	₱19,112,970	(₱3,741,751)

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

	2023	2022
Deferred tax assets		
Allowance for ECL	₱ 10,965,596	₱10,170,633
Retirement benefits obligation	4,906,455	4,643,270
Lease liabilities	738,577	328,420
NOLCO	27,727	24,124
	16,638,355	15,166,447
Less: Unrecognized deferred tax assets	(10,993,323)	(10,194,757)
	₱ 5,645,032	₱ 4,971,690

	2023	2022
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	₱78,342,384	₱63,498,877
Remeasurement gain on retirement benefits	2,663,801	284,725
Right-of-use assets	729,646	2,358,239
	₱81,735,831	₱66,141,841

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 ₱305,562 and ₱917,379 for the years ended December 31, 2023 and 2022, respectively (see Note 25).

As at December 31, 2023, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year Incurred	Expiration Date	2022	Additions	Expired	Claimed	2023
2023	2025	₱ –	₱18,017	₱ –	₱ –	₱ 18,017
2022	2025	73,170	–	–	–	73,170
2021	2026	28,452	–	–	–	28,452
2020	2025	18,997	–	–	–	18,997
		₱120,619	₱18,017	₱ –	₱ –	₱138,636

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, 2023.

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, 2023	₱ 9,556,713	(₱ 416,587)	₱ 9,140,126
Retirement expense:			
Current service costs	897,686	-	897,686
Interest expense (income)	687,128	(32,074)	655,054
	1,584,814	(32,074)	1,552,740
Benefits paid	(441,000)	441,000	-
Contribution	-	(500,000)	(500,000)
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	582,505	-	582,505
Experience/return	(1,807,709)	2,957	(1,804,752)
	(1,225,204)	2,957	(1,222,247)
As at December 31, 2023	₱ 9,475,323	(₱ 504,704)	₱ 8,970,619

	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

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

	2023	2022
Balance at beginning of year	₱ 7,074,716	₱ 4,322,581
Amounts recognized in OCI	1,222,247	3,669,514
	8,296,963	7,992,095
Attributable tax	(305,562)	(917,379)
Balance at end of year	₱ 7,991,401	₱ 7,074,716

Remeasurement gain on retirement benefits, net of related tax amounting to ₱305,562 and ₱917,379 (see Note 24), in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022 amounted to ₱916,685 and ₱2,752,135, respectively.

The total retirement benefits expense recognized is included in operating expenses for the years ended December 31, 2023, 2022 and 2021 amounted to ₱1,552,740, ₱2,040,860, and ₱2,284,481, respectively (see Note 21).

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

	2023	2022
Cash and cash equivalents	₱131,526	₱318,939
Government bonds and securities	373,178	97,648
	₱504,704	₱416,587

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 is measured using the market-to-market approach. The fair value of plan assets approximates their carrying amount as at December 31, 2023 and 2022.

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

	2023	2022
Interest income	₱ 32,074	₱ 21,111
Loss on plan assets, excluding amounts included in net interest cost	(2,957)	(19,281)
	₱ 29,117	₱ 1,830

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

	2023	2022
Discount rate	6.09%	7.19%
Salary rate increase	5.00%	5.00%

The discount rate as at December 31, 2023 and 2022 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, 2023	Impact on retirement benefits obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 4.4%	Decrease by 4.0%
Salary increase rate	100 bps	Increase by 4.4%	Decrease by 4.0%
<hr/>			
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%

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 4.2 years and 3.3 years, in 2023 and 2022, respectively.

The Group does not expect any contributions to post-employment benefit plans for the years ending December 31, 2023 and 2022, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
2023					
Retirement benefits obligation	₱ –	₱3,680,379	₱5,000,068	₱4,474,388	₱13,154,835
2022					
Retirement benefits obligation	₱ –	₱4,650,516	₱5,630,546	₱4,030,499	₱14,311,561

26. BUSINESS SEGMENT INFORMATION

The Group’s operating business segments 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, Bulacan, Iloilo and Davao. Deferred tax assets and retirement benefits obligation are not allocated to geographic segments.

The segment information is as follows:

December 31, 2023	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Total
Revenue							
Sales	₱ 99,759,215	₱ 49,664,246	₱53,032,578	₱ 74,668,831	₱ –	₱ –	₱ 277,124,870
Cost of sales	22,495,775	24,848,038	27,717,560	22,426,862	–	–	97,488,235
Gross profit	77,263,440	24,816,208	25,315,018	52,241,969	–	–	179,636,635
Other income	9,001,729	2,720,519	1,958,352	4,227,729	304,696	5,281,935	23,494,960
	86,265,169	27,536,727	27,273,370	56,469,698	304,696	5,281,935	203,131,595
Expenses							
Depreciation	3,854,158	44,098	11,887	49,081	–	–	3,959,224
Loss on cancelled contracts	–	557,143	–	7,359,266	–	–	7,916,409
Other expenses	40,611,221	22,816,093	8,342,555	16,220,382	175,928	2,104,313	90,270,492
	44,465,379	23,417,334	8,354,442	23,628,729	175,928	2,104,313	102,146,125
Segment income (loss)	41,799,790	4,119,393	18,918,928	32,840,969	128,768	3,177,622	100,985,470
Finance cost	15,266,497	74,708	1,853	29,719	–	–	15,372,777
Retirement benefits expense	1,552,740	–	–	–	–	–	1,552,740
Provision for income tax	25,588,239	–	–	–	–	–	25,588,239
Net income (loss) for the year	(₱607,686)	₱4,044,685	₱ 18,917,075	₱32,811,250	₱ 128,768	₱ 3,177,622	₱ 58,471,714
Segment assets	₱1,737,048,836	₱ 392,562,049	₱ 241,195,237	₱716,996,652	₱1,825,797	₱5,936,557	₱ 3,095,565,128
Deferred tax assets	5,645,032	–	–	–	–	–	5,645,032
Total assets	₱1,742,693,868	₱ 392,562,049	₱ 241,195,237	₱ 716,996,652	₱ 1,825,797	₱5,936,557	₱ 3,101,210,160
Segment liabilities	₱ 12,968,521	₱111,780,952	₱ 153,761,529	₱ 73,243,438	₱ 605,050	₱1,883,844	₱ 354,243,334
Borrowings	123,073,265	–	–	–	–	–	123,073,265
Retirement benefits obligation	8,970,619	–	–	–	–	–	8,970,619
Total liabilities	₱145,012,405	₱111,780,952	₱ 153,761,529	₱ 73,243,438	₱ 605,050	₱1,883,844	₱486,287,218

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

Although Davao and Valenzuela segments do not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2023 and 2022, 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, 2023 to September 4, 2026
Arjay Realty	August 1, 2023 to August 1, 2026
Eumarc Real Estate	July 1, 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 is as follows:

	2023	2022
Current	₱1,170,157	₱ 849,136
Noncurrent	1,784,149	464,542
	₱2,954,306	₱1,313,678

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

	2023	2022
Not later than one year	₱1,515,477	₱ 929,418
Later than one year but not later than five years	1,764,997	496,200
Future minimum lease payments	3,280,474	1,425,618
Amounts representing finance charges	(326,168)	(111,940)
	₱2,954,306	₱ 1,313,678

The net carrying amount of the right-of-use assets recognized as at December 31, 2023 and 2022 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱144,198, ₱154,357 and ₱220,484 for the years ended December 31, 2023, 2022 and 2021 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 ₱261,573, ₱309,669 and ₱275,865, for the years ended December 31, 2023, 2022 and 2021, 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 Landbank 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.

On July 4, 2023, the RTC ordered the defendants, including Parent Company that their money claims against the DPWH must first be brought before the Commission on Audit.

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:

	2023	2022	2021 <i>(As restated)</i>
Net income	₱ 58,471,714	₱ 27,591,091	₱ 45,811,947
Weighted average number of common shares outstanding during the year	2,891,058,035	2,355,059,687	1,632,326,397
Earnings per share	₱0.20	₱ 0.012	₱ 0.028

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, 2023					
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱ 14,928,932	₱ –	₱ 14,928,932
Trade and other receivables – note 5	(b)	Simplified approach	311,095,577	(4,929,630)	306,165,947
Contract assets	(b)	Simplified approach	241,577,815	–	241,577,815
Advances to related parties – note 23	(c)	General approach	660,211,661	(40,622,812)	619,588,849
Refundable deposits classified as “Other noncurrent assets” – note 11	(d)		10,004,907	–	10,004,907
Total			₱1,237,818,892	(₱45,552,442)	₱1,192,266,450

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

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 installment 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 the terms of the contract. The Group has the liberty to dispose of 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 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, 2023	Trade and other receivables	Advances to related parties	Total
Performing	₱297,511,819	₱574,179,318	₱871,691,137
Doubtful			
1-30 days	66,679	–	66,679
31-90 days	48,727	–	48,727
91-180 days	272,065	–	272,065
181-360 days	337,979	12,076,021	12,414,000
In default			
1-2 years	3,810,499	38,958,013	42,768,512
2-3 years	1,554,141	–	1,554,141
3-5 years	6,915,174	–	6,915,174
Write-off	578,494	34,998,309	35,576,803
	₱311,095,577	₱660,211,661	₱971,307,238

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

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, 2023 and 2022, 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:

December 31, 2023	Maturing in			
	On Demand	Within 1 year	1 to 5 years	Total
Accounts payable and other liabilities*	₱66,156,076	₱ –	₱ –	₱ 66,156,076
Contract liabilities	–	20,883,332	–	20,883,332
Borrowings	–	87,698,791	35,374,474	123,073,265
Lease liabilities	–	1,170,157	1,784,149	2,954,306
Advances from related parties	–	–	99,910,839	99,910,839
Retention payable and guarantee bonds	–	–	30,883,421	30,883,421
	₱66,156,076	₱109,752,280	₱167,952,883	₱343,861,239

*excluding government liabilities

December 31, 2022	Maturing in			
	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

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, 2023 2022 and 2021, 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, 2023 and 2022 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, 2023 and 2022, 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, 2023	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	₱14,928,932	₱ –	₱ 14,928,932
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	151,070,798	–	151,070,798
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	318,764,748	341,446,913	660,211,661
			₱484,764,478	₱341,446,913	₱826,211,391
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱87,698,791	₱35,374,474	₱ 123,073,265

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

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:

Change in interest rate	2023		Change in interest rate	2022	
	Effect on income before tax	Effect on equity		Effect on income before tax	Effect on equity
+0.5%	₱ 3,515,691	₱ 2,636,768	+0.5%	₱3,193,964	₱2,395,473
-0.5%	(₱3,515,691)	(₱2,636,768)	-0.5%	(₱3,193,964)	(₱2,395,473)

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 ₱2,614,922,942 and ₱2,555,451,293 as at December 31, 2023 and 2022, 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:

	2023	2022
Total liabilities	₱486,287,218	₱534,315,595
Total equity	2,614,922,942	2,555,451,293
	0.19:1.00	0.21:1.00

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, 2023	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Investment property	₱ 162,394	₱180,637,600	Level 2	(a)
Advances to related parties	619,588,849	607,907,483	Level 2	(b)
Refundable deposits	10,004,907	9,450,413	Level 2	(c)
	₱629,756,150	₱797,995,496		
Financial liabilities at amortized cost				
Advances from related parties	₱99,910,839	₱ 96,031,179	Level 2	(b)
Borrowings	123,073,265	119,233,095	Level 2	(d)
Retention payable and guarantee bonds	30,883,421	27,530,789	Level 2	(c)
Lease liabilities	2,954,306	2,760,623	Level 2	(d)
	₱ 256,821,831	₱245,555,686		
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		

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, 2023 and 2022, 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 2023 and 2022.
- (c) The fair value of refundable deposits, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 5.87% to 5.91% in 2023 and 5.21% to 5.97% in 2022.
- (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 5.91% in 2023 and 5.97% in 2022.

33. PRIOR PERIOD ERROR

The prior period adjustments resulted from an 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
<hr/>			
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
<hr/>			
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, 2023	Changes from financing cash flows	Balance as at December 31, 2023
Borrowings	₱138,012,367	(₱ 14,939,102)	₱123,073,265
Advances from related parties	113,260,809	(13,349,970)	99,910,839
Lease liabilities	1,313,678	1,640,628	2,954,306
	₱252,586,854	(₱26,648,444)	₱225,938,410

	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

* * *

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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 12, 2024. 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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until June 23, 2026
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. 10081052, January 6, 2024, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2024

Global Reach, Global Quality

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2023

Ratio	Formula	2023	2022
Profitability ratios: Return on assets	Net income	₱ 58,471,714	₱ 27,591,091
	Divided by: Total assets	3,101,210,160	3,089,766,888
	Return on assets	0.02:1	0.01:1
Return on equity	Net income	₱ 58,471,714	₱ 27,591,091
	Divided by: Total equity	2,614,922,942	2,555,451,293
	Return on equity	0.02:1	0.01:1
Net profit margin	Net income	₱ 58,471,714	₱ 27,591,091
	Divided by: Total revenue	277,124,870	224,731,353
	Net profit margin	0.21:1	0.12:1
Gross profit margin	Total revenue	₱ 277,124,870	₱ 224,731,353
	Less: Cost of real estate sold	97,488,235	107,486,273
	Gross profit	179,636,635	117,245,080
	Divided by: Total revenue	277,124,870	224,731,353
	Gross profit margin	0.65:1	0.52:1
Solvency and liquidity ratios: Current ratio	Current assets	₱2,700,789,332	₱2,345,652,558
	Divided by: Current liabilities	227,627,885	280,304,800
	Current ratio	11.86:1	8.37:1
Debt to equity ratio	Total liabilities	₱ 486,287,218	₱ 534,315,595
	Divided by: Total shareholder's equity	2,614,922,942	2,555,451,293
	Debt to equity ratio	0.19:1	0.21:1
Quick ratio	Quick assets*	₱ 640,356,073	₱ 253,198,583
	Divided by: Current liabilities	227,627,885	280,304,800
	Quick ratio	2.81:1	0.90:1
Cashflow liquidity ratio	Cashflow from operations	₱16,372,588	(₱1,374,949,811)
	Divided by: Current liabilities	227,627,885	280,304,800
	Cashflow liquidity ratio	7.19%	-490.52%

Financial leverage ratio Asset to equity ratio	Total assets	₱3,101,210,160	₱3,089,766,888
	Divided by: Total shareholder's equity	2,614,922,942	2,555,451,293
	Asset to equity ratio	1.19:1	1.21:1
Debt to asset ratio	Total liabilities	₱ 486,287,218	₱ 534,315,595
	Divided by: Total assets	3,101,210,160	3,089,766,888
	Debt to asset ratio	0.16:1	0.17:1
Interest rate coverage ratio	Earnings before interest and tax	₱ 99,432,730	₱ 61,282,972
	Divided by: Interest expense	15,372,777	14,578,911
	Interest rate coverage ratio	6.47:1	4.20:1

**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, 2023, 2022 and 2021, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 12, 2024. The supplementary information shown in the *List of Supplementary Information* as additional component required by Rule 68, Part I, Section 5 of the Revised Securities Regulation Code, is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic consolidated financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822
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SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
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By:


Richard Noel M. Ponce
Partner
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PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

List of Supplementary Information

DECEMBER 31, 2023

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, 2023

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, 2023

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								
<i>(under Trade and other receivables)</i>	2,993,786	790,995	₱ –	₱ –	₱ –	3,784,781	–	3,784,781
Plastic City Corp.	201,459,300	462,770	3,856,419	–	–	205,778,489	–	205,778,489
Forum Holdings Corp.	40,047,217	91,992	766,601	–	–	40,905,810	–	40,905,810
Kennex Container Corp.	37,275,422	85,498	712,482	(50,000)	–	38,023,402	–	38,023,402
Orient Pacific Corp.	35,249,436	60,087	500,722	–	–	35,810,245	–	35,810,245
Noble Arch Realty and Construction	5,145,869	56,662	96,464	–	–	5,298,995	–	5,298,995
Pacific Rehouse Corporation	30,461,782	–	–	(28,380,433)	–	2,081,349	–	2,081,349
Metro Alliance Holdings and Equities Corporation	280,673,969	631,201	5,260,007	–	–	–	286,565,177	286,565,177
Rexlon Realty Group, Inc.	442,480	–	–	(442,480)	–	–	–	–
Westland Pacific Properties Corp	48,948,469	516,399	883,326	(4,600,000)	–	–	45,748,194	45,748,194
	₱687,038,249	₱2,695,604	₱12,076,021	(₱33,472,913)	₱ –	₱318,764,748	₱300,824,101	₱598,873,721

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2023

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	₱ 275,544	₱ 18,116	₱ –	₱ –	₱ –	₱ 293,660	₱ 293,660

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule D – Long Term Debt
December 31, 2023

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	₱ 87,698,791	₱ 35,374,474

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule E – Indebtedness to Related Parties (Long Term Loans
From Related Companies)
December 31, 2023

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	–
Concept Moulding Corp.	79,873	–
Inland Container Corporation	500,000	1,500,000
Manila Pavilion	166,530	166,530
Crisanta Realty Development Corp.	8,831,858	–
Pacific Plastic Corporation	–	2,500,000
Stockholders		
International Polymer Corp.	3,689,852	3,689,852
	₱ 113,260,809	₱99,910,839

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2023

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Schedule G – Capital Stock
December 31, 2023

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	2,891,099,660	–	1,856,950,020	3,286,300	1,030,863,340

Reconciliation of Retained Earnings Available for Dividend Declaration

For the reporting ended December 31, 2023

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

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

Unappropriated Retained Earnings, beginning of reporting period	₱	—
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	—	
Effect of restatements or prior-period adjustments	—	
Others	—	—
		<hr/>
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	—	
Retained Earnings appropriated during the reporting period	—	
Effect of restatements or prior-period adjustments	—	
Others	—	—
		<hr/>
Unappropriated Retained Earnings, as adjusted		—
Add/Less: Net Income (loss) for the current year		—
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	—	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Unrealized fair value adjustment (mark-to-market gains) to financial instruments at fair value through profit or loss (FVTPL)	—	
Unrealized fair value gain of Investment Property	—	
Other realized gains or adjustments to the retained earnings as a Result of certain transactions accounted for under the PFRS	—	
Sub-total		<hr/> <hr/>
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	—	
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Realized fair value gain of Investment Property	—	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Sub-total		<hr/> <hr/>

Add: Category C.3: Unrealized income recognized in profit or loss in Prior periods but reversed in the current reporting period (net of tax)

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-	
Sub-total	-	-

Adjusted Net Income/Loss

Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)

Depreciation on revaluation increment (after tax)	-	
Sub-total	-	-

Add/Less: Category E: Adjustments related to relief granted by the SEC And BSP

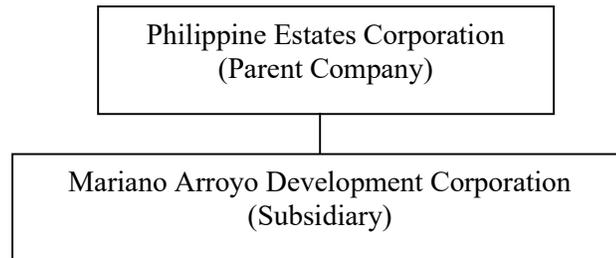
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Sub-total	-	-

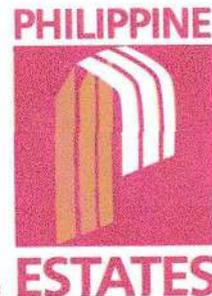
Add/Less: Category F: Other items that should be excluded from the Determination of the amount of available for dividends distribution

Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities	-	
Related to same transaction, e.g., set up of right of use asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	-	
Others	-	
Sub-total	-	-

Total Retained Earnings, end of the reporting period available for dividend	P	-
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PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
Map of Conglomerate or Group of Companies within which the Company Belongs
December 31, 2023





STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of PHILIPPINE ESTATES CORPORATION is responsible for the preparation and fair presentation of the Company financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Company financial statements, Management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the 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 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.

Signature of Arthur M. Lopez
ARTHUR M. LOPEZ
Chairman of the Board

Signature of Elvira A. Ting
ELVIRA A. TING
President / CEO

Signature of Richard L. Ricardo
RICHARD L. RICARDO
Treasurer

Signed this 12 day of April, 2024

SUBSCRIBED AND SWORN to before me this APR 23 2024 day of 2024, 2024
affiants exhibited to me their respective competent evidences of identity as follows:

Table with 3 columns: Name, Tax Identification Number, Issuer. Rows include Arthur M. Lopez, Elvira A. Ting, and Richard L. Ricardo.

Doc No. 2
Page No. 5
Book No. 41
Series of 2024
PASIG CITY

FERDINAND D. AYABAO
Notary Public
For and in Pasig City and the Municipality of Pateros
Appointment No. 66 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090



PHES PHES <philestates96@gmail.com>

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Mon, Apr 29, 2024 at 2:37 PM

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Cc: PHESFINANCE@gmail.com

Hi PHILIPPINE ESTATES CORPORATION,

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- EAFS000263366TCRTY122023-52.pdf
- EAFS000263366RPTTY122023.pdf
- EAFS000263366TCRTY122023-63.pdf
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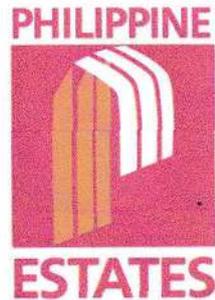
- <None>

Transaction Code: **AFS-0-C76E9FK506FB89FGBP2YYQV2S0NWWSSSY**Submission Date/Time: **Apr 29, 2024 02:37 PM**Company TIN: **000-263-366**

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

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

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of PHILIPPINE ESTATES CORPORATION is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of PHILIPPINE ESTATES CORPORATION is complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) PHILIPPINE ESTATES CORPORATION has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature of Arthur M. Lopez
ARTHUR M. LOPEZ
Chairman of the Board

Signature of Elvira A. Ting
ELVIRA A. TING
President / CEO

Signature of Richard L. Ricardo
RICHARD L. RICARDO
Treasurer

Signed this ___ day of April, 2024

APR 12 2024

SUBSCRIBED AND SWORN to before me this ___ day of ___, 2024
affiants exhibited to me their respective competent evidences of identity as follows:

Table with 3 columns: Name, Tax Identification Number, Issuer. Rows include Arthur M. Lopez, Elvira A. Ting, and Richard L. Ricardo.

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Signature of Ferdinand D. Ayahao
FERDINAND D. AYAHAO
Notary Public

For and in Pasig City and the Municipality of Pateros
Appointment No. 96 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VHF-BEP003234, until 04/14/28
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 1634583A; 01/02/2018

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

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

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

The supplementary information on taxes and licenses is presented in Note 35 to the Parent Company financial statements.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until June 23, 2026
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. 10081052, January 6, 2024, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2024

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872
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Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

Philippine Estates Corporation

Financial Statements
December 31, 2023 and 2022

and

Independent Auditors' Report

Independent Auditors' Report

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

Report on the Audits of Parent Company Financial Statements

Opinion

We have audited the Parent Company financial statements of **Philippine Estates Corporation** (the 'Parent Company'), which comprise the statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to Parent Company financial statements, including material accounting policy information.

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, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, 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.

Global Reach, Global Quality

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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, 2023, 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, 2023 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

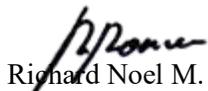
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By:



Richard Noel M. Ponce
Partner

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Tax Identification No. 257-600-228

PTR No. 10081052, January 6, 2024, Makati City

BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2024

PHILIPPINE ESTATES CORPORATION
Parent Company Statements of Financial Position

As at December 31

	2023	2022 <i>(As restated - Note 34)</i>
ASSETS		
Current Assets		
Cash - note 4	₱ 15,335,737	₱ 12,806,829
Trade and other receivables (net) - note 5	306,165,947	240,302,213
Contract assets - note 16	241,577,815	239,673,132
Advances to related parties (net) - note 23	318,764,747	-
Real estate inventories - note 6	1,743,174,653	1,752,993,351
Prepayments and other current assets - note 7	75,680,791	99,787,492
	2,700,699,690	2,345,563,017
Noncurrent Assets		
Advances to related parties (net) - note 23	301,117,761	644,981,178
Investment in a subsidiary - note 8	7,800,000	7,800,000
Financial assets at FVOCI - note 9	50,000,000	50,000,000
Property and equipment (net) - note 10	33,540,931	33,987,925
Deferred tax assets (net) - note 24	5,645,032	4,971,690
Other noncurrent assets - note 11	10,180,189	10,218,505
	408,283,913	751,959,298
TOTAL ASSETS	₱3,108,983,603	₱3,097,522,315
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 12	₱ 111,578,681	₱ 98,630,465
Borrowings - note 13	87,698,791	99,331,806
Lease liabilities - note 27	1,170,157	849,136
Contract liabilities - note 16	20,883,332	77,637,926
Customers' deposits - note 14	5,959,886	3,518,430
	227,290,847	279,967,763
Noncurrent Liabilities		
Retention payable and refundable bonds - note 15	30,883,421	26,322,916
Borrowings (net of current portion) - note 13	35,374,474	38,680,561
Lease liabilities (net of current portion) - note 27	1,784,149	464,542
Advances from related parties - note 23	99,910,839	113,260,809
Retirement benefits obligation - note 25	8,970,619	9,140,126
Deferred tax liabilities - note 24	81,735,831	66,141,841
	258,659,333	254,010,795
	485,950,180	533,978,558
Equity		
Capital stock - note 17	2,891,099,660	2,891,016,410
Remeasurement gain on retirement benefits (net) - note 25	7,991,401	7,074,716
Deficit	(276,057,638)	(334,547,369)
	2,623,033,423	2,563,543,757
TOTAL LIABILITIES AND EQUITY	₱3,108,983,603	₱3,097,522,315

(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

	2023	2022 <i>(As restated - Note 34)</i>	2021 <i>(As restated - Note 34)</i>
REAL ESTATE SALES - note 18	₱277,124,870	₱224,731,353	₱180,268,515
COST OF REAL ESTATE SOLD - note 19	(97,488,235)	(107,486,273)	(70,070,393)
GROSS PROFIT	179,636,635	117,245,080	110,198,122
OTHER INCOME (net) - note 20	23,494,960	24,898,409	20,655,246
OPERATING EXPENSES - note 21	(103,680,848)	(80,787,347)	(68,123,292)
FINANCE COSTS - note 22	(15,372,777)	(14,578,911)	(16,062,657)
INCOME BEFORE INCOME TAX	84,077,970	46,777,231	46,667,419
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24			
Current	10,973,153	6,457,575	5,934,879
Deferred	14,615,086	12,655,395	(9,676,630)
	25,588,239	19,112,970	(3,741,751)
NET INCOME FOR THE YEAR	58,489,731	27,664,261	50,409,170
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement gain on retirement benefits (net) - note 25	916,685	2,752,135	2,280,324
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR	₱ 59,406,416	₱ 30,416,396	₱ 52,689,494
EARNINGS PER SHARE - note 29	₱ 0.0202	₱ 0.0117	₱ 0.0349

(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	Remeasurement Gain on Retirement Benefits (net)	Deficit	Total
	(Note 17)	(Note 25)		
Balance as at January 1, 2021, <i>as previously stated</i>	₱ 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 January 1, 2021, <i>as restated</i>	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, <i>as restated</i>	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, as restated	2,891,016,410	7,074,716	(334,547,369)	2,563,543,757
Issuance of capital stock - note 17	83,250	–	–	83,250
Comprehensive income				
Net income for the year	–	–	58,489,731	58,489,731
Remeasurement gain for the year	–	916,685	–	916,685
Total comprehensive income for the year	–	916,685	58,489,731	59,406,416
Balance as at December 31, 2023	₱2,891,099,660	₱7,991,401	(₱ 276,057,638)	₱2,623,033,423

(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		
	2023	2022 <i>(As restated - Note 34)</i>	2021 <i>(As restated - Note 34)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	₱ 84,077,970	₱ 46,777,231	₱ 46,667,419
Adjustments for:			
Loss on cancelled contracts - note 21	7,916,409	5,321,546	6,542,785
Finance costs - notes 13 and 27	15,372,777	14,578,911	16,062,657
Depreciation - note 10	3,959,224	4,154,030	4,146,502
Retirement benefits expense - note 25	1,552,740	2,040,860	2,284,481
Interest income - notes 4, 5 and 23	(19,960,852)	(17,416,260)	(14,554,765)
Reversal of provision for ECL - note 5	(2,336,330)	(305,544)	(136,651)
Provision for ECL - notes 5 and 23	5,624,503	65,916	-
Operating income before working capital changes	96,206,441	55,216,690	61,012,428
Decrease (increase) in:			
Trade and other receivables	(71,443,813)	(115,190,659)	(57,018,317)
Contract assets	(1,904,683)	(72,647,100)	57,602,526
Real estate inventories	9,818,698	(1,162,262,099)	(40,342,521)
Prepayments and other current assets	24,106,701	(92,470,037)	5,335,787
Increase (decrease) in:			
Retention payable and guarantee bonds	4,560,505	2,464,983	(2,291,161)
Contract liabilities	(56,754,594)	19,565,034	(23,729,066)
Accounts payable and other liabilities	12,948,216	(8,927,704)	18,215,816
Customers' deposit	2,441,456	(228,186)	(1,082,021)
Cash generated from (used in) operating activities	19,978,927	(1,374,479,078)	17,703,471
Contributions to retirement fund - note 25	(500,000)	-	(700,000)
Interest received - notes 4 and 5	7,884,830	6,060,012	3,358,088
Income tax paid	(10,973,153)	(6,457,575)	(5,934,879)
Net cash provided by (used in) operating activities	16,390,604	(1,374,876,641)	14,426,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 23	33,472,913	500,783,183	883,877
Additional advances to related parties	(1,922,725)	(580,908,131)	(2,032,398)
Additions to property and equipment - note 10	(715,800)	(630,830)	(1,254,790)
Additions to other noncurrent assets	38,316	(1,065,932)	(1,296,954)
Net cash provided by (used in) investing activities	30,872,704	(81,821,710)	(3,700,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - note 13	103,481,498	128,195,132	102,716,175
Payment of lease liabilities	(1,299,999)	(1,246,093)	(1,204,868)
Payment of finance costs - note 13	(15,228,579)	(14,424,554)	(15,842,173)
Payments of borrowings - note 13	(118,420,600)	(108,144,182)	(102,721,049)
Additional advances from related parties - note 23	3,500,000	12,518,358	2,503,352
Payment of advances from related parties - note 23	(16,849,970)	(4,250,773)	(1,534,161)
Issuance of capital stock - note 17	83,250	1,071,913,447	373,553,133
Net cash provided by (used in) financing activities	(44,734,400)	1,084,561,335	357,470,409
NET INCREASE (DECREASE) IN CASH	2,528,908	(372,137,016)	368,196,824
CASH - note 4			
At beginning of year	12,806,829	384,943,845	16,747,021
At end of year	₱ 15,335,737	₱12,806,829	₱ 384,943,845

(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, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023

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 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, 2023, with its comparatives for 2022 and 2021, were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and 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, 2023 and the revenue from real estate sales in 2023. 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, 2023 as well as a decrease in the revenue from real estate sales in 2023. 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, 2023 as well as increase in interest expense in 2023.

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 deferred 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, 2023.

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 provide 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. Management assessed that the application of such amendments had no significant impact on the Parent Company's financial statements.

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.

Management assessed that the application of such amendments had no significant impact on the Parent Company's financial statements.

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 also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Parent Company's financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2023

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 waiver 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.

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.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies 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, 2024.

Cash Flow Statements and PFRS 7 (Amendments), Financial Instruments: Disclosures – Supplier Finance Arrangements. The amendment does not define supplier finance arrangements. Instead, the amendment describes the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. The entities will have to disclose in the notes information that enables users of the financial statements to assess how supplier finance arrangements affect an entities' liabilities and cash flows and understand its effect on exposure to liquidity risk and how the entity may be affected if the arrangements were no longer available.

The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability. The amendment specifies that a currency is exchangeable when an entity can exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at measurement date and for a specified purpose while a currency is not exchangeable into other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions. The amendment requires the disclosure of additional information when a currency is not exchangeable.

The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

Deferred effectivity

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

The Parent Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Parent Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2023 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 cost 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 the reporting period. Otherwise, these are classified as noncurrent assets.

As at, 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, 2023 and 2022, 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, 2023 and 2022, 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 pertain 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 the 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 an 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 assets, 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 a 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 from 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, 2023 and 2022.

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 the 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 has 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 the 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 an 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 assets 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. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Material Accounting Judgments in Applying the Parent Company's Accounting Policies

Interest in Joint Operation and Real Estate Inventories

The Parent Company has entered into a 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 venturer. 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 for its share in the joint venture as real estate inventories.

Lease of office space

The Parent Company has entered into contract of lease for the 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 ₱60,920,136 and ₱88,620,933 as at December 31, 2023 and 2022, respectively (see Note 7).

Operating Segments

The Parent Company's operating business segments are organized and managed separately according to the location of business activities. The Parent Company classifies business segments based on the location of its real property projects as in the different geographical areas. Management considers the performance in Metro Manila, Cebu, Bulacan, 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022.

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 ₱306,165,947, and ₱240,302,213 net of allowance for ECL amounting to ₱4,929,630 and ₱7,265,960, as at December 31, 2023 and 2022, respectively (see Note 5).

The carrying amount of the Parent Company's advances to related parties amounted to ₱619,822,508 and ₱644,981,178 net of allowance for ECL amounting to ₱31,489,270 and ₱25,864,767 as at December 31, 2023 and 2022, 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, 2023 and 2022 amounted to ₱33,540,931, and ₱33,987,925, 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, 2023 and 2022 amounted to ₱5,645,032, and ₱4,971,690, 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, 2023 and 2022 amounted to ₱8,970,619, and ₱9,140,126, respectively (see Note 25).

4. CASH

Cash as at December 31 consists of:

	2023	2022
Cash on hand	₱ 496,446	₱ 416,446
Cash in banks	14,839,291	12,390,383
	₱15,335,737	₱12,806,829

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2023, 2022 and 2021.

Interest income earned from cash in banks amounted to ₱14,868, ₱77,108, and ₱14,364 in 2023, 2022 and 2021, 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, 2023 and 2022.

5. TRADE AND OTHER RECEIVABLES (net)

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

	2023	2022
Installment contract receivables from:		
External customers	₱146,730,279	₱80,280,756
Related parties – note 23	4,340,519	4,340,519
Receivable from the government - note 28	135,258,791	135,258,791
Advances to homeowners	6,959,765	11,880,628
Receivables from contractors	6,045,500	6,487,809
Advances to employees	3,784,781	2,993,786
Other receivables	7,975,942	6,325,884
	311,095,577	247,568,173
Allowance for ECL	(4,929,630)	(7,265,960)
	₱306,165,947	₱240,302,213

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

	2023	2022
Balance as at beginning of year	₱7,265,960	₱7,505,588
Recovery of provision during the year – note 20	(2,336,330)	(305,544)
Provision during the year – note 20	–	65,916
Balance as at end of year	₱4,929,630	₱7,265,960

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 2023, 2022 and 2021. Interest income earned amounted to ₱7,869,962, ₱5,982,904 and ₱3,343,724 in 2023, 2022 and 2021, 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, 2023 and 2022 amounted to ₱116,475,403 and ₱120,292,357, respectively (see Note 13).

Receivable from the 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 pertains to the 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, 2023 and 2022 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	<u>2023</u>	<u>2022</u>
At cost:		
Raw land inventory	₱ 882,759,909	₱ 869,451,595
Projects under development	572,853,012	785,757,573
House and lot	287,561,732	97,784,183
	<u>₱1,743,174,653</u>	<u>₱1,752,993,351</u>

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 the costs 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 a 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 ₱97,488,235, ₱107,486,273 and ₱70,070,393 for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 19).

Real estate inventories with a total cost of ₱17.46 million as at December 31, 2023 and 2022, 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, 2023 and 2022 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2023	2022
Input tax	₱60,920,136	₱88,620,933
Creditable withholding tax	13,097,321	8,822,318
Deferred input tax	1,081,117	1,787,803
Prepaid expenses	582,217	556,438
	₱75,680,791	₱99,787,492

Input tax was derived mainly from transactions related to the materials and services used in construction of houses sold and certain general and administrative expenses.

Management believes that the input tax is fully realizable or recoverable because of the revenue to be generated from the vatable sales.

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

8. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary as at December 31 consists of:

	2023	2022
Mariano Arroyo Development Corp. (MADCorp)		
Percentage of ownership	100%	100%
Carrying amount	₱ 7,800,000	₱ 7,800,000

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

The principal activity of the subsidiary is to engage in the business of dealing in real estate or other properties for industrial, commercial, residential, leisure, or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/ or appurtenant properties, and/ or interest therein.

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

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

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

	2023	2022
Assets	₱ 320,216	₱ 320,116
Liabilities	630,698	612,581
Equity (Capital deficiency)	(₱ 310,482)	(₱ 292,465)
Revenue	₱ –	₱ –
Expenses	(18,017)	(73,170)
Net loss	(₱ 18,017)	(₱ 73,170)

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, 2023 and 2022, 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, 2023 and 2022 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, 2023	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Right-of-use assets	Computer software	Total
Cost						
At beginning of year	₱ 81,099,795	₱ 7,385,020	₱ 43,592,173	₱ 4,383,277	₱ 350,000	₱136,810,265
Additions	12,054	–	703,746	2,796,430	–	3,512,230
Write-off	–	–	–	(3,055,786)	–	(3,055,786)
At end of year	81,111,849	7,385,020	44,295,919	4,123,921	350,000	137,266,709
Accumulated depreciation						
At beginning of year	49,512,953	6,849,745	42,952,762	3,244,379	262,501	102,822,340
Depreciation – note 21	2,270,481	213,630	370,869	1,016,745	87,499	3,959,224
Write-off	–	–	–	(3,055,786)	–	(3,055,786)
At end of year	51,783,434	7,063,375	43,323,631	1,205,338	350,000	103,725,778
Carrying amount as at December 31, 2023	₱ 29,328,415	₱ 321,645	₱ 972,288	₱2,918,583	₱ –	₱ 33,540,931
December 31, 2022						
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

Fully depreciated property and equipment still in use as at December 31, 2023 and 2022 amounted to ₱90,622,873 and ₱88,864,029, respectively

Reversal of right-of-use assets pertains to expired lease contracts.

The Parent Company's transportation equipment with a carrying amount of ₱321,645 and ₱535,275 was held as collateral on its borrowings as at December 31, 2023 and 2022 respectively (see Note 13).

Aside from the foregoing, no other property and equipment as at December 31, 2023 and 2022 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, 2023 and 2022.

11. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2023	2022
Refundable deposits	₱ 10,004,907	₱ 10,043,223
Other assets	175,282	175,282
	₱ 10,180,189	₱ 10,218,505

Refundable deposits consist mainly of security and utility deposits.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2023	2022
Government liabilities	₱ 45,759,643	₱ 49,072,193
Accrued expenses	21,561,670	5,534,267
Accounts payable	5,167,227	5,090,298
Other payables	39,090,141	38,933,707
	₱111,578,681	₱98,630,465

Accrued expenses are 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 are composed of collections from customers for payment of retailing and property taxes.

13. BORROWINGS

Borrowings as at December 31 consist of:

	2023	2022
Current	₱ 87,698,791	₱ 99,331,806
Noncurrent	35,374,474	38,680,561
	₱123,073,265	₱138,012,367

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

	2023	2022
Balance at beginning of year	₱138,012,367	₱117,961,417
Additions	103,481,498	128,195,132
Payments	(118,420,600)	(108,144,182)
Balance at end of year	₱123,073,265	₱138,012,367

Total interest on borrowings charged as “Finance costs” in the Parent Company statements of comprehensive income amounted to ₱15,228,579, ₱14,424,554 and ₱15,842,173 for the years ended December 31, 2023, 2022 and 2021, 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
					2023	2022	
Luzon Development Bank							
05/12/2021	Working capital	04/12/2024	10%	12,500,000	₱1,582,312	₱6,020,382	[a]
05/09/2021	Working capital	05/02/2024	11%	12,000,000	897,016	5,973,319	[a]
08/06/2020	Working capital	09/06/2023	11%	17,000,000	–	4,786,270	[a]
07/16/2020	Working capital	08/16/2023	11%	10,000,000	–	2,516,352	[a]
08/23/2022	Working capital	08/23/2025	10%	10,000,000	5,957,699	9,044,920	[a]
06/10/2022	Working capital	06/10/2025	10%	30,000,000	16,159,352	25,617,040	[a]
12/05/2022	Working capital	12/05/2025	11%	10,000,000	7,023,587	10,000,000	[a]
02/07/2023	Working capital	02/07/2026	12%	10,000,000	7,567,449	–	[a]
09/13/2023	Working capital	09/13/2026	12%	10,000,000	9,295,645	–	[a]
10/05/2023	Working capital	10/05/2026	12%	14,800,000	14,110,038	–	[a]
Philippine Bank of Communications							
08/04/2021	Working capital	02/23/2022	9%	15,596,199	–	1,644,254	[b]
11/15/2021	Working capital	05/15/2023	9%	18,693,429	–	5,447,250	[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	513,854	11,043,383	[b]
09/26/2022	Working capital	05/10/2024	9%	20,159,374	4,868,795	19,109,118	[b]
02/13/2023	Working capital	08/13/2024	9%	21,008,846	9,695,577	–	[b]
07/13/2023	Working capital	01/13/2025	9.25%	19,360,857	14,248,437	–	[b]
08/01/2023	Working capital	02/01/2025	9.25%	17,290,426	13,651,941	–	[b]
Qwick							
10/05/2021	Working capital	03/30/2023	15%	7,807,598	–	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	6,280,152	8,853,063	[c]
01/16/2023	Working capital	08/27/2024	15%	4,500,000	4,471,882	–	[c]
08/29/2023	Working capital	08/13/2024	15%	6,521,368	6,441,766	–	[c]
Asia United Bank							
12/09/2021	Car Financing	11/09/2024	9.25%	924,800	307,763	615,168	[d]
				₱326,198,655	₱123,073,265	₱138,012,367	

a. Luzon Development Bank

Notes payable were obtained for working capital requirements. The notes carry an 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, 2023 and 2022 (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 ₱96,585,957 and ₱90,112,727 as at December 31, 2023 and 2022, respectively (see Note 5).

c. Qwick

Borrowings represent selling of installment contract receivables by virtue of various contracts to sell for a consideration of ₱19,889,446 and ₱30,179,630 as at December 31, 2023 and 2022, respectively (see Note 5).

d. Asia United Bank

Note payable amounted to ₱924,800 and was secured by chattel mortgage with carrying amount of ₱321,645 and ₱535,275 as at December 31, 2023 and 2022, respectively (see Note 10).

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, 2023 and 2022, outstanding balance of the customers' deposits amounted to ₱5,959,886 and ₱3,518,430, respectively.

15. RETENTION PAYABLE AND REFUNDABLE BONDS

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

	2023	2022
Retention payable	₱ 21,157,815	₱ 17,204,532
Refundable bonds	9,725,606	9,118,384
	₱ 30,883,421	₱ 26,322,916

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:

	2023	2022
Contract assets	₱241,577,815	₱239,673,132
Contract liabilities	20,883,332	77,637,926

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:

	2023	2022
Common stock: ₱1 par value		
Authorized: 5,000,000,000 shares	₱5,000,000,000	₱5,000,000,000
Subscribed	₱2,891,099,660	₱2,891,099,660
Less: Subscription receivables	-	(83,250)
Issued and outstanding	₱2,891,099,660	₱2,891,016,410

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:

	2023	2022
Issued and outstanding, beginning	₱2,891,016,410	₱1,819,102,963
Issuance of capital stock during the year	83,250	1,071,913,447
Issued and outstanding, ending	₱2,891,099,660	₱2,891,016,410

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, 2023, and 2022, the Parent Company issued 83,250 shares and 1,071,913,447 shares at ₱1 per share or ₱83,250 and ₱1,071,913,447, respectively, from share rights offering.

The number of shares owned by public totaled 1,030,863,30 shares or a public ownership of 36% as at December 31, 2023 and 2022.

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

	Market value per share
December 31, 2023	₱0.340
December 31, 2022	0.560
December 31, 2021	0.510

18. REAL ESTATE SALES

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

	2023	2022	2021 (As restated)
House and lot	₱ 53,493,099	₱129,145,390	₱139,778,080
Lot	190,531,060	55,293,096	40,490,435
Condominium unit	33,100,711	40,292,867	–
	₱277,124,870	₱224,731,353	₱180,268,515

19. COST OF REAL ESTATE SOLD

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

	2023	2022	2021 (As restated)
House and lot	₱ 28,954,722	₱ 58,725,971	₱54,669,854
Lot	49,503,135	25,301,602	15,400,539
Condominium unit	19,030,378	23,458,700	–
	₱ 97,488,235	₱107,486,273	₱70,070,393

20. OTHER INCOME (net)

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

	2023	2022	2021 (As restated)
Finance income from:			
Advances to affiliates – note 23	₱12,076,021	₱11,356,248	₱11,196,677
Installment contract receivables – note 5	7,869,962	5,982,904	3,343,724
Cash in banks – note 4	14,868	77,108	14,364
Recovery of (provision for) ECL – notes 5 and 23	(3,288,173)	239,628	136,651
Miscellaneous income	6,822,282	7,242,521	5,963,830
	₱23,494,960	₱24,898,409	₱20,655,246

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:

	2023	2022	2021 <i>(As restated)</i>
Salaries and wages	₱ 20,142,511	₱ 19,391,814	₱ 18,200,229
Taxes and licenses	18,590,307	14,923,705	5,811,234
Commissions	12,659,077	11,546,467	9,667,971
Loss on cancelled contracts	7,916,409	5,321,546	6,542,785
Representation and entertainment	7,587,133	889,846	4,707,921
Advertising	4,536,365	4,148,561	1,230,064
Professional and legal fees	4,310,460	5,227,723	3,328,202
Depreciation – note 10	3,959,224	4,154,030	4,146,502
Communication, light and water	3,479,529	2,904,376	2,518,091
Employee benefits	2,902,803	2,633,920	2,326,878
Travel and transportation	1,958,193	1,763,081	1,151,417
Repairs and maintenance	1,782,839	806,508	699,874
Security services	1,608,726	1,235,963	528,792
Retirement benefits – note 25	1,552,740	2,040,860	2,284,481
Supplies	976,023	756,925	1,079,076
Insurance	779,910	347,448	161,818
Dues and subscription	470,695	616,412	680,148
Rental – note 27	261,573	309,669	275,865
Janitorial services	104,253	103,265	184,968
Director fees	98,929	58,929	206,786
Penalty fee, interests and surcharges	95,731	70,828	571,954
Trainings and seminars	20,632	33,336	26,518
Miscellaneous	7,886,786	1,502,135	1,791,718
	₱103,680,848	₱ 80,787,347	₱ 68,123,292

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:

	2023	2022	2021
Borrowings – note 13	₱15,228,579	₱ 14,424,554	₱ 15,842,173
Lease liabilities – note 27	144,198	154,357	220,484
	₱15,372,777	₱ 14,578,911	₱ 16,062,657

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, 2023 and 2022 are as follows:

December 31, 2023	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)	₱ 201,459,299	₱ 462,770	₱ 3,856,419	₱ –	₱205,778,488
Forum Holdings Corp. (b)	40,047,217	91,992	766,601	–	40,905,810
Kennex Container Corp. (b)	37,275,422	85,498	712,482	(50,000)	38,023,402
Orient Pacific Corp. (b)	26,157,691	60,087	500,722	–	26,718,500
Noble Arch Realty and Construction (c)	5,104,072	56,662	96,464	–	5,257,198
Pacific Rehouse Corporation (f)	30,461,782	–	–	(28,380,433)	2,081,349
Metro Alliance Holdings and Equities Corporation (e)	280,673,969	631,201	5,260,007	–	286,565,177
Rexlon Realty Group, Inc. (RRGI)	442,480	–	–	(442,480)	–
Westland Pacific Properties Corp (g)	48,948,469	516,399	883,326	(4,600,000)	45,748,194
Subsidiary					
Mariano Arroyo Dev't Corp	275,544	18,116	–	–	293,660
	670,845,945	1,922,725	12,076,021	(33,472,913)	651,371,778
Allowance for ECL	(25,864,767)	(5,624,503)	–	–	(31,489,270)
	₱ 644,981,178	(₱3,701,778)	₱12,076,021	(₱33,472,913)	₱619,882,508
December 31, 2022					
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 (RRGI)	–	442,480	–	–	442,480
Westland Pacific Properties Corp (g)	–	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

Advances to related parties as at December 31 consist of:

	2023	2022
Current	₱ 318,764,747	₱ –
Noncurrent	301,117,761	644,981,178
	₱619,882,508	₱644,981,178

Details of the Parent Company's advances from related parties as at December 31, 2023 and 2022 are as follows:

December 31, 2023	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.	79,873	–	(79,873)	–
Manila Pavilion	166,530	–	–	166,530
Inland Container Corporation	500,000	1,000,000	–	1,500,000
Crisanta Realty Development Corp. (CRDC)	8,831,858	–	(8,831,858)	–
Pacific Plastic Corporation	–	2,500,000	–	2,500,000
Stockholders				
International Polymer Corp.	3,689,852	–	–	3,689,852
	₱113,260,809	₱3,500,000	(₱16,849,970)	₱99,910,839
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. (CRDC)		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

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.

On December 21, 2023, The Wellex Group Inc. (TWGI), Crisanta Realty Development Corporation (CRDC) entered into a Memorandum of Agreement with Pacific Rehouse Corporation (PRC) for the assignment of its related party balances with the Parent Company. TWGI and CRDD assigned their rights for the collection of their receivables from the Parent Company to PRC amounting to ₱7,938,239 and ₱12,679,735, respectively. These assignments partially settled their obligation to PRC.

On the same dated, RRGi assigned its right for collection of their receivable amounting to ₱442,480 in favor of the Parent Company. The assignment settled the obligation of RRGi to the Parent Company.

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

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 notes indicating an extension of term for another three (3) years, starting January 31, 2021, and will mature on January 31, 2024. On January 31, 2024, the promissory note was extended for another three (3) years.

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. On January 31, 2024, the promissory note was extended for another three (3) years.

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, 2023 and 2022 (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 ₱5,260,007 for the years ended December 31, 2023, 2022 and 2021.

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) Westland Pacific Properties Corporation (WPPC)

On October 28, 2022, WPPC issued a promissory note amounting to ₱48,766,408. The term of the loan is three (3) years maturing on October 31, 2025, bearing an interest of 2% per annum. Accrued interest receivable for these advances amounted to ₱883,328 and ₱162,555 for the years ended December 31, 2023 and 2022.

h) 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:

	2023	2022
Short-term employee benefits	₱3,984,616	₱3,725,288
Post-employment benefits	360,000	330,000
Share-based payments	-	-
Other long-term benefits	-	-
	₱4,344,616	₱4,055,288

i) 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, 2023 and 2022.

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:

	2023	2022	2021 (As restated)
Income before income tax	₱84,077,970	₱ 46,777,231	₱ 46,667,419
Tax at applicable statutory rate:	21,019,493	11,694,308	11,666,855
Tax effect of:			
Non-deductible expenses	3,750,420	1,464,393	2,960,052
Interest income subjected to final tax	(3,717)	(19,277)	(3,591)
Change in unrecognized deferred tax asset	822,043	(59,907)	(1,708,513)
Other movements	-	6,033,453	(8,571,585)
Change in income tax rate	-	-	(8,084,969)
	₱25,588,239	₱ 19,112,970	(₱3,741,751)

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

	2023	2022
Deferred tax assets		
Allowance for ECL	₱9,138,888	₱ 8,316,845
Retirement benefits obligation	4,906,455	4,643,270
Lease liabilities	738,577	328,420
	14,783,920	13,288,535
Less: Unrecognized deferred tax asset	(9,138,888)	(8,316,845)
	₱5,645,032	₱ 4,971,690

	2023	2022
Deferred tax liabilities		
Effect of adoption of PFRS 15	₱78,342,384	₱63,498,877
Right-of-use assets	2,663,801	284,725
Remeasurement gain on retirement benefits	729,646	2,358,239
	₱81,735,831	₱66,141,841

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 ₱305,562 and ₱917,379 for the years ended December 31, 2023 and 2022, respectively (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, 2023.

The movement in the retirement benefits obligation for the years ended December 31, 2023 and 2022 is as follows:

	Present value of retirement benefits obligation	Fair value of plan assets	Retirement benefits obligation
January 1, 2023	₱ 9,556,713	(₱ 416,587)	₱ 9,140,126
Retirement expense:			
Current service costs	897,686	—	897,686
Interest expense (income)	687,128	(32,074)	655,054
	1,584,814	(32,074)	1,552,740
Benefits paid	(441,000)	441,000	—
Contribution	—	(500,000)	(500,000)
Remeasurements, gross of tax:			
Actuarial loss (gain) arising from:			
Changes in financial assumptions	582,505	—	582,505
Experience/return	(1,807,709)	2,957	(1,804,752)
	(1,225,204)	2,957	(1,222,247)
As at December 31, 2023	₱ 9,475,323	(₱ 504,704)	₱ 8,970,619

	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

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

	2023	2022
Balance at beginning of year	₱7,074,716	₱4,322,581
Amounts recognized in OCI	1,222,247	3,669,514
	8,296,963	7,992,095
Attributable tax	(305,562)	(917,379)
Balance at end of year	₱7,991,401	₱7,074,716

Remeasurement gain on retirement benefits, net of related tax amounting to ₱305,562 and ₱917,379 (see Note 24), in the statements of comprehensive income for the years ended December 31, 2023 and 2022 amounted to ₱916,685 and ₱2,752,135, respectively.

The total retirement benefits expense recognized is included in operating expenses for the years ended December 31, 2023, 2022 and 2021 amounted to ₱1,552,740, ₱2,040,860 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:

	2023	2022
Cash and cash equivalents	₱ 131,526	₱ 318,939
Government bonds and securities	373,178	97,648
	₱ 504,704	₱ 416,587

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, 2023 and 2022.

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

	2023	2022
Interest income	₱ 32,074	₱ 21,111
Loss on plan assets, excluding amounts included in net interest cost	(2,957)	(19,281)
	₱ 29,117	₱ 1,830

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

	2023	2022
Discount rate	6.09%	7.19%
Salary rate increase	5.00%	5.00%

The discount rate at December 31, 2023 and 2022 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, 2023	Impact on retirement benefits obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 4.4%	Decrease by 4.0%
Salary increase rate	100 bps	Increase by 4.4%	Decrease by 4.0%
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%

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 4.2 years and 3.3 years, in 2023 and 2022, respectively.

The Parent Company does not expect any contributions to post-employment benefit plans for the years ending December 31, 2023 and 2022, respectively.

Expected maturity analysis of undiscounted retirement benefits obligation:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
2023					
Retirement benefits obligation	₱ –	₱3,680,379	₱5,000,068	₱4,474,388	₱13,154,835
2022					
Retirement benefits obligation	₱ –	₱4,650,516	₱5,630,546	₱4,030,499	₱14,311,561

26. BUSINESS SEGMENT INFORMATION

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

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

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

- Metro Manila – industrial park and condominium projects
- Other Luzon Areas such as Bulacan, Cavite – subdivision development
- Cebu – subdivision, mixed use and condominium projects
- Iloilo – subdivision 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, 2023	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Parent Company Total
Revenue							
Sales	₱ 99,759,215	₱ 49,664,246	₱53,032,578	₱74,668,831	₱ –	₱ –	₱ 277,124,870
Cost of sales	(22,495,775)	(24,848,038)	(27,717,560)	(22,426,862)	–	–	(97,488,235)
Gross profit	77,263,440	24,816,208	25,315,018	52,241,969	–	–	179,636,635
Other income	9,001,729	2,720,519	1,958,352	4,227,729	304,696	5,281,935	23,494,960
	86,265,169	27,536,727	27,273,370	56,469,698	304,696	5,281,935	203,131,595
Expenses							
Depreciation	3,854,158	44,098	11,887	49,081	–	–	3,959,224
Loss on cancelled contracts	–	557,143	–	7,359,266	–	–	7,916,409
Other expenses	40,593,204	22,816,093	8,342,555	16,220,382	175,928	2,104,313	90,252,475
	44,447,362	23,417,334	8,354,442	23,628,729	175,928	2,104,313	102,128,108
Segment income	41,817,807	4,119,393	18,918,928	32,840,969	128,768	3,177,622	101,003,487
Finance cost	15,266,497	74,708	1,853	29,719	–	–	15,372,777
Retirement benefits expense	1,552,740	–	–	–	–	–	1,552,740
Provision for income tax	25,588,239	–	–	–	–	–	25,588,239
Net income (loss) for the year	(₱ 589,669)	₱ 4,044,685	₱18,917,075	₱ 32,811,250	₱ 128,768	₱3,177,622	₱ 58,489,731
Segment assets	₱1,737,022,279	₱392,562,049	₱241,195,237	₱716,996,652	₱1,825,797	₱5,936,557	₱3,095,538,571
Investment in a subsidiary	7,800,000	–	–	–	–	–	7,800,000
Deferred tax assets	5,645,032	–	–	–	–	–	5,645,032
Total assets	₱1,750,467,311	₱392,562,049	₱241,195,237	₱716,996,652	₱1,825,797	₱5,936,557	₱3,108,983,603
Segment liabilities	₱ 12,631,483	₱111,780,952	₱153,761,529	₱ 73,243,438	₱ 605,050	₱1,883,844	₱ 353,906,415
Borrowings	123,002,483	–	–	70,782	–	–	123,073,265
Retirement benefits obligation	8,970,619	–	–	–	–	–	8,970,619
Total liabilities	₱ 144,604,585	₱111,780,952	₱153,761,529	₱ 73,314,220	₱ 605,050	₱1,883,844	₱ 485,950,180

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

Although Davao and Valenzuela segments do not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2023 and 2022, 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, 2023 to September 4, 2026
Arjay Realty	August 1, 2023 to August 1, 2026
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:

	2023	2022
Current	₱ 1,170,157	₱ 849,136
Noncurrent	1,784,149	464,542
	₱ 2,954,306	₱ 1,313,678

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

	2023	2022
Not later than one year	₱ 1,515,477	₱ 929,418
Later than one year but not later than five years	1,764,997	496,200
Future minimum lease payments	3,280,474	1,425,618
Amounts representing finance charges	(326,168)	(111,940)
	₱ 2,954,306	₱ 1,313,678

The net carrying amount of the right-of-use assets recognized as at December 31, 2023 and 2022 is disclosed in Note 10.

Total finance costs charged to operations amounted to ₱144,198, ₱154,357 and ₱220,484 for the years ended December 31, 2023, 2022 and 2021 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 ₱261,573, ₱309,669 and ₱275,865, for the years ended December 31, 2023, 2022 and 2021, 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, 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 Landbank 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.

On July 4, 2023, the RTC ordered the defendants, including Parent Company, that their money claims against the DPWH must first be brought before the Commission on Audit.

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:

	2023	2022	2021 <i>(As restated)</i>
Net income	₱ 58,489,731	₱ 27,664,261	₱ 50,409,170
Weighted average number of common shares outstanding during the year	2,891,099,660	2,355,059,687	1,632,326,397
Earnings per share	₱ 0.0202	₱ 0.0117	₱ 0.0309

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, 2023			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱14,839,291	₱ –	₱14,839,291
Trade and other receivables – note 5	(b)	Simplified approach	311,095,577	(4,929,630)	306,165,947
Contract assets – note 16	(b)	Simplified approach	241,577,815	–	241,577,815
Advances to related parties – note 23	(c)	General approach	651,371,778	(31,489,270)	619,822,508
Refundable deposits classified as “Other noncurrent assets” - note 11	(d)		10,004,907	–	10,004,907
Total			₱1,228,889,368	(₱36,418,900)	₱1,192,470,468

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

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 the terms of the contract. The Parent Company has the liberty to dispose of 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, 2023	Trade and other receivables	Advances to related parties	Total
Performing	₱ 297,511,819	₱ 574,472,977	₱ 871,984,796
Doubtful			
1-30 days	66,679	—	66,679
31-90 days	48,727	—	48,727
91-180 days	272,065	—	272,065
181-360 days	337,979	12,076,021	12,414,000
In default			
1-2 years	3,810,499	38,958,013	42,768,512
2-3 years	1,554,141	—	1,554,141
3-5 years	6,915,174	—	6,915,174
Write-off	578,494	25,864,767	26,443,261
	₱ 311,095,577	₱651,371,778	₱962,467,355

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

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, 2023 and 2022, the Parent Company's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes government liabilities) which are presented below:

December 31, 2023	Maturing in			Total
	On Demand	Within 1 year	1 to 5 years	
Accounts payable and other liabilities*	₱65,819,038	₱ –	₱ –	₱ 65,819,038
Contract liabilities	–	20,883,332	–	20,883,332
Borrowings	–	87,698,791	35,374,474	123,073,265
Lease liabilities	–	1,170,157	1,784,149	2,954,306
Advances from related parties	–	–	99,910,839	99,910,839
Retention payable and guarantee bonds	–	–	30,883,421	30,883,421
	₱65,819,038	₱109,752,280	₱167,952,883	₱343,524,201

*excluding government liabilities

December 31, 2022	Maturing in			Total
	On Demand	Within 1 year	1 to 5 years	
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

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, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022, 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, 2023	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	₱ 14,839,291	₱ –	₱ 14,839,291
Installment contract receivables, gross	12% to 19%	Fixed at the date of sale	151,070,798	–	151,070,798
Advances to related parties, gross	2%	Fixed based on PN renewed in 2021 -note 23	318,764,747	332,607,031	651,371,778
			₱484,674,836	₱332,607,031	₱ 817,281,867
Financial liability					
Borrowings (excluding non-interest bearing borrowings)	9.25% to 15%	Fixed based on PN issuance	₱ 87,698,791	₱35,374,474	₱ 123,073,265
December 31, 2022					
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

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:

2023			2022		
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%	₱3,471,043	₱2,603,282	+0.5%	₱3,149,226	₱2,361,920
-0.5%	(₱3,471,043)	(₱2,603,282)	-0.5%	(₱3,149,226)	(₱2,361,920)

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 ₱2,623,033,423 and ₱2,563,543,757 as at December 31, 2023 and 2022, 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:

	2023	2022
Total liabilities	₱ 485,950,180	₱ 533,978,558
Total equity	2,623,033,423	2,563,543,757
	0.19:1	0.21:1

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, 2023	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Advances to related parties	₱ 619,882,508	₱613,978,238	Level 2	(b)
Refundable deposits	10,004,907	9,450,413	Level 2	(c)
	₱ 629,887,415	₱623,428,651		
Financial liabilities at amortized cost				
Advances from related parties	₱ 99,910,839	₱ 96,031,179	Level 2	(b)
Borrowings	123,073,265	119,233,095	Level 2	(d)
Retention payable and guarantee bonds	30,883,421	27,530,789	Level 2	(c)
Lease liabilities	2,954,306	2,760,623	Level 2	(d)
	₱256,821,831	₱245,555,686		

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		
<hr/>				
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		

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, 2023 and 2022, 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 2023 and 2022.
- (c) The fair value of refundable deposits, and retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 5.87% to 5.91% in 2023 and 5.21% to 5.97% in 2022.
- (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 5.91% in 2023 and 5.97% in 2022.

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, 2023	Changes from financing cash flows	Balance as at December 31, 2023
Borrowings	₱ 138,012,367	(₱ 14,939,102)	₱ 123,073,265
Advances from related parties	113,260,809	(13,349,970)	99,910,839
Lease liabilities	1,313,678	1,640,628	2,954,306
	₱ 252,586,854	(₱ 26,648,444)	₱ 225,938,410

	Balance as at January 1, 2022	Changes from financing cash flows	Balance as at December 31, 2022
Borrowings	₱ 117,961,417	₱ 20,050,950	₱ p138,012,367
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

34. PRIOR PERIOD ERRORS

The prior period adjustments resulted from an 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, 2023 as follows:

	Gross revenues	Output VAT
Subject to 12% VAT	₱205,701,233	₱36,528,828
Zero-rated	-	-
Exempt	50,430,650	-
	₱256,131,883	₱36,528,828

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, 2023 is as follows:

At beginning of year	₱88,620,933
Current purchases and payments for:	
Goods other than capital goods	5,546,060
Services/goods other than for resale or manufacture	9,333,649
	103,500,642
Claims against output VAT	(36,528,828)
Input tax allocable to Exempt Sales	(6,051,678)
At end of year	₱60,920,136

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, 2023.

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, 2023.

e) *Documentary Stamp Tax*

The Parent Company paid documentary stamp tax from availment of borrowings amounting to ₱294,750 for the year ended December 31, 2023.

f) *Taxes and Licenses*

Details of taxes and licenses for the year ended December 31, 2023, are as follows:

Real property tax	₱14,218,768
Permits and licenses	4,074,789
Annual registration	2,000
	₱18,295,557

g) *Withholding Taxes*

Details of withholding taxes paid and accrued for the year ended December 31, 2023 are as follows:

Expanded withholding tax	₱ 4,214,428
Withholding tax on compensation	602,377
	₱4,816,805

h) *Deficiency Tax Assessment and Tax Cases*

The Parent Company had no outstanding tax cases under investigation, litigation and/or prosecution in court or bodies outside the BIR as at December 31, 2023.

i) *Other Information*

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

* * *

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Philippine Estates Corporation (PHES)
Location of Headquarters	35 TH Floor One Corporate Centre, Ortigas Center, Pasig City
Location of Operations	PHES's projects and other developmental activities are located in the provinces of Bulacan, Cebu and Iloilo
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	None
Business Model, including Primary Activities, Brands, Products, and Services	The principal activity of PHES is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential, leisure or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein.
Reporting Period	For the Year Ended December 31, 2023
Highest Ranking Person responsible for this report	Mr. Glenn Gerald D. Pantig - <i>Chief Operating Officer</i> Ms. Jocelyn A. Valle – <i>Finance Head and Compliance Officer</i>

*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. ¹
<p>For Philippine Estates Corporation's (the Company) submission of this Sustainability Report, we identified the material topics which are deemed relevant to the operations of the Company on the basis of the Sustainability Accounting Standards Board (SASB) Materiality Map, specifically, for the Real Estate Industry.</p> <p>PHES identified the following issues as most likely to affect the economic, environmental and social impacts of the Company:</p> <ol style="list-style-type: none"> 1. Environmental - Energy Management, Waste and Wastewater Management; 2. Social - Labor Practices, Product and/or Service Quality and Safety; 3. Economic - Supply Chain Management.

¹ See [GRI 102-46](#) (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	277.1M	PhP
Direct economic value distributed:		
a. Operating costs	97.5M	PhP
b. Employee wages and benefits	23.05M	PhP
c. Payments to suppliers, other operating costs	62.05M	Php
d. Dividends given to stockholders and interest payments to loan providers	15.3M	PhP
e. Taxes given to government	44.2M	PhP
f. Investments to community (e.g. donations, CSR)	0.0	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact is on the generation of employment opportunities where the Company operates its businesses.	Employees, Community,	<i>The Company, as much as possible, employs personnel who are residents of the provinces/localities where the Company's projects are located; these personnel are hired for managerial, staff, and skilled positions.</i>
Procurement from local businesses of goods and services essential to the project development and construction of buildings.	Suppliers	<i>To the fullest extent, the Company relies on contractors, suppliers, and service providers that are based in the provinces where its projects are located.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Contractor's availability. Certain skills and capabilities required in the delivery of the services necessary to the operations. This may not be readily available from the community where the Company operates.	Contractor/Labor	<i>The Company does not rely on just one (1), or even several contractors. Numerous contractors are kept in the Company's roster, and at the same time, there is a continuous attempt to look for new contractors.</i>

Unstable Prices because of taxes and availability of construction materials limited to certain suppliers.	Suppliers/Government	<i>The Company has purchased in advance some items that it deems as essential and may be subject to sudden increases in price or significant reduction in supply.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company remains committed to support the government as a partner in providing quality residential buildings to meet the growing demands of local residents and relatives abroad. This results to need more manpower and construction materials for the operations.	Labor and Suppliers	<i>The Company has introduced projects in various locations throughout the Philippines, and will continue to look for various areas of expansion, in order to provide residences to more people. The Company has also introduced more products at different price points, so that each project can cater to various economic groups.</i>

Climate-related risks and opportunities²

The Company has yet to implement certain metrics and targets to assess and manage the relevant climate-related risks and opportunities at this stage.

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	85%	%

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Most of the suppliers of construction materials and labors are from local business partners. This will lessen the delivery cost and it saves time from finishing the project.	Suppliers and Labor	<i>Since the Company relies mostly on local contractors, the contractors themselves are assumed to source their own raw materials from local suppliers, to ensure lower costs, depending on availability.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The availability of the type of materials and services may not be sufficient or meet the standard requirements by the Company on its operations.	Suppliers, Labor	<i>The Company, as the need arises, aids suppliers in sourcing of materials if the contractors are unable to find the proper materials. This is done through the Company's own network of suppliers who have provided for the Company previously.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The opportunity to use construction materials that are locally produced which are sustainable at any given construction period.	Suppliers	<i>All materials to be used for construction are dictated by the Company, which materials are, as much as possible, produced and available locally.</i>

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	-	#
Number of incidents in which employees were dismissed or disciplined for corruption	-	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	6,000	Liter
Energy consumption (electricity)	20,000	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh
Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	60,000	Cubic meters
Water consumption	80,000	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> Renewable 	-	kg/liters
<ul style="list-style-type: none"> non-renewable 	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
Habitats protected or restored	-	ha
IUCN ³ Red List species and national conservation list species with habitats in areas affected by operations	-	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.	<i>(e.g. employees, community, suppliers,</i>	

³ International Union for Conservation of Nature

	<i>government, vulnerable groups)</i>	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	-	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this		

category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Air pollutants

Disclosure	Quantity	Units
NO _x	---	Mg/NCM
SO _x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-----	kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled	-----	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact is on the environment which contributed to the rapid filling-up of the landfills capacity in the community	Community	<i>The Deed of Restrictions and Construction Guidelines that the Company imposes on all residents/buyers provide instructions on how garbage/waste is supposed to be disposed of; furthermore, in compliance with local ordinances, a Material Recovery Facility (MRF) is integrated in the project plans for compliance. Finally, the Company ensures proper coordination with the local government authorities on the collection and disposal services offered in the location of each project.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Waste materials may cause accident or even flooding.	Community	<i>For each project site, the Company hires a Consultancy and Design firm to properly study and plan the technicalities pertaining to the drainage system in order to prevent any future problems that may arise. The Company also hires Property Management personnel who are trained and knowledgeable in the</i>

		<i>maintenance of its projects. Included in their scope of works is ensuring that all drainage lines are clean and no build-up of materials hampers the flow of sewage or flood water.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company practice the proper segregation of waste bring this practice by the employees to their homes.	Community/Employees	<i>The Company, in compliance with the rules and regulations of the Department of Natural Resources, constructs material recovery facilities in each of its projects so that there are specific areas designated for the segregation of waste materials.</i>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		Kg
Total weight of hazardous waste transported		Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified		

under this category as of this reporting period		
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Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	Ph0.00
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has no material impact under this category as of this reporting period.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Company has no material risk(s) identified under this category as of this reporting period		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has no material opportunity(ies) identified under this category as of this reporting period		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁴		
a. Number of female employees	44	#
b. Number of male employees	23	#
Attrition rate ⁵	7.35%	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	0.00%	0.00%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	90%	90%
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	Y	-	-
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		

⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

(Others)			
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company is fully involved in ensuring that these benefits are fully complied with for the motivation and efficiency of the employees.	<i>All government mandated wages and benefits are strictly complied with by the Company.</i>
What are the Risk/s Identified?	Management Approach
If not complied with these benefits, the employees become demotivated and inefficient.	<i>Non-compliance by the Company of the wages and benefits that are legally mandated by law may result not only in employee demotivation, but also makes the Company susceptible to possible lawsuits.</i>
What are the Opportunity/ies Identified?	Management Approach
Giving these benefits would be resulted to work-life balance, motivated and efficient employees	<i>Employee satisfaction does not only lead to employee retention, but more so to increased productivity.</i>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	-	hours
b. Male employees	-	Hours
Average training hours provided to employees		
a. Female employees	-	hours/employee
b. Male employees	-	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Having competent and skilled employees would result to a high level of performance that may contribute to the Company's goals and objectives.	<i>Aside from the appropriate training for the employees depending on their qualifications and specializations, the Company encourages employees to explore other disciplines and assigns tasks that can serve as their training</i>

	<i>for other areas in the business. For example, Architects and Engineers have been introduced to some accounting principles and have been asked to prepare reports that deal with various matters, and not just design/construction issues.</i>
What are the Risk/s Identified?	Management Approach
Skilled and competent employee is marketable which may lead to increased attrition rate.	<i>The Company tries to ensure the retention of competent employees through regular performance evaluation and feedback, wherein promotion and increased remuneration may be considered for employees who perform their tasks well.</i>
What are the Opportunity/ies Identified?	Management Approach
Having standard trainings will continuously improve the process in executing the finished project.	<i>With the continuous introduction of new methods and technologies in the real estate industry, providing training to the employees has allowed the Company to keep up with the competition. The employees are not the only ones to benefit from the trainings, but the Company itself as well.</i>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PHES provides quality jobs and growth opportunities for its employees. Thus, the Company has stronger labor and management relationship.	<i>As mentioned, the Company conducts performance evaluations wherein the employees are apprised of how their performance for the previous year compared to the goals set at the start of the year. It is through the evaluation wherein the</i>

	<i>adjustment in compensation and position, if applicable, is determined.</i>
What are the Risk/s Identified?	Management Approach
There's no significant risk(s) identified under this category.	
What are the Opportunity/ies Identified?	Management Approach
Implementation of annual performance based approach institutes stronger labor-management relationship.	<i>By providing a venue for employees to hear what is expected of them and how they performed for the previous year, the Company allows for transparency and an open communication line that will hopefully continue to enhance the employer-employee relationship.</i>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	65.67%	%
% of male workers in the workforce	34.33%	%
Number of employees from indigenous communities and/or vulnerable sector*	1	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There's no significant impact under this category	
What are the Risk/s Identified?	Management Approach
There's no significant risk(s) identified under this category	
What are the Opportunity/ies Identified?	Management Approach
There's no significant opportunity(ies) identified under this category	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	X 8 HRS	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	-	#
No. of safety drills	2 (two)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the health and safety of employees and contractors within the business operation.	<i>The Company adheres to the required health and safety measures prescribed by law, which includes the assignment of Safety Officer(s). For the site operations, both the Engineering/Construction and Property Management teams ensure that the employees and contractors observe the proper safety standards.</i>
What are the Risk/s Identified?	Management Approach
Even though there are safety measures in place, some employees may opt not to follow the guidelines.	<i>The Company's Employee Handbook provides the appropriate penalties for non-compliance with the set health and safety guidelines enumerated therein.</i>
What are the Opportunity/ies Identified?	Management Approach
Having safety guidelines in the workplace may avoid any untoward incidents.	<i>As an added precaution, part of the benefits provided to employees is a medical plan, which is enjoyed by all regular employees of the Company.</i>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	-	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	Health & Safety Policy, Data Privacy Policy, Solo Parent Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In compliance with the labor code, the Company is doing the best for its employee's rights.	<i>As a publicly listed company, PHES ensures strict compliance with the Labor Code of the Philippines.</i>
What are the Risk/s Identified?	Management Approach
May lead to lawsuits if not properly managed.	<i>Aside from employing a Human Resources practitioner, the Company also employs the services of lawyers to protect the Company from possible lawsuits.</i>
What are the Opportunity/ies Identified?	Management Approach
If properly managed, it will establish healthy working environment.	<i>With the proper guidelines in place, continued employee satisfaction and loyalty to the Company is expected.</i>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

<https://phes.com.ph>

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	The Company's projects are compliant with the national government's DENR, ECC and all LGU's requirements
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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The impact is on the supplier's quality and efficient services in providing the standard materials required by the Company.	<i>Purchases made by the Company, whether for items or services, are coursed through the Purchasing Department, after passing through the bidding and award process. This procedure allows for careful evaluation by the Bids and Awards Committee of the quality or capacity of the bidder, prior to finalizing the purchase.</i>
What are the Risk/s Identified?	Management Approach
If the Company policies in terms of qualifying suppliers is not properly followed, there may be a cost effect or may compromise the quality of the materials or services to be rendered.	<i>The Company continually looks for potential suppliers and contractors, through various avenues, to ensure that the Company has multiple choices for every acquisition made. Quality, not price, is the foremost consideration in every purchase made.</i>
What are the Opportunity/ies Identified?	Management Approach
If the policies are properly followed, then surely the quality of the materials or services required by the Company will be delivered at the best time and justifiable cost.	<i>By not limiting the number of suppliers/contractors it transacts with, the Company is able to obtain the best materials/services at the best available prices.</i>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Housing Development	Cebu, Iloilo and Malolos	General Population	N	<i>Illegal settlers who are</i>	<i>Provision of compensation</i>

Commercial Building Development	Cebu City	General Population	N	<i>occupying properties owned by the Company</i>	<i>or alternative properties for transfer/relocation of illegal settlers</i>

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing	-	#
CP secured	-	#

What are the Risk/s Identified?	Management Approach
There's no significant risk(s) identified under this category	
What are the Opportunity/ies Identified?	Management Approach
There's no significant opportunity(ies) identified under this category	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	-	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the customer's satisfaction in that the Company deliver the project on time and completely.	<i>Aside from securing the services of qualified suppliers and contractors, the Company employs personnel who are skilled and trained in ensuring delivery of the projects, as promised to the buyers when they made their</i>

	<i>purchases, which leads to less customer complaints.</i>
What are the Risk/s Identified?	Management Approach
Poor management services for the satisfaction of the customer may lead to lesser sales.	<i>Aside from employing personnel at the site offices who are tasked to address complaints, the Company has also opened several communications lines such that customers have several ways by which to air their grievances to the Company.</i>
What are the Opportunity/ies Identified?	Management Approach
Happy and satisfied customer may increase the sales of the Company through possible referrals.	<i>When the Company turns over the purchased units to buyers, included in the turnover are the Sales, Property Management, and Construction personnel. This is done to show to the buyers that the entire team is working together to ensure that all buyers are satisfied and that even after they complete their purchase, they can rely on the Company to help in every way it can.</i>

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Health and safety of the customer is always considered by the Company in designing and building its project.	<i>The Company ascertains compliance with the safety parameters mandated by the government by planning and designing all deliverables within the set standards of the applicable rules and regulations.</i>
What are the Risk/s Identified?	Management Approach

There's no significant risk(s) identified under this category.	
What are the Opportunity/ies Identified?	Management Approach
Having a safely designed and completed project, will avoid back job orders and additional cost.	<i>All personnel (engineers and architects) hired to supervise construction works are skilled and licensed by the proper government agencies. Aside from that, Property Management personnel are hired to assist buyers/homeowners in ensuring continued compliance to safety and security policies within the projects.</i>

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company advertises its products/projects through billboards, online ads, LED screen and brochures for the target markets.	<i>As mandated by law, all marketing materials are first approved by Department of Human Settlements and Development before being used by the Company.</i>
What are the Risk/s Identified?	Management Approach
Vague marketing information and labelling product/project may confuse the buying markets.	<i>The marketing materials utilized by the Company are reviewed several times to ensure that the data contained on the said materials are as accurate as possible.</i>
What are the Opportunity/ies Identified?	Management Approach
Proper marketing information may encourage the buying markets.	<i>As available, the depictions used in the marketing materials are of actual pictures of the projects/houses that the Company is offering. This gives the potential buyers a</i>

	<i>clearer idea on what to expect, if they choose to visit the project sites. This also gives the impression that the Company is not looking to deceive potential buyers by using drawings or touched up pictures.</i>
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Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	-	#
No. of complaints addressed	-	#
No. of customers, users and account holders whose information is used for secondary purposes	90	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
The Company is protecting the privacy of its customer and its integrity for the trust and confidence may last.	<i>All information on buyers gathered by the Company are kept confidential. Any disclosures that the Company may make will only be done within the parameters set by the Data Privacy Act.</i>
What are the Risk/s Identified?	Management Approach
There’s no risk(s) identified under this category.	
What are the Opportunity/ies Identified?	Management Approach
There’s no opportunity(ies) identified under this category.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	-	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
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The Company keeps the trust and confidence of the customer by securing their personal data in safe file.	<i>All information gathered by the Company on any of its stakeholders, not just actual buyers, are kept confidential. This confidentiality is even extended to those who are not direct stakeholders of the Company, such as job applicants and potential suppliers/contractors. Any disclosures that the Company may make will only be done within the parameters set by the Data Privacy Act.</i>
What are the Risk/s Identified?	Management Approach
There's no risk(s) identified under this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity(ies) identified under this category.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
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Development of Real Estates	SDG 8: <i>Decent Work and Economic Growth</i>	✓ Lack of available job opportunities offered to the vulnerable sector like elderly person.	- <i>Development of projects that are not purely residential in nature, but also have commercial components which would allow buyers to establish their own businesses, while remaining close to their residences.</i>
	SDG 11: <i>Sustainable Cities and Communities</i>	✓ Decreasing agricultural land area because of the infrastructure and building new cities.	- <i>Developments are limited to those areas that have been classified by the LGUs as no longer for agricultural use. At the same time, the Company ensures compliance with the necessary permits required by the Department of Agriculture prior to development of properties.</i>

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.