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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

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(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 - 2 0 1 S

FORM TYPE

[Empty box]

Annual Meeting

[Empty box]

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

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Amended Articles Number/Section

Total Amount of Borrowings

[Empty box]

Total No. of Stockholders

[Empty box]

Domestic

[Empty box]

Foreign

[Empty grid]

File Number

To be accomplished by SEC Personnel concerned

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Document I.D.

LCU

Cashier

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Remarks = pls. use black ink for scanning purpose

May 07, 2024



Dear Stockholders:

Please be advised that the Regular Annual Meeting of the Stockholders (ASM) of **PHILIPPINE ESTATES CORPORATION** (the “Corporation”), in accordance with SEC Memorandum Circular No. 6, Series of 2020 will be held through remote/virtual communication (VIA Zoom Application) on Tuesday, **June 11, 2024 at 11:00 a.m.** at **35th Floor of One Corporate Centre, Doña Julia Vargas Avenue, Corner Meralco Avenue, Ortigas Center, Pasig City**, for the purpose of transacting the following matters:

1. Call to Order;
2. Certification of Notice and Quorum;
3. Approval of the Minutes of the Previous Stockholders’ Meeting for the year 2023;
4. President’s Report to the Stockholders and Approval of the Annual Report for the Year 2023 and Audited Financial Statements for the year ended December 31, 2023;
5. Ratifications of the Acts of the Board and Management for the year 2023;
6. Election of the Board of Directors to serve for the term 2024-2025;
7. Appointment of External Auditor for the year 2024;
8. Appointment of External Counsel for the year 2024;
9. Amendment of By-laws as follows:
 - a) **ARTICLE I, OFFICES**, Section 1.01. Offices
 - b) **ARTICLE II, STOCKHOLDERS**, Section 2. Annual Meetings, Section 4. Notice of Meeting, Section 5. Quorum and Manner of Acting
 - c) **ARTICLE IX**
10. Other matters; and
11. Adjournment.

As fixed by the Board of Directors, stockholders of record as of **May 17, 2024** shall be entitled to notice of, and vote at, said stockholders’ meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation during the period **May 20, 2024 to June 11, 2024**.

PARTICIPATION ONLY VIA REMOTECOMMUNICATION. Stockholders can only participate in the meeting by remote/virtual communication on **June 11, 2024**. Stockholders as of **May 17, 2024**, the Record Date who intend to participate or be represented in the remote ASM may email at corpsec.phes2024asm@gmail.com and attaching the required documents for validation until June 11, 2024. After validation, the stockholder shall thereafter receive an email confirmation and details with link to log in and view the ASM 2024 of the recorded schedule.

VOTES MAY BE CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE June 11, 2024 (at 11:00A.M.). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

WE ARE NOT SOLICITING YOUR PROXY.

(SGD) ARSENIO A. ALFILER, JR.

Corporate Secretary

Unit 3104, 31st Floor Antel Global Corporate Centre

#3 Dona Julia Vargas Avenue, Ortigas Center, Pasig City

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

PROXY

KNOW ALL MEN BY THESE PRESENTS:

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

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

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

To attend, be present and represent the undersigned at the Annual Stockholders' Meeting to be held on June 11, 2024 at 11:00 a.m. of PHILIPPINES ESTATES CORPORATION including any adjournment or postponement thereof, to take part in the deliberation thereon, vote any and all shares that the undersigned now owns or may hereafter own in said Corporation in any matter, motion, resolution that may be taken up in said meeting/s in such manner as his/her/its aforesaid Attorney-in-Fact shall deem acceptable in the premises.

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

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

_____, _____ 2024.

PRINTED NAME OF STOCKHOLDER _____

SIGNATURE OF STOCKHOLDER _____

SEC Number 112978
File Number _____

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

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

(Company's Address)

8637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(Month and day)

SEC Form 20-IS

(Form Type)

Amended Designation (if applicable)

December 31, 2023

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter **PHILIPPINE ESTATES CORPORATION**
3. **National Capital Region (NCR), Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **112978**
5. BIR Tax Identification Code **000-263-366**
6. **35th Floor, One Corporate Centre, Julia Vargas corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila**
Address of principal office Postal Code **1605**
7. Registrant's telephone number, including area code **Tel. No. (02) 8637-3112 / Fax No. (02) 8636-8847**
8. Date, time and place of the meeting of security holders
Date - **11 June 2024**
Time - **11:00 AM**
Platform –**Remote Communication in accordance with SEC Memorandum Circular No. 6, Series of 2020**
9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge: **May 20, 2024**.
10. In case of proxy Solicitation: **Not applicable**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|--|
| <hr/> | |
| <u>Common Shares, ₱1.00 par value</u> | |
| <u>Total Issued and Outstanding Shares</u> | <u>2,891,099,660 common shares</u> |
| <u>Amount of Debt Outstanding as of March 31, 2024</u> | <u>₱ 140,038,666</u> |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Common Shares are listed on the Philippine Stock Exchange

PART – I

A. GENERAL INFORMATION

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

(a.) Date, time and place of meeting: **June 11, 2024, 11:00 A.M.**
Remote Communication in accordance with SEC Memorandum Circular No. 6, Series of 2020

Complete mailing address of principal office: 35th Floor, One Corporate Centre,
Julia Vargas Ave., corner Meralco
Ave., Ortigas Center, Pasig City,
Metro Manila.

(b.) Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge: May 20, 2024

Item 2. Dissenters' Right of Appraisal

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

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

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof.

(a) The number of issued and outstanding as of March 31, 2024 is 2,891,099,660 common shares of stock. The common shares owned by Filipino is 2,875,788,830 or equivalent to 99.47%. Common shares allowed to foreigners is 1,156,439,864 and the total shares owned by foreigners is 15,310,830 common shares or equivalent to 0.53%. For the purpose of electing Directors at the forthcoming Annual Meeting of Stockholders, stockholders enjoy cumulative voting rights. Each common share is entitled to eleven (11) votes which may be cast cumulatively in favor of one candidate, or distributively to as many candidates and in any proportion as the stockholders see fit. All the holders of common shares are all entitled to vote for election of the board of directors of the Company.

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

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

(b) Only persons who are stockholders of record as of 17 May 2024 may vote, or be voted upon, for the position of Director.

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

1. Security ownership of certain record and beneficial owners of more than five percent (5%) as of March 31, 2024:

Title of Class	Name and Address of Record/Beneficial Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	% of Ownership
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	-----	Filipino	2,189,625,630	75.737
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	-----	Non-Filipino	12,739,260	0.441

Common	RECOVERY REAL ESTATE CORP. 35TH FLR. ONE CORP. CENTER TreasurerJULIA VARGAS CORNER MERALCO AVE., ORTIGAS CENTER, PASIG CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate	Filipino	150,000,000	5.188
Common	REXLON REALTY GROUP, INC. ROOM 302, ZEN BUILDING 8352, MAYAPIS ST., SAN ANTONIO VILLAGE, MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	200,000,000	6.918
Common	ROPEMAN INTERNATIONAL CORP. #7 T. SANTIAGO ST. CANUMAY, VALENZUELA METRO MANILA Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	178,270,000	6.166
Common	THE WELLEX GROUP, INC. 35TH FLR. ONE CORP. CENTER UNITS 3504 & 3504, JULIA VARGAS CORNER MERALCO AVE., ORTIGAS CENTER, PASIG CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Assistant Corporate Secretary	Filipino	143,892,990	4.977

2. Security ownership of management as of March 31, 2024:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>of Class</i>	<i>% of Ownership</i>
Common	Arthur M. Lopez Chairman/Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Dee Hua T. Gatchalian Director	Filipino	2,000-Direct Beneficial Ownership	0.000
Common	Ms. Elvira A. Ting President / CEO	Filipino	500,000-Direct Beneficial Ownership	0.035
Common	Kenneth T. Gatchalian Vice Chairman/Director	Filipino	320,000 Direct Beneficial Ownership	0.022
Common	Sergio R. Ortiz-Luis, Jr. Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Arthur R. Ponsaran Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Richard L. Ricardo Treasurer/Director	Filipino	1,230,000-Direct Beneficial Ownership	0.085
Common	Ruben Torres Director	Filipino	100 Direct Beneficial Ownership	0.000
Common	Byoung Hyun Suh Independent Director	Korean	1,000-Direct Beneficial Ownership	0.000
Common	Renato C. Francisco Independent Director	Filipino	100-Direct Beneficial Ownership	0.000
Common	Josaias Dela Cruz Independent Director	Filipino	100-Direct Beneficial Ownership	0.000

- ◆ Beneficial ownership of all directors and officers as a group unnamed is 2,056,300 shares of common stock.

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

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

4. Changes in control:

There was further control by the Wellex Group and its related parties arising from the stock right offering in December 2021.

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

(1) Holders

The number of holders of common shares as of March 31, 2024 was 710.

Names of the Top Twenty (20) shareholders as of March 31, 2024 the number of shares held, 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)	2,189,625,630	75.737
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)	12,739,260	0.441
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

(2) Dividends

The Board of Directors of the Company approved the adoption of a new dividend policy effective 2021 of maintaining an annual cash and/or share dividend pay-out of up to ten

percent (10%) of its net profit after tax from the preceding year, subject to:

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

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

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

There has been no recent sale of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction.

Item 5. Directors and Executive Officers

1. All members of the Board of Directors and Officers of the Company have business experience in the past 5 years. The following are the board of directors and officers of which they are holding position in different commercial/ business entities:
 - a. **ARTHUR M. LOPEZ** – 77 years old, Filipino (**Chairman**)
 - President - Philippine Hotel Owners Association, Inc.
 - Consultant – Bellevue Resort, Bellevue Suites, Double Dragon Properties Corporation and Wellworth Properties and Development Corporation
 - Chairman – Acesite Philippines Hotel Corporation, Legoli Holdings Inc. and Arleff Holdings Inc.
 - Director – Waterfront Philippines, Inc
 - b. **KENNETH T. GATCHALIAN** – 48 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 CrisantaRealty Development Corporation.
 - Treasurer / Director – The Wellex Group, Inc.
- d. DEE HUA T. GATCHALIAN** – 75 years old, Filipino (**Director**)
- President – Wellex Industries, Inc.
 - Vice President/Director – The Wellex Group, Inc.
 - Chairwoman and President – Westland Pacific Properties Corp.
 - Chairwoman and President – Palawan Estates Corp.
- e. ARTHUR R. PONSARAN** - 81 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.) HotelCorporation
 - Corporate Affairs Officer – Waterfront Philippines, Inc.
 - Director – Wellex Industries, Inc.
 - Director – Forum Pacific Inc.
 - Vice President for Corporate Affairs – Metro Alliance Holdings& Equities Corp.
- h. RUBEN D. TORRES** – 82 years old, Filipino (**Director**)
- Chairman/CEO - Services Exporters Risk Management &Consultancy Co (SERMC)
 - Independent Director - Waterfront Philippines, Inc.

- Independent Director- Acesite Philippines Hotel Corporation.
- Independent Director - Wellex Industries, Inc.
- President - Pacific Concorde Corporation
- Corporate Treasurer - Wellex Mining Corporation
- Director - Waterfront Manila Premier Development, Inc.
- Independent Director - Forum Pacific, Inc.
- VP-International Affairs - Trade Union Congress of the Philippines
- Chairman - Taguig Lake City Development Corporation
- Chairman - Alliance Energy Power and Development Inc.
- Chairman - Triton Construction and Development Corporation
- President - BPO Workers Association of the Phil.
- Senior Partner - Torres Caparas Torres Law Offices

i. SERGIO R. ORTIZ-LUIS, JR.- 81 years old, Filipino (**Director**)

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

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

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

k. JOSAIAS T. DELA CRUZ - 63 years old, Filipino (**Independent Director**)

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

l. ARSENIO A. ALFILER, JR.- 78 years old, Filipino

(Corporate Secretary)

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

m. AMANDO J. PONSARAN, JR.– 54 years old, Filipino (Asst. Corporate Secretary)

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

n. JOCELYN A. VALLE – 62 years old, Filipino (Corporate Compliance Officer)

Finance Head – Philippine Estates Corporation

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

Chief Operating Officer - Philippine Estates Corporation

p. ERWIN BRYAN S. KANAPI - 45 years old, Filipino (Chief Risk Officer, DPO and CO for AMLC)

Head of the Legal Department - Philippine Estates Corporation

Term of Office

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.

Names, ages, citizenship and position of all directors and executive officers:

Name	Age	Citizenship	Position	Year of Service
ARTHUR M. LOPEZ	77	Filipino	Chairman	2016 -Present
KENNETH T. GATCHALIAN	48	Filipino	Vice Chairman	2016 -Present
ELVIRA A. TING	63	Filipino	President / CEO	2016 -Present
RICHARD L. RICARDO	60	Filipino	Corporate Treasurer	2015 -Present
DEE HUA T. GATCHALIAN	75	Filipino	Director	2016 -Present
ARTHUR R. PONSARAN	81	Filipino	Director	1996 -Present
SERGIO ORTIZ-LUIS, JR.	81	Filipino	Director	2021 -Present
BYOUNG HYUN SUH	67	Korean	Independent Director	2016 -Present
RENATO C. FRANCISCO	75	Filipino	Independent Director	2020 -Present
RUBEN D. TORRES	82	Filipino	Director	2022 -Present
JOSAIAS T. DELA CRUZ	63	Filipino	Lead Independent Director	2021 -Present
ARSENIO A. ALFILER JR	78	Filipino	Corporate Secretary	2019 -Present
AMANDO J. PONSARAN, JR.	54	Filipino	Asst. Corporate Secretary	2022 -Present
JOCELYN A. VALLE	62	Filipino	Compliance Officer	2015 -Present
GLENN GERALD D. PANTIG	48	Filipino	Chief Operation Officer	2018 -Present
ERWIN BRYAN S. KANAPI	45	Filipino	Chief Risk Officer	2021-Present

The newly elected Directors elected the following Corporate Officers and Committee members during their organizational meeting to serve for the term 2023-2024:

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

EXECUTIVE COMMITTEE

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

BOARD RISK OVERSIGHT COMMITTEE

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

RELATED PARTY TRANSACTIONS (RPT) COMMITTEE

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

2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.
3. None of the directors or officers of the registrant has been involved in any: (a.) Bankruptcy Petition, (b.) Violation of a Securities or Commodities Law, (c.) Conviction by final judgment, (d.) Nor has the foregoing officers been subjected to any order or decree, (e.) None of the foregoing incidents occurred during the past five (5) years up to 20 May 2024 that are material to, and for purposes of SEC's evaluation.
4. 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.

Board of Directors

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

The nominees for election to the Board of Directors of the Corporation on June 11, 2024 are as follows:

1. Arthur M. Lopez
2. Arthur R. Ponsaran
3. Byoung Hyun Suh (**Independent Director**)
4. Dee Hua T. Gatchalian

5. Elvira A. Ting
6. Josaias T. Dela Cruz (**Independent Director**)
7. Kenneth T. Gatchalian
8. Renato C. Francisco (**Independent Director**)
9. Richard L. Ricardo
10. Ruben D. Torres
11. Sergio R. Ortiz-Luis, Jr.

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

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

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

Pursuant to the process conducted by the Nominations Committee, the nominees for election as independent directors of the Board of Directors on June 11, 2024 are as follows:

Mr. Byoung Hyun Suh, 67 years old, Korean, is an **Independent Director** of the Company. He also serves as the President of the Pan Islands, Inc. and Bonamis Pharmacy Phil's Corp.; Independent Director of Forum Pacific, Inc., Metro Alliance Holdings & Equities Corp and Wellex Industries, Incorporated; and Director of World Okta Federation.

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

Mr. Josaias T. Dela Cruz, 63 years old, Filipino, is an **Independent Director** of the Company. He also serves as an Independent Director of Wellex Industries, Inc. and Forum Pacific, Inc.; Vice President / Treasurer of Wegen Distributed Energy Philippines Holdings Corp; and Sole Proprietor of JTDC Spinmeister Laundry Service.

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

(2.) Significant Employees

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

(3.) Family Relationships

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

(4.) Disclosures on Director's Self-Dealing and Related Party Transactions

There are no directors who has direct business transactions with the company. A director must abstain from participating in a meeting when related party transactions, self-dealings or any transactions on which he/she has a material interest to ensure that he/she has no influence over the outcome of the deliberations.

(5.) Involvement in Certain Legal Proceedings

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

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

(6) Certain Relationships and Related Transactions

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

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

Affiliates Name	Increase / - Decrease	2023		2022	
		Receivables	Payables	Receivables	Payables
Plastic City Corp.	2%	205,778,489		201,459,300	
Forum Holdings Corp.	2%	40,905,810		40,047,217	
Kennex Container Corp.	2%	38,023,402		37,275,422	
Orient Pacific Corp.	2%	35,810,245		35,249,436	
Noble Arch Realty and Constructio	3%	5,298,995		5,145,869	
Pacific Rehouse Corporation (PRC)	-93%	2,081,349		30,461,782	
Metro Alliance Holdings and Equities Corporation	2%	286,565,177		280,673,969	
Rexlon Realty Group, Inc.	-100%	-		442,480	
Westland Pacific Properties Corp.	-7%	45,748,194		48,948,469	
Waterfront Cebu City Hotel	0%		92,054,457		92,054,457
The Wellex Group, Inc.	-100%		-		7,938,239
Concept Moulding Corp.	-100%		-		79,873
Manila Pavilion	0%		166,530		166,530
Inland Container Corporation	200%		1,500,000		500,000
Pacific Plastic Corporation			2,500,000		-
Crisanta Realty Development Corp	-100%		-		8,831,858
International Polymer Corp.	0%		3,689,852		3,689,852
Total		660,211,661	99,910,839	679,703,944	113,260,809
Allowance for ECL		(40,622,812)		(34,998,309)	
		619,588,849	99,910,839	644,705,635	113,260,809

(7) Resignation of Directors Due to Disagreement

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

Item 6. Compensation of Executive Officers.

1. Estimated Compensation:

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other Annual Compensation (13th Mo.)</i>
ELVIRA A. TING President & CEO	2024	₱ 840,000.00	0.00	₱ 70,000.00
GLENN GERALD PANTIG Chief Operation Officer	2024	₱ 1,440,000.00	0.00	₱ 120,000.00
JOCELYN A. VALLE Finance Head	2024	₱ 780,000.00	0.00	₱ 65,000.00
FERDINAND P. HALILI Operations Head	2024	₱ 720,000.00	0.00	₱ 60,000.00
ERWIN BRYAN S. KANAPI Chief Risk Officer, DPO for NPC and CO for AMLC Head of the Legal Department	2024	₱ 540,000.00	0.00	₱ 45,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2024 is ₱ 4,680,000.00.

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

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other Annual Compensation (13th Mo.)</i>
ELVIRA A. TING President & CEO	2023	₱ 840,000.00	0.00	₱ 70,000.00
GLENN GERALD PANTIG Chief Operation 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 ₱ 4,344,616.30.

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

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

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

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

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.

2. Standard Arrangement

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

3. There are no material terms of any other arrangement.
4. There is no Employment Contract between the Registrant and Named Executive Officers nor Compensatory Plan or Arrangement.
5. There are no warrants or options held by Company's CEO, executive officers and all officers and directors as a group.

Item 7. Independent Public Accountant

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

Rotation of External Auditors

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

The signing partner of our external auditor- DIAZ MURILLO DALUPAN AND COMPANY for 2020 to 2023 Audited Financial Statements is Mr. Richard Noel M. Ponce. He replaced Ms. Rosemary D. De Mesa who retired in 2019 from Diaz Murillo Dalupan and Company. Ms De Mesa was the signing partner of our Audited Financial Statements for 2018, replacing Jozel Francisco C. Santos, Jr. who was then the signing partner in 2017

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

(a.) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2023	₱ 704,000.00
	2022	667,012.50

2. No audit fees for other related services

(b.) Tax Fees	2023	nil
	2022	nil

(c.) All other Fees

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

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

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

External Auditors

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

- 1.) Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.
- 2.) Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
- 3.) Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

Item 8. Compensation Plans

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

5. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2023, Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

6. OTHER MATTERS

Item 15. Action with Respect to Reports

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

1. Minutes of the Previous Annual Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting held on October 12, 2023 contains the approval of the Minutes of the year 2022 Annual Stockholders' Meeting, the approval of the year 2022 Annual Report and the Audited Financial Statements, the ratification of the acts of the Board of Directors and management during the year 2022, the election of the external auditor, the election of external counsel and the election of the members of the Board of Directors.

The 100% voting results represent 79.75% of the stockholders present or represented either in person or by proxy of the total outstanding capital stock of the Company:

Agenda	Voting Results		
	For	Against	Abstain
Call to Order	100.00%	0.00%	0.00%
Certification of Notice and Quorum	100.00%	0.00%	0.00%
Approval of the Minutes of the Previous Stockholders' Meeting for the year 2022	100.00%	0.00%	0.00%
President's Report to the Stockholders and Approval of the Annual Report for the Year 2022	100.00%	0.00%	0.00%
Ratifications of the Acts of the Board and Management for the year 2022	100.00%	0.00%	0.00%
Election of the Board of Directors to Serve for the Term 2023-2024	100.00%	0.00%	0.00%
Arthur M. Lopez	100.00%	0.00%	0.00%
Arthur. R. Ponsaran	100.00%	0.00%	0.00%
Byoung Hyun Suh	100.00%	0.00%	0.00%
Dee Hua T. Gatchalian	100.00%	0.00%	0.00%
Elvira A. Ting	100.00%	0.00%	0.00%
Josaias T. Dela Cruz	100.00%	0.00%	0.00%

Kenneth T. Gatchalian	100.00%	0.00%	0.00%
Renato C. Francisco	100.00%	0.00%	0.00%
Richard L. Ricardo	100.00%	0.00%	0.00%
Ruben D. Torres	100.00%	0.00%	0.00%
Sergio R. Ortiz-Luis, Jr.	100.00%	0.00%	0.00%
Appointment of External Auditor for the year 2023	100.00%	0.00%	0.00%
Appointment of External Counsel for the year 2023	100.00%	0.00%	0.00%
Other matters	100.00%	0.00%	0.00%
Adjournment	100.00%	0.00%	0.00%

The following directors and officers were present during the 2023 ASM:

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

The stockholders who attended the 2023 ASM in person and by proxy represent 2,305,537,769 commonshares, constituting 79.75% of the total outstanding capital stock of the Company as of record date September 19, 2023.

Corporate Governance

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

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

The Company realizes its duty to protect the rights and benefits of shareholders and to place the

importance on fair and equal treatment of shareholders. It is the Company's policy to disclose information with respect to business operation with accuracy and transparency, including any issues that could impact the Company's business and the rights in which shareholders and minority shareholders are entitled to, such as shareholders' participation in the shareholders' meeting to exercise their voting rights, the rights to receive dividend, or the rights to approve a decrease or an increase in capital, etc. The Board has similarly adopted a Corporate Governance Policy to ensure that the rights of its shareholders particularly those that belong to the minority or non-controlling group are respected and protected by adopting the principle of "one-share, one-vote", likewise by ensuring that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights and also by having an effective, secure and efficient voting system, and an effective shareholder voting mechanism to protect minority shareholders against actions of controlling shareholders. In accordance with SEC Notice dated February, 2024 providing for an alternative mode of distributing ASM notices, notice and agenda of the Annual Stockholders' Meeting (ASM) and definitive copies of the Information Statement will be published via the Company's website and PSE Edge. In addition, the notice will be published in two (2) newspaper of general circulation, inprint and digital format.

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

The Company submitted its Integrated Annual Corporate Governance Report (I-ACGR) on or before May 30, 2024 covering the year 2023.

As of April 30, 2024, there are no known material deviations from the Company's Manual of Corporate governance.

Item 16. Matters Not Required to be Submitted

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

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

On October 07, 2022, the stockholders approved the amendment of the by-laws to include delagation of power to the Board to amend the by-laws, in order to comply immediately with the good corproate governance but still pending approval due to compliance requirement with the SEC to include such delegation of power to the Board to amend the By-laws.

Further, on May 03, 2024, the Board of Directors approved the amendment of the Company's By-laws, particular on the conduct of stockholders and Board of Directors meeting in absentia and Board via remote commnuication, respectively.

This amendments in the By-Laws of the Company is in compliance with the good corproate governance and in accordance with the Revised Corporation Code, with the Securities and Exchnage Commission rules and regulations and other implementing rules and regulations for publicly listed company.

PROPOSED AMENDMENTS TO THE BY-LAWS

Amendment of By-laws as follows:

- a) **ARTICLE I, OFFICES**, Section 1.01. Offices

- b) **ARTICLE II, STOCKHOLDERS**, Section 2. Annual Meetings, Section 4. Notice of Meeting, Section 5. Quorum and Manner of Acting
- c) **ARTICLE IX**

EXISTING	PROPOSED
<p>ARTICLE I OFFICES</p> <p>Section 1.01. Offices - The principal office of PHILIPPINE ESTATES CORPORATION (the“Corporation) shall be established or located within Metro Manila, Philippines.</p>	<p>ARTICLE I OFFICES</p> <p>Section 1.01. Offices - The principal office of PHILIPPINE ESTATES CORPORATION (the“ Corporation) shall be established or located at <u>35th Floor, One Corporate Centre, Julia Vargas Avenue, Corner. Meralco, Avenue, Ortigas Center, Pasig City, Philippines, ZIP Code 1600.</u></p>
<p>Section 2. Annual Meetings – The annual meetings of the stockholders of the Corporation shall be held within four months from the end of each fiscal year of the Corporation, at such day and time as the Board of Directors may determine, for the purpose of electing directors and transacting such other business as may properly come before the meeting.</p>	<p>ARTICLE II, STOCKHOLDERS,</p> <p>Section 2. Annual Meetings – The annual meetings of the stockholders of the Corporation shall be held <u>on Any Day of October</u> the end of each fiscal year of the Corporation, at such day and time as the Board of Directors may determine, for the purpose of electing directors and transacting such other business as may properly come before the meeting.</p>
<p>Section 4. Notice of Meeting – Except as otherwise provided by the Corporation Code, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting and if necessary, the general nature of the business to be considered, shall be transmitted by personal delivery, mail, telegraph, telex, cable, radio or wireless to each stockholder of records entitled to vote thereat at his address last known to the Secretary of the Corporation, at least ten (10) business days before the date of the meeting, if annual meeting, or at least seven (7) days before the date of the meeting, if a special meeting. Except as where expressly required by the Corporation Code, no publication of any notice of a meeting of stockholders shall be required. If any stockholder Tall, in person or by-attorney-in-fact thereunto authorized, in writing, or by telegraph, cable, radio or wireless, waive notice of any meeting, whether before or after the holding of such meeting, notice thereof need not be given to him. Actual attendance by a stockholder during any meeting shall also be deemed waived by such stockholder of the notice requirements under this section unless otherwise expressly indicated. Notice of any adjourned meeting of the stockholder shall not be required to be given, except, when expressly required by the Corporation Code.</p>	<p>Section 4. Notice of Meeting – Except as otherwise provided by the Corporation Code, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting and if necessary, the general nature of the business to be considered, shall be transmitted by personal delivery, mail, telegraph, telex, cable, radio or wireless <u>or by facsimile, or by digital or electronic communication, the notice at least 28 days prior to the date of the meeting to each stockholder of record at his last known post office address or by electronic email or by publishing the notice in a newspaper of national circulation.</u> to each stockholder of records entitled to vote thereat at his address last known to the Secretary of the Corporation, at least ten (10) business days before the date of the meeting, if annual meeting, or at least seven (7) days before the date of the meeting, if a special meeting. Except as where expressly required by the Corporation Code, no publication of any notice of a meeting of stockholders shall be required. If any stockholder Tall, in person or by-attorney-in-fact thereunto authorized, in writing, or by telegraph, cable, radio or wireless, waive notice of any meeting, whether before or after the holding of such meeting, notice thereof need not be given to him. Actual attendance by a stockholder during any meeting shall also be deemed waived by such stockholder of the notice requirements under this section unless otherwise expressly indicated. Notice of any adjourned meeting of the stockholder shall not be required to be given, except, when expressly required by the Corporation Code.</p>

<p>Section 5. Quorum and Manner of Acting</p> <p>(a) At each meeting of the stockholders, the holders of a majority of the issued and outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by the Corporation Code.</p> <p>(b) Unless otherwise provided by the Corporation Code, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share with voting right held by such stockholder. At all meeting of the stockholders, all matters, except in cases where other provision is made by the corporation Code, shall be decided by the vote of stockholders representing majority of the issued and outstanding capital stock present in person or by proxy and entitled to vote thereat, quorum being present. Unless required by the Corporation Code, or demanded by a stockholder present in person or by proxy at any meeting and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.</p>	<p>Section 5. Quorum and Manner of Acting</p> <p>(a) At each meeting of the stockholders, the holders of a majority of the issued and outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by the Corporation Code.</p> <p>(b) Unless otherwise provided by the Corporation Code, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, <u>or his duly authorized attorney-in-fact through remote communication or in absentia in accordance with the procedures prescribed by the Corporation and relevant laws and regulations.</u> for each share with voting right held by such stockholder. At all meeting of the stockholders, all matters, except in cases where other provision is made by the corporation Code, shall be decided by the vote of stockholders representing majority of the issued and outstanding capital stock present in person or by proxy and entitled to vote thereat, quorum being present. Unless required by the Corporation Code, or demanded by a stockholder present in person or by proxy at any meeting and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.</p>
<p>ARTICLE IX</p> <p>AMENDMENTS</p> <p>These by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock, provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting.</p>	<p>ARTICLE IX</p> <p>AMENDMENTS</p> <p><u>For this purpose, the Board of Directors is hereby authorized to amend and effect subsequent and necessary revisions to the By-Laws for the purposes of complying with best practices, subsequent requirements of law and/or regulatory bodies. The power of the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting called for that purpose.</u></p>

Item 18. Other Proposed Actions

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

- a. Call to Order;
- b. Certification of Notice and Quorum;
- c. Approval of the Minutes of the Previous Stockholders' Meeting for the year 2023;
- d. President's Report to the Stockholders and Approval of the Annual Report for the Year 2023 and Audited Financial Statements for the year ended December 31, 2023;
- e. Ratifications of the Acts of the Board and Management for the year 2023;
- f. Election of the Board of Directors to serve for the term 2024-2025;
- g. Appointment of External Auditor for the year 2024;
- h. Appointment of External Counsel for the year 2024;
- i. Amendment of By-laws as follows:
 - **ARTICLE I, OFFICES**, Section 1.01. Offices
 - **ARTICLE II, STOCKHOLDERS**, Section 2. Annual Meetings, Section 4. Notice of Meeting, Section 5. Quorum and Manner of Acting
 - **ARTICLE IX**
- j. Other matters; and
- k. Adjournment.

Item 19. Voting Procedures

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

- a. At each meeting of the stockholders, the holders of a majority of the issued outstanding capital stock of the Corporation having voting powers, who are present via remote communication, shall constitute a quorum for the transaction of business, except, where otherwise provided by the Corporation Code.
- b. Unless otherwise provided by the Corporation Code, each stockholder shall at every meeting of the stockholders be entitled to one vote per person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholder, all matters, except in cases where other provisions is made by the Corporation Code, shall be decided by the vote of stockholders representing majority of the issued and outstanding capital stock present via remote communication and entitled to vote thereat, a quorum being present.
- c. The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. In all matters included in the agenda, except, the election of directors, the stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditor Diaz, Murillo, Dalupan and Co. and Stock Transfer Agent, Banco de Oro Stock Transfer Agency. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under proxies.

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

Other Notes to Operations and Financials:

Analysis of material events and uncertainties known to management that would address the pastand 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 creditlines offered by banks and other financial institution, private or government. The Company periodically reviews its capital structure and existing obligations.

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

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

Attention: ARSENIO A. ALFILER, JR.
Corporate Secretary

CERTIFICATION


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

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

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


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

IN WITNESS WHEREOF, I have hereunto set my hands this APR 30, 2024 day of _____, 2024 in the City of Pasig.


AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this APR 30, 2024 day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 483
Page No. 96
Book No. 42
Series of 2024.


FERDINAND D. AYAHAO
Notary Public
For and in Pasig City and the Municipality of Pateros
Appointment No. 96 (2014-2025) valid until 12/31/2025
MCLE Exemption No. VII-BF0007234, until 04/14/28
Roll No. 46377; IBP LRN 02459; CR 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. +632-86314096

Annex A-1

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

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

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

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this APR 30 2024 PASIG CITY
of _____, 2024 at _____


BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN to before me, this APR 30 2024 day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 122-963-522-000) with her photograph appearing thereon.

Doc. No. 518
Page No. 155
Book No. 103
Series of 2024.

FERDINAND D. AYARAO
Notary Public
For and in Pasig City and the Municipality of Pateros
Appointment No. 98 (2023-2025) valid until 12/31/2025
MCLÉ Exemption No. VIII-BEP003224, date 04/14/28
Roll No. 46377; IBP LRN 07459; CR 535866; 06/21/2001
TIN 123-011-785; PTR 1634583AA; 01/33/24; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS


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

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

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

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

IN ATTESTATION OF THE ABOVE, this Certification is signed on this APR 30 2024 day of _____ 2024, at Pasig City, Metro Manila.


AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

APR 30 2024

SUBSCRIBED AND SWORN to before me, this ___ day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 480
Page No. 99
Book No. 43
Series of 2024.

FERDINAND D. AYAHAO
Notary Public

Notary Public in Pasig City and the Municipality of Patros
Appointment No. 96 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377; IBPLRN 02459; OR 535886; 06/24/2001
TIN 123-011-785; PTR 1634583AA; 01/02/24; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. #632-86314090

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since October, 2020.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

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

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

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

APR 30 2024

Done this _____ of _____, 2024 at SIG CITY.


RENATO C. FRANCISCO
Affiant

APR 30 2024

SUBSCRIBED AND SWORN to before me, this ___ day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 138-641-391-000) with her photograph appearing thereon.

Doc. No. 520;
Page No. 18;
Book No. 43;
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. VH-BE#003234, until 04/14/28
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 1634553AA; 01/03/24; Pasig City
Unit 5, West Tower PSR, Exchange Road
Ortigas Center, Pasig City Tel.+632-86314090

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS


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

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

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

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

IN ATTESTATION OF THE ABOVE, this Certification is signed on this APR 30 2024 day of APRIL 2024, at Pasig City, Metro Manila.


AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this APR 30 2024 day of APRIL 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.


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-RE19012-4, until 04/14/28
Roll No. 46377; IBPLRN 02459; GR 538830; 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

Doc. No. 485
Page No. 98
Book No. 48
Series of 2024.

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2021.
2. I am affiliated with the following companies or organizations:

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE ESTATES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

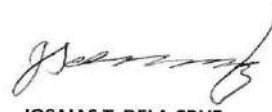
NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

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

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

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this APR 30 2024 of _____, 2024 at PASIG CITY.



JOSAIAS T. DELA CRUZ

Affiant

APR 30 2024

SUBSCRIBED AND SWORN to before me, this ____ day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 123-365-209) with her photograph appearing thereon.

Doc. No. 59
Page No. 105
Book No. 43
Series of 2024.

FERDINAND D. AVAHAO

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-BEP-01234, until 04/14/28
Roll No. 46377; IBP PAN 02450; OR 335886; 06/21/2001
TIN 123-011-785; PTR 1634383AA; 01/03/24; Pasig City
Unit 5, West Tower PSB, Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090


UNDERTAKING

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

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

PART III

After reasonable inquiry and to the best knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on APR 30 2024, 2024.


AMANDO J. PONSARAN, JR.
Assistant Corporate Secretary

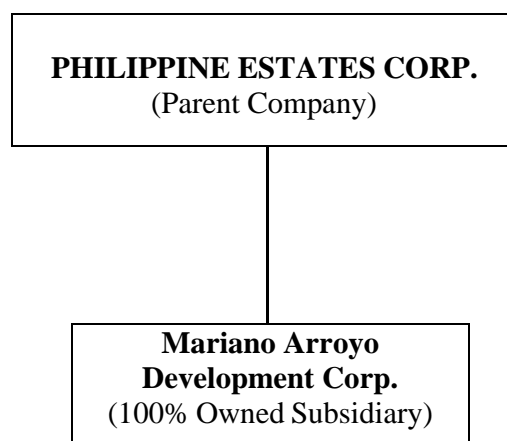
SUBSCRIBED AND SWORN to before me, this APR 30 2024 day of 2024, 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 482
Page No. 8;
Book No. 13;
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. VII-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

MANAGEMENT'S REPORT

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

The consolidated financial statements of the Group have 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
- a. 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 loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

Composition of the Group

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

	Percentage of ownership	
	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.

Audited Financial Statements and Interim Financial Statements

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

The signing partner of our external auditor- DIAZ MURILLO DALUPAN AND COMPANY for 2020 to 2023 Audited Financial Statements is Mr. Richard Noel M. Ponce. He replaced Ms. Rosemary D. De Mesa who retired in 2019 from Diaz Murillo Dalupan and Company. Ms De Mesa was the signing partner of our Audited Financial Statements for 2018, replacing Jozel Francisco C. Santos, Jr. who was then the signing partner in 2017.

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Equity as of December 31, 2023

CAPITAL STOCK	₱	2,891,099,660
DEFICIT		
At beginning of year		(342,639,833)
Net income (loss) for the year		<u>58,471,714</u>
At end of year	₱	<u>(284,168,119)</u>
REMEASUREMENT GAIN ON RETIREMENT BENEFITS		
At beginning of year		7,074,716
Remeasurement Gain on Retirement Benefits (net)		<u>916,685</u>
At end of year	₱	<u>7,991,401</u>
	₱	<u><u>2,614,922,942</u></u>

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

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: Items that are directly credited to Unappropriated Retained Earnings</u>		
Reversal of Retained Earnings Appropriation/s	—	
Effect of restatements or prior-period adjustments	—	
Others	—	—
		<hr/>
Less: <u>Category B: Items that are directly debited to Unappropriated Retained Earnings</u>		
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: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</u>		
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/>
Add: <u>Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</u>		
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/>

Add: <u>Category C.3: Unrealized income recognized in profit or loss in Prior periods but reversed in the current reporting period (net of tax)</u>		
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: <u>Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</u>		
Depreciation on revaluation increment (after tax)	--	
Sub-total	--	--
Add/Less: <u>Category E: Adjustments related to relief granted by the SEC And BSP</u>		
Amortization of the effect of reporting relief	--	
Total amount of reporting relief granted during the year	--	
Others	--	
Sub-total	--	--
Add/Less: <u>Category F: Other items that should be excluded from the Determination of the amount of available for dividends distribution</u>		
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		₱ --

Financial Soundness Indicators in two comparative periods.

<u>INDICATOR</u>	<u>2023</u>	<u>2022</u>
Current Ratio	11.86:1	8.37:1
Debt-to-Equity Ratio	0.19:1	0.21:1
Asset-to-Equity Ratio	1.19:1	1.21:1
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%

NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

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

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

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

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

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

(2) Business Issuer:

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

COMPLETED PROJECTS:

1. *Pearl of the Orient Tower.*

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

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

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

3. *Pacific Grand Villas Phase I.*

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

4. *Pacific Grand Villas Phase II.*

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

5. *Pacific Grand Villas Phase III.*

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

6. *Chateaux Geneva.*

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

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

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

8. *Pacific Grand Townhomes Phase 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. It is right across the site where Wellford Residences – Mactan will rise.

9. *Costa Smeralda*

The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 units, we introduced in this

village for trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers. Inventory in this development is almost exhausted as well.

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

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

ONGOING / CURRENT PROJECTS:

- **Wellford Homes – Malolos**

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

- **Wellford Residences – Mactan**

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

PROJECTS IN THE PIPELINE

1) Wellford Homes @ Jaro Grand 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 launched Wellford Homes II (WHII) in 3Q 2022. WHII will be located in an area of around 9.0 hectares and will offer a total of 440 units. It is envisioned to be completed by 2Q 2025. It will offer two (options) of a two (2)-storey single detached unit with gross floor area ranging from 63 to 73 sqm. The Company was able to secure its License to Sell (LTS) for lots only with the Department of Human

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

2) *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)

1. Jaro Grand Estates - South

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

MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

Market Information

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

	2024		2023		2022	
	High	Low	High	Low	High	Low
Q1	0.40	0.325	0.39	0.36	0.51	0.40
Q2	- x -	- x -	0.42	0.335	0.43	0.37
Q3	- x -	- x -	0.35	0.30	0.42	0.37
Q4	- x -	- x -	0.36	0.305	0.425	0.37
						6

- The sales price as of April 18, 2024 was 0.325.

FINANCIAL AND OTHER INFORMATION:

a.) Information Required:

- (1) The Audited Financial Statement as of 31 December 2023 are attached hereto. The notes to Financial Statements, as well as Statement of Management Responsibility, and schedules required under Part IV(C) OF RULE 68 is included in the Annual Report(Form 17-A) **on Annex 1.**

Also attached hereto are the Interim Financial Statements as of March 31, 2024 being also required under PART IV(C) OF RULE 68 (SEC Form 17-Q).

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

First Quarter of 2024

The Performance of the Company

For the 1Q 2024, the Company was able to post consolidated net sales of ₱ 43.16M thus registering an increase of ₱ 7.02M or 19.41% compared to the sales for same period in 2023 of ₱ 36.15M.

Realized Gross Profit decreased by -9.33% or ₱-2.04M from ₱19.85M this 1Q 2024 compared to ₱21.89M in 1Q 2023. Additionally, there was a decrease in Other Income by -28.79% or ₱-1.12M from ₱2.77M in 1Q 2024 compared to ₱3.89M in 1Q 2023. Consequently, Net Income before tax decreased to ₱0.69M compared to ₱3.87M in 1Q 2023, reflecting a decrease of -82.11% or ₱-3.18M.

	2024		2023		Increase (Decrease)	
	Jan-Mar	Year to date	Jan-Mar	Year to date	Amount	Percentage
REAL ESTATE SALES	43,160,823	43,160,823	36,145,474	36,145,474	7,015,349	19.41%
LESS: COST OF SALES	23,314,444	23,314,444	14,256,250	14,256,250	9,058,194	63.54%
GROSS PROFIT	19,846,380	19,846,380	21,889,224	21,889,224	(2,042,844)	-9.33%
OPERATING EXPENSES	18,346,395	18,346,395	17,510,434	17,510,434	835,961	4.77%
NET OPERATING INCOME (LOSS)	1,499,985	1,499,985	4,378,790	4,378,790	(2,878,805)	-65.74%
FINANCE COST	(3,578,997)	(3,578,997)	(4,400,887)	(4,400,887)	(821,890)	-18.68%
OTHER INCOME	2,771,233	2,771,233	3,891,905	3,891,905	(1,120,672)	-28.79%
NET INCOME (LOSS)	692,221	692,221	3,869,808	3,869,808	(3,177,587)	-82.11%
LESS: INCOME TAX	(568,280)	(568,280)	(212,601)	(212,601)	355,679	167.30%
DEFERRED INCOME TAX	0	-	-	-		
NET INCOME (LOSS) AFTER PROVISION	123,941	123,941	3,657,207	3,657,207	(3,533,266)	-96.61%

Comparative Top Key Performance Indicators of the Company:

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

- a. Sales – The Company gauges its performance by determining the Return on Sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing Gross Profit over Net Sales.
- d. Working Capital – The Company's ability to meet obligations is measured by determining Current Assets over Current Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

<u>INDICATOR</u>	<u>Q1 2024</u>	<u>Q1 2023</u>
Return on sales	29%	10.12%
Past due ratio	7.63%	8.00%
Gross Profit rate	45.98%	60.56%
Working Capital Turnover	0.02	0.02

Financial Condition:

The Company maintained its Financial Position as its total assets stood at P3.13B. Current ratio registered at 11.43:1. Current assets reached P2.73B while current liabilities amounted only to P0.24B. Debt –to- equity ratio stood at 0.20:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of March 31, 2024.

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

- a. Cash – the decrease of -9.87% was primarily attributable to matured postdated checks issued and payments to regular suppliers and contractors.
- b. Contract Assets - the increase of 5.75% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable.
- c. Other noncurrent assets – the increase of 19.61% was attributed to additional bill deposits for the permanent power supply of Wellford Residences.
- d. Accounts payable and other liabilities - the increase of 7.39% was due to an increase in payables to contractors with payment terms and an increase in the collection of titling fees from the buyers.
- e. Customers' deposits – the increase of 48.96% was due to an increase of sales reservation fees for the period.
- f. Borrowings (non- current portion) - the increase of 47.96% was the result of loans availed from Luzon Development Bank and Phil. Bank of Communications for working capital.
- g. Retention payable and refundable bonds - the increase of 10.43% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract for on-going projects.

	Interim F/S	Audited F/S	Increase (Decrease)	
	31-Mar-24	31-Dec-23	Amount	Percentage
ASSETS				
Current Assets				
Cash	13,903,133	15,425,378	-1,522,245	-9.87%
Trade and other receivables (net)	294,731,088	306,165,947	-11,434,860	-3.73%
Contract assets	255,467,401	241,577,815	13,889,586	5.75%
Advances to related parties (net)	318,764,748	318,764,748	0	0.00%
Real estate inventories, net	1,770,134,136	1,743,174,653	26,959,484	1.55%
Prepayments and other current assets	76,877,560	75,680,791	1,196,769	1.58%
	<u>2,729,878,066</u>	<u>2,700,789,332</u>	29,088,733	1.08%
Non-current Assets				
Advances to related parties (net of current portion)	300,885,713	300,824,101	61,612	0.02%
Property and equipment, net	32,876,382	33,540,931	-664,548	-1.98%
Financial Asset at FVOCI	50,000,000	50,000,000	0	0.00%
Investment property	162,394	162,394	0	0.00%
Deferred tax assets	5,645,032	5,645,032	0	0.00%
Other noncurrent assets	12,257,970	10,248,370	2,009,600	19.61%
	<u>401,827,491</u>	<u>400,420,828</u>	1,406,663	0.35%
TOTAL ASSETS	<u>3,131,705,557</u>	<u>3,101,210,160</u>	30,495,396	0.98%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities	120,182,167	111,915,719	8,266,448	7.39%
Borrowings (current portion)	87,698,791	87,698,791	0	0.00%
Lease liabilities	1,170,157	1,170,157	0	0.00%
Contract Liabilities	20,883,332	20,883,332	0	0.00%
Customers' deposits	8,877,754	5,959,886	2,917,868	48.96%
	<u>238,812,200</u>	<u>227,627,885</u>	11,184,315	4.91%
Non-current Liabilities				
Advances from related parties	98,910,839	99,910,839	-1,000,000	-1.00%
Borrowings (non- current portion)	52,339,875	35,374,474	16,965,400	47.96%
Lease liabilities (net of current portion)	1,784,149	1,784,149	0	0.00%
Retention payable and refundable bonds	34,105,160	30,883,421	3,221,739	10.43%
Deferred Tax Liabilities	81,735,831	81,735,831	0	0.00%
Retirement benefits obligation	8,970,619	8,970,619	0	0.00%
	<u>277,846,473</u>	<u>258,659,333</u>	19,187,140	7.42%
Total liabilities	<u>516,658,672</u>	<u>486,287,218</u>	30,371,453	6.25%
Equity				
Capital Stock	2,891,099,660	2,891,099,660	0	0.00%
Remeasurement gain on retirement benefits	7,991,402	7,991,401	1	0.00%
Deficit	-284,044,176	-284,168,119	123,943	-0.04%
Total equity	<u>2,615,046,886</u>	<u>2,614,922,942</u>	123,944	0.00%
TOTAL LIABILITIES AND EQUITY	<u>3,131,705,557</u>	<u>3,101,210,160</u>	30,495,397	0.98%

Results of Operation for 2023 vs 2022

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

Realized Gross Profit increased by 53.21%, or P62.39M, from P179.64M in 2023 compared to P117.25M in 2022. Meanwhile, Net Income after Tax rose to P58.47M from P27.59M in 2022, marking a 111.92% increase or P30.88M. This surge can be primarily attributed to the lower cost of sales resulting from the disposal of raw land in Cavite.

	2023	2022	Increase (Decrease)	
			Amount	Percentage
REAL ESTATE SALES - note 18	₱ 277,124,870	₱ 224,731,353	52,393,517	23.31%
COST OF REAL ESTATE SOLD - note 19	-97,488,235	-107,486,273	(9,998,038)	9.30%
GROSS PROFIT	179,636,635	117,245,080	62,391,555	53.21%
OTHER INCOME (net) - note 20	23,494,960	24,898,409	(1,403,449)	-5.64%
OPERATING EXPENSES - note 21	-103,698,865	-80,860,517	22,838,348	-28.24%
FINANCE COSTS - note 22	-15,372,777	-14,578,911	793,866	-5.45%
INCOME BEFORE INCOME TAX	84,059,953	46,704,061	37,355,892	79.98%
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 24				
Current	10,973,153	6,457,575	4,515,578	69.93%
Deferred	14,615,086	12,655,395	1,959,691	15.49%
	25,588,239	19,112,970	6,475,269	33.88%
NET INCOME FOR THE YEAR OTHER COMPREHENSIVE INCOME	58,471,714	27,591,091	30,880,623	111.92%

Comparative Top Key Performance Indicators of the Company:

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

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

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

The Company’s current ratio registered at 11.86:1. Current Assets reached P 2.70B while Current Liabilities registered at P 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 P 3.10B.

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

- 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 ₱58Ms

	As at December 31		Increase (Decrease)	
	2023	2022	Amount	Percentage
ASSETS				
Current Assets				
Cash - note 4	₱ 15,425,378	₱ 12,896,370	2,529,008	19.61%
Trade and other receivables (net) - note 5	306,165,947	240,302,213	65,863,734	27.41%
Contract assets - note 16	241,577,815	239,673,132	1,904,683	0.79%
Advances to related parties (net) - note 23	318,764,748	-	-	-
Real estate inventories - note 6	1,743,174,653	1,752,993,351	-9,818,698	-0.56%
Prepayments and other current assets - note 7	75,680,791	99,787,492	-24,106,701	-24.16%
	2,700,789,332	2,345,652,558	355,136,774	15.14%
Noncurrent Assets				
Advances to related parties (net of current portion) - note 23	300,824,101	644,705,635	-343,881,534	-53.34%
Property and equipment (net) - note 10	33,540,931	33,987,925	-446,994	-1.32%
Financial asset at FVOCI - note 8	50,000,000	50,000,000	0	0.00%
Investment property - note 9	162,394	162,394	0	0.00%
Deferred tax assets (net) - note 24	5,645,032	4,971,690	673,342	13.54%
Other noncurrent assets - note 11	10,248,370	10,286,686	-38,316	-0.37%
	400,420,828	744,114,330	-343,693,502	-46.19%
TOTAL ASSETS	₱ 3,101,210,160	₱ 3,089,766,888	11,443,272	0.37%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities - note 12	₱ 111,915,719	₱ 98,967,502	12,948,217	13.08%
Borrowings - note 13	87,698,791	99,331,806	-11,633,015	-11.71%
Lease liabilities - note 27	1,170,157	849,136	321,021	37.81%
Contract liabilities - note 16	20,883,332	77,637,926	-56,754,594	-73.10%
Customers' deposits - note 14	5,959,886	3,518,430	2,441,456	69.39%
	227,627,885	280,304,800	-52,676,915	-18.79%
Noncurrent Liabilities				
Advances from related parties - note 23	99,910,839	113,260,809	-13,349,970	-11.79%
Borrowings (net of current portion) - note 13	35,374,474	38,680,561	-3,306,087	-8.55%
Lease liabilities (net of current portion) - note 27	1,784,149	464,542	1,319,607	284.07%
Retention payable and refundable bonds - note 15	30,883,421	26,322,916	4,560,505	17.33%
Deferred tax liabilities - note 24	81,735,831	66,141,841	15,593,990	23.58%
Retirement benefits obligation - note 25	8,970,619	9,140,126	-169,507	-1.85%
	258,659,333	254,010,795	4,648,538	1.83%
	486,287,218	534,315,595	-48,028,377	-8.99%
Equity				
Capital stock - note 17	2,891,099,660	2,891,016,410	83,250	0.00%
Remeasurement gain on retirement benefits - note 25	7,991,401	7,074,716	916,685	12.96%
Deficit	-284,168,119	-342,639,833	58,471,714	-17.07%
	2,614,922,942	2,555,451,293	59,471,649	2.33%
TOTAL LIABILITIES AND EQUITY	₱ 3,101,210,160	₱ 3,089,766,888	11,443,272	0.37%

Results of Operation for 2022 vs 2021

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

Realized Gross Profit increased by 6.39% or P7.05M from P117.25M this 2022 compared to P110.20M in 2021. While, Net Income after Tax decreased to P27.59M compared from P45.81M in 2021, a decrease of -39.77% or P-18.22M. This was primarily due to the provision of deferred tax in 2022, an increase of 230.78% or P22.33M from P-9.68M in 2021 to P 12.66M in 2022

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

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

<u>INDICATOR</u>	<u>2022</u>	<u>2021</u>
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:

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

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

- a. Cash – the decrease of -96.65% was basically attributable to the acquisitions of various raw land in Iloilo, Cebu, Cavite and Bulacan.
- b. Current Trade and Other Receivables – the increase of 84.57% was due to an increase in sales of Wellford Homes – Malolos project on an installment basis.

- c. Contract Assets - the increase of 43.49% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable.
- d. Real estate inventories – the increase of 185.82% was due to a newly set up inventories of Wellford Homes Parcel B project in Iloilo.
- e. Prepayments and Other Current Assets - the increase of 1,263.69% was due to an increase in VAT Input from the acquisition of various raw land.
- f. Advances to related parties - the increase of 16.52% was due to interest charged based on the terms in the Promissory Note.
- g. Property and equipment (net) - the decrease of -9.39% was due to depreciation of fixed assets.
- h. Deferred Tax Assets - the increase of 5.01% was due to the increase of retirement benefits obligation.
- i. Other Noncurrent Assets – the increase of 11.56% was due to additional security deposits on the renewal of lease and utility deposits.
- j. Accounts payable and other liabilities - the decrease of -8.27% was due to timely payments made to the contractors and suppliers.
- k. Borrowings – the increase of 17.0% was due to an additional loan from Luzon Development Bank, Qwick Financing, Inc. and Philippine Bank of Communications for working capital requirements
- l. Lease Liabilities - the decrease of -45.39% was due to the amortization recognized on the right-of-use-assets.
- m. Contract liabilities - the increase of 33.69% was due to higher collections from the real estate buyers compared from the revenue recognized based on the percentage of completion.
- n. Customers' Deposits – the decrease of -6.09% was due to an increase in reported sales from the reservations made in prior's year.
- o. Advances from related parties – the increase of 7.87% was due to additional advances made for the acquisition of raw land in Cavite.
- p. Retention Payable and Refundable Bonds - the increase of 10.33% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contracts of all on-going project
- q. Deferred Tax Liabilities – the increase of 18.51% was due to the excess of financial realized gross profit over taxable realized gross profit and re measurement gain on retirement benefits.

- r. Retirement Benefits Obligation - the decrease of -15.12% was due to decrease in present value of the retirement benefits obligation.
- s. Capital stock - the increase of 58.93% was due from the proceeds of stock rights offer.
- t. Remeasurement Gain on Retirement Benefits- the increase of 63.67% was due to an increase of amounts recognized in OCI for the year's actuarial valuation.

Results of Operation for 2021 vs 2020

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

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

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

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

Comparative Top Key Performance Indicators of the Company:

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

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

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

<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:

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

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

- 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

COVER SHEET

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	R	E	,	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

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

phes_finance@yahoo.com

Company's Telephone Number/s

8637-3112

Mobile Number

09178338243

No. of Stockholders

710

Annual Meeting
Month/Day

--

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

phes_finance@yahoo.com

Telephone Number/s

8637-3112

Mobile Number

NA

Contact Person's Address

35th Floor, One Corporate Centre, Doña Julia Vargas Ave. Corner Meralco Avenue, Ortigas Center, Pasig City
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC Number 112978
File Number _____

PHILIPPINE ESTATES CORPORATION

Company's Full Name

35TH Floor One Corporate Centre, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

Company's Address

8637-3112

Telephone Number

DECEMBER 31

**Fiscal Year Ending
(Month and day)**

SEC-FORM 17-Q

Form Type

N.A.

Amendment Designation(If applicable)

March 31, 2024

Period Ended Date

N.A.

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2024**

2. Commission identification number **112978**

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

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter

Metro Manila, Philippines

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

6. Industry Classification Code: SEC Use Only

7. Address of issuer's principal office
35th Floor One Corporate Centre, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

8. Issuer's telephone number, including area code
(632) 8637-3112

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

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

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

Amount of Debt Outstanding: P 140,038,666 (as per Financial Statements)

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

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending March 31, 2024 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

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

Earnings per Share

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

Financial Information

- a. The management maintains the same system of accounting policies and methods of computation in the Interim Financial Statements.
- b. There were no changes in accounting estimates of amounts reported in interim periods of current financial year or even in prior financial years
- c. There were no issuances, repurchases and repayments of equity securities
- d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations
- e. There were no dividends declared and paid on the Company's Common Equity.
- f. There have been no material events that happened subsequent to the interim period that needs disclosure herein.
- g. The Company is contingently liable for existing lawsuits and claims from third parties arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the Financial Position and Operating Results of the Company's operations.

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

1. Plan of Operation

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.

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

Pacific Grand Townhomes Phase 1

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

Costa Smeralda.

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

Wellford Homes – Jaro, Parcel A

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

Wellford Homes – Malolos

Wellford Homes is a residential development with an area of approximately 6.7 hectares located in Barangay Longos, Malolos City, Bulacan. This horizontal development has an American inspired theme. Housing design reflects the suburban feel with the American ambience reflected even in the design of the community facilities and amenities. The subdivision is designed to provide generous areas for roads and open spaces, which accounts for nearly 42% of the total developable area. It is an affordable and quality development that offers a master planned

community with a total of 554 residential units with two-storey houses and lot-only properties envisioned to be completed by 4Q 2026.

Wellford Residences – Mactan

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

2. Financial Position

The Company maintained its Financial Position as its total assets stood at P3.13B. Current ratio registered at 11.43:1. Current assets reached P2.73B while current liabilities amounted only to P0.24B. Debt-to-equity ratio stood at 0.20:1. The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of March 31, 2024.

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

- a. Cash – the decrease of -9.87% was primarily attributable to matured postdated checks issued and payments to regular suppliers and contractors.
- b. Contract Assets - the increase of 5.75% was due to an excess of the consideration that was already delivered by the Company compared to the amount recognized as installment contracts receivable.
- c. Other noncurrent assets – the increase of 19.61% was attributed to additional bill deposits for the permanent power supply of Wellford Residences.
- d. Accounts payable and other liabilities - the increase of 7.39% was due to an increase in payables to contractors with payment terms and an increase in the collection of titling fees from the buyers.
- e. Customers' deposits – the increase of 48.96% was due to an increase of sales reservation fees for the period.
- f. Borrowings (non- current portion) - the increase of 47.96% was the result of loans availed from Luzon Development Bank and Phil. Bank of Communications for working capital.
- g. Retention payable and refundable bonds - the increase of 10.43% pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract for on-going projects.

3. Result of Operations

For the 1Q 2024, the Company was able to post consolidated net sales of ₱ 43.16M thus registering an increase of ₱ 7.02M or 19.41% compared to the sales for same period in 2023 of ₱ 36.15M.

Realized Gross Profit decreased by -9.33% or ₱-2.04M from ₱19.85M this 1Q 2024 compared to ₱21.89M in 1Q 2023. Additionally, there was a decrease in Other Income by -28.79% or ₱-1.12M from ₱2.77M in 1Q 2024 compared to ₱3.89M in 1Q 2023. Consequently, Net Income before tax decreased to ₱0.69M compared to ₱3.87M in 1Q 2023, reflecting a decrease of -82.11% or ₱-3.18M.

Comparative Top Key Performance Indicators of the Company:

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

- a. Sales – The Company gauges its performance by determining the Return on Sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing Gross Profit over Net Sales.
- d. Working Capital – The Company's ability to meet obligations is measured by determining Current Assets over Current Liabilities. Working Capital turnover is calculated by dividing Sales over Average Net Working Capital.

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

<u>INDICATOR</u>	<u>Q1 2024</u>	<u>Q1 2023</u>
Return on sales	29%	10.12%
Past due ratio	7.63%	8.00%
Gross Profit rate	45.98%	60.56%
Working Capital Turnover	0.02	0.02

4. Other Notes to 1Q 2024 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 institution, private or government. The Company periodically reviews its capital structure and existing obligations.

Compliance with Leading Practice on Corporate Governance

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

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

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee

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

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

PART II – OTHER INFORMATION

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

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY		
STATEMENTS OF FINANCIAL POSITION		
	Interim F/S	Audited F/S
	31-Mar-24	31-Dec-23
ASSETS		
Current Assets		
Cash	13,903,133	15,425,378
Trade and other receivables (net)	294,731,088	306,165,947
Contract assets	255,467,401	241,577,815
Advances to related parties (net)	318,764,748	318,764,748
Real estate inventories, net	1,770,134,136	1,743,174,653
Prepayments and other current assets	76,877,560	75,680,791
	2,729,878,066	2,700,789,332
Non-current Assets		
Advances to related parties (net of current portion)	300,885,713	300,824,101
Property and equipment, net	32,876,382	33,540,931
Financial Asset at FVOCI	50,000,000	50,000,000
Investment property	162,394	162,394
Deferred tax assets	5,645,032	5,645,032
Other noncurrent assets	12,257,970	10,248,370
	401,827,491	400,420,828
TOTAL ASSETS	3,131,705,557	3,101,210,160
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities	120,182,167	111,915,719
Borrowings (current portion)	87,698,791	87,698,791
Lease liabilities	1,170,157	1,170,157
Contract Liabilities	20,883,332	20,883,332
Customers' deposits	8,877,754	5,959,886
	238,812,200	227,627,885
Non-current Liabilities		
Advances from related parties	98,910,839	99,910,839
Borrowings (non- current portion)	52,339,875	35,374,474
Lease liabilities (net of current portion)	1,784,149	1,784,149
Retention payable and refundable bonds	34,105,160	30,883,421
Deferred Tax Liabilities	81,735,831	81,735,831
Retirement benefits obligation	8,970,619	8,970,619
	277,846,473	258,659,333
Total liabilities	516,658,672	486,287,218
Equity		
Capital Stock	2,891,099,660	2,891,099,660
Remeasurement gain on retirement benefits	7,991,402	7,991,401
Deficit	-284,044,176	-284,168,119
Total equity	2,615,046,886	2,614,922,942
TOTAL LIABILITIES AND EQUITY	3,131,705,557	3,101,210,160

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY					
STATEMENT OF INCOME AND DEFICIT					
		2024		2023	
		Jan-Mar	Year to date	Jan-Mar	Year to date
REAL ESTATE SALES		43,160,823	43,160,823	36,145,474	36,145,474
LESS: COST OF SALES		23,314,444	23,314,444	14,256,250	14,256,250
GROSS PROFIT		19,846,380	19,846,380	21,889,224	21,889,224
OPERATING EXPENSES		18,346,395	18,346,395	17,510,434	17,510,434
NET OPERATING INCOME (LOSS)		1,499,985	1,499,985	4,378,790	4,378,790
FINANCE COST		(3,578,997)	(3,578,997)	(4,400,887)	(4,400,887)
OTHER INCOME		2,771,233	2,771,233	3,891,905	3,891,905
NET INCOME (LOSS)		692,221	692,221	3,869,808	3,869,808
LESS: INCOME TAX		(568,280)	(568,280)	(212,601)	(212,601)
DEFERRED INCOME TAX		0	-	-	-
NET INCOME (LOSS) AFTER PROVISION		123,941	123,941	3,657,207	3,657,207
RETAINED EARNINGS, BEGINNING		(284,168,119)	(284,168,119)	(342,639,833)	(342,639,833)
NET INCOME (LOSS)		123,941	123,941	3,657,207	3,657,207
RETAINED EARNINGS, END		(284,044,178)	(284,044,178)	(338,982,626)	(338,982,626)
EARNINGS (LOSS) PER SHARE *		0.00	0.00	0.00	0.00
* Based on Weighted Average number of common shares outstanding				2,891,099,660	

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY				
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY				
	CAPITAL STOCK	Remeasurement gain on retirement benefits	DEFICIT	TOTAL
Subscribed and paid at December 31, 2022	2,891,016,410	7,074,717	-342,639,834	2,555,451,293
Add: Full payment of subscribed shares	83,250			83,250
Net Income (Loss) as of March 31, 2023			3,657,207	3,657,207
Balance at March 31, 2023	2,891,099,660	7,074,717	-338,982,627	2,559,191,750
Subscribed and paid at December 31, 2023	2,891,099,660	7,991,402	-284,168,119	2,614,922,943
Net Income (Loss) as of March 31, 2024			123,941	123,941
Balance at March 31, 2024	2,891,099,660	7,991,402	-284,044,176	2,615,046,886

PROPERTY AND EQUIPMENT (net)

Property and equipment as of March 31, 2024 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY					
PROPERTY, PLANT AND EQUIPMENT					
	Right-of-use Asset	Transportation Equipment	Computer Software	Building & Machineries	TOTAL
				Furniture & Fixtures	
				Office Equipment	
Cost					
At January 1, 2024	4,123,921	7,385,021	350,000	100,810,731	112,669,673
Additions	0	0	0	71,144	71,144
Disposals	-	-	-	-	0
March 31, 2024	4,123,921	7,385,021	350,000	100,881,875	112,740,817
					-
Accumulated Depreciation					
At January 1, 2024	-1,205,337	-7,063,376	-350,000	-70,510,029	-79,128,742
Additions	0	-53,165	0	-682,527	-735,692
Disposals	-	-	-	-	-
March 31, 2024	-1,205,337	-7,116,541	-350,000	-71,192,556	-79,864,434
					-
Net Book Value					
At January 1, 2024	2,918,584	321,645	0	30,300,702	33,540,931
March 31, 2024	2,918,584	268,480	0	29,689,319	32,876,382

BUSINESS SEGMENT INFORMATION

The business segment report of the Company as of March 31, 2024 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY							
SEGMENT REPORT							
March 31, 2024							
	Metro Manila	Cebu	Bulacan	Iloilo	Davao	Valenzuela	Total
Revenue							
Sales	0	17,851,923	22,041,685	3,267,215	0	0	43,160,823
Cost of sale	0	10,290,688	11,438,932	1,584,825	0	0	23,314,444
Gross Profit	0	7,561,236	10,602,753	1,682,391	0	0	19,846,380
Other income	72,701	508,151	302,054	977,692	0	910,634	2,771,233
	72,701	8,069,387	10,904,807	2,660,083	0	910,634	22,617,613
Expenses							
Depreciation	709,479	10,782	3,052	12,380	0	0	735,692
Loss on Cancelled Contracts	0	0	1,309,576	271,835	0	0	1,581,410
Other expenses	9,573,035	2,065,028	1,915,413	2,122,481	40,424	312,913	16,029,293
	10,282,514	2,075,810	3,228,040	2,406,695	40,424	312,913	18,346,395
Segment income (loss)	(10,209,813)	5,993,577	7,676,767	253,388	(40,424)	597,721	4,271,217
Finance cost	3,578,997	0	0	0	0	0	3,578,997
Retirement Benefit Expense	0	0	0	0	0	0	0
Provision for Income Tax	568,280	0	0	0	0	0	568,280
Net income (loss) for the year	(14,357,090)	5,993,577	7,676,767	253,388	(40,424)	597,721	123,941
Segment	1,734,060,723	407,145,237	257,338,725	719,721,076	1,798,140	5,996,624	3,126,060,525
Deferred tax assets	5,645,032						5,645,032
Total assets	1,739,705,755	407,145,237	257,338,725	719,721,076	1,798,140	5,996,624	3,131,705,557
Segment liabilities	7,372,095	120,365,563	162,228,250	75,719,474	617,817	1,346,189	367,649,387
Borrowings	139,967,884	0	0	70,782	0	0	140,038,666
Retirement benefits obligation	9,411,619	0	0	(441,000)	0	0	8,970,619
Total liabilities	156,751,598	120,365,563	162,228,250	75,349,255	617,817	1,346,189	516,658,672



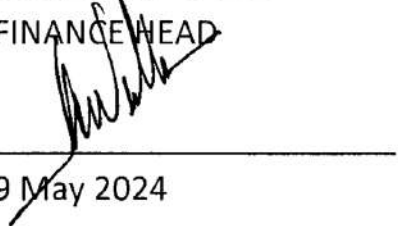
**AGING OF RECEIVABLES
AS OF March 31, 2024**

PROJECT	RECEIVABLE BALANCE	CURRENT	PAST DUE					TOTAL
			1-30	31-60	61-90	91-120	121-180	
PACIFIC GRAND VILLAS PHASE 1B	2,696,047.18	1,543,910.52	-	-	-	-	1,152,136.66	1,152,136.66
LOT PGV1B	222,780.67	222,780.67						-
H&L PGV1B	2,473,266.51	1,321,129.85					1,152,136.66	1,152,136.66
PACIFIC GRAND VILLAS PHASE 1C	530,316.38	530,316.38	-	-	-	-	-	-
LOT PGV1C		-						-
H&L PGV1C	530,316.38	530,316.38						-
PACIFIC GRAND VILLAS PHASE 4A	20,319,784.96	17,294,739.74	33,786.99	33,786.99	33,786.99	33,786.99	2,889,897.26	3,025,045.22
LOT PGV4A	11,797,353.19	9,545,510.33	11,946.99	11,946.99	11,946.99	11,946.99	2,204,054.90	2,251,842.86
H&L PGV4A	8,522,431.77	7,749,229.41	21,840.00	21,840.00	21,840.00	21,840.00	685,842.36	773,202.36
PACIFIC GRAND VILLAS PHASE 4B	5,887,708.31	5,887,268.23	-	-	-	-	440.08	440.08
LOT PGV4B	53,376.93	52,936.85					440.08	440.08
H&L PGV4B	5,834,331.38	5,834,331.38						-
PACIFIC GRAND TOWNHOMES	13,441,268.80	13,062,374.63	-	-	-	-	378,894.17	378,894.17
H&L PGT	13,441,268.80	13,062,374.63					378,894.17	378,894.17
CEBU TOTAL	42,875,125.63	38,318,609.50	33,786.99	33,786.99	33,786.99	33,786.99	4,421,368.17	4,556,516.13
* Past Due Ratio	100%	89.37%						10.63%
COSTA SMERALDA	3,324,711.51	3,324,711.51	-	-	-	-	-	-
LOT CS	3,324,711.51	3,324,711.51						-
H&L CS								
WELLFORD HOMES	26,071,776.64	26,071,776.64	-	-	-	-	-	-
H&L WFH	26,071,776.64	26,071,776.64						-
ILOILO TOTAL	29,396,488.14	29,396,488.14	-	-	-	-	-	-
* Past Due Ratio	100%	100%						-
PLASTIC CITY INDUSTRIAL PARK	4,340,518.63						4,340,519.00	4,340,519.00
EMBASSY POINTE	1,721,108.89						1,721,109.00	1,721,109.00
CAVITE RAW LAND SALES	59,855,528.57	59,855,528.57						-
METRO MANILA	65,917,156.09	59,855,528.57	-	-	-	-	6,061,628.00	6,061,628.00
* Past Due Ratio	100%	90.80%						9.20%
WELLFORD HOMES -MALOLOS	972,002.95	972,002.95	-	-	-	-	-	-
LOT WFM	524,139.73	524,139.73						-
H&L WFM	447,863.22	447,863.22						-
GRAND TOTAL	139,160,772.82	128,542,629.17	33,786.99	33,786.99	33,786.99	33,786.99	10,482,996.17	10,618,144.13
* Past Due Ratio	100%	92.37%	0.02%	0.02%	0.02%	0.02%	7.53%	7.63%

SIGNATURES

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

Issuer : **ELVIRA A. TING**
Title : **PRESIDENT / CEO**
Signature : 
Date : 9 May 2024

Principal Financial Accounting Officer Controller : **JOCELYN A. VALLE**
Title : **FINANCE HEAD**
Signature : 
Date : 9 May 2024

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	2	9	7	8				
---	---	---	---	---	---	--	--	--	--

Company Name

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

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

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

Form Type

A	A	F	S
---	---	---	---

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

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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

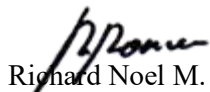
Tax Identification No. 003-294-822

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
<u>Mariano Arroyo Development Corporation</u>	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%
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
December 31, 2021			
Change in assets			
Trade and other receivables	₱617,782,630	(₱487,589,158)	₱130,193,472
Contract assets	–	167,026,032	167,026,032
Real estate inventories	387,371,414	225,946,271	613,317,685
Change in liabilities			
Contract liabilities	–	(58,072,892)	(58,072,892)
Deferred gross profit	(156,073,566)	156,073,566	–
Deferred tax liabilities	(52,331,787)	(3,481,221)	(55,813,008)
Change in equity			
Deficit	351,028,312	97,402	351,125,714

The prior period adjustments resulted to the correction of balances of real estate sales and cost of real estate sold in the consolidated statements of comprehensive income, as follows:

b) Statement of comprehensive income

	As previously stated	Effect of correction of error	As restated
December 31, 2020			
REAL ESTATE SALES	₱217,943,438	(₱48,726,337)	₱169,217,101
COST OF REAL ESTATE SOLD	(90,084,118)	(29,558,045)	(60,526,073)
GROSS PROFIT	127,859,320	(19,168,292)	108,691,028
DEFERRED GROSS PROFIT	(90,046,386)	90,046,386	–
REALIZED GROSS PROFIT DURING THE YEAR	37,812,934	70,878,094	108,691,028
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	36,844,770	(36,844,770)	–
TOTAL REALIZED GROSS PROFIT	₱74,657,704	₱34,033,324	₱108,691,028
December 31, 2021			
REAL ESTATE SALES	₱239,705,802	(₱59,437,287)	₱180,268,515
COST OF REAL ESTATE SOLD	(108,517,729)	(38,447,336)	(70,070,393)
GROSS PROFIT	131,188,073	(20,989,951)	110,198,122
DEFERRED GROSS PROFIT	(87,067,522)	87,067,522	–
REALIZED GROSS PROFIT DURING THE YEAR	44,120,551	66,077,571	110,198,122
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	35,218,959	(35,218,959)	–
TOTAL REALIZED GROSS PROFIT	₱79,339,510	₱30,858,612	₱110,198,122

Further, stock transaction costs amounting to ₱3,423,729 was erroneously charged to consolidated statements of comprehensive income in 2021. In this regard, the operating expenses was overstated in 2021 by the same amount. To correct the error, the stock transaction cost amounting to ₱3,423,729 was deducted from the operating expenses in 2021 and was directly charged to equity in 2021.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Balance as at January 1, 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

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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)**

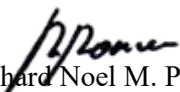
To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Avenue
Ortigas Center, Pasig City

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

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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

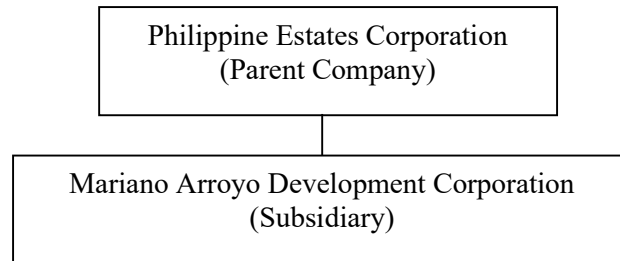
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Sub-total	-	-

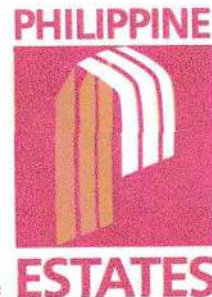
Add/Less: Category F: Other items that should be excluded from the Determination of the amount of available for dividends distribution

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.

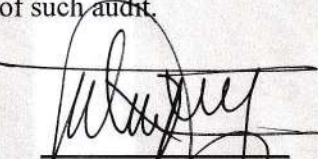
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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.



ARTHUR M. LOPEZ
Chairman of the Board



ELVIRA A. TING
President / CEO



RICHARD L. RICARDO
Treasurer

Signed this 12 day of April, 2024

SUBSCRIBED AND SWORN to before me this APR 23 2024 day of _____, 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

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 Series of 2024
PASIG CITY

FERDINAND D. AYABAO
Notary Public
 For and in Pasig City and the Municipality of Pateros
 Appointment No. 06 (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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eafs@bir.gov.ph <eafs@bir.gov.ph>

Mon, Apr 29, 2024 at 2:37 PM

To: PHILESTATES96@gmail.com

Cc: PHESFINANCE@gmail.com

Hi PHILIPPINE ESTATES CORPORATION,

Valid files

- EAFS000263366TCRTY122023-52.pdf
- EAFS000263366RPTTY122023.pdf
- EAFS000263366TCRTY122023-63.pdf
- EAFS000263366TCRTY122023-51.pdf
- EAFS000263366ITRTY122023.pdf
- EAFS000263366AFSTY122023.pdf

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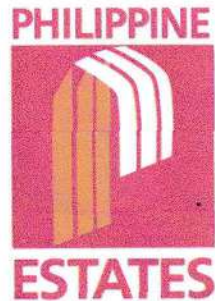
- <None>

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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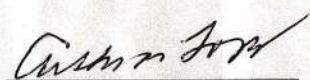


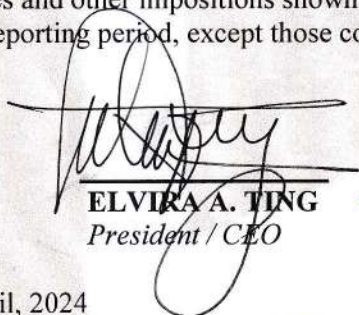
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

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.


ARTHUR M. LOPEZ
Chairman of the Board


ELVIRA A. TING
President / CEO


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:

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

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 Page No. 7
 Book No. 37
 Series of 252

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; 01/02/04
 Unit 5, West Tower PSE, Exchange Road
 Ortigas Center, Pasig City Tel. +632-86314090

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
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

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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Website : www.dmdcpa.com.ph

Key Audit Matters

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

Revenue Recognition and Realization of Gross Profit

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

Our Response

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

- Vouched and verified the sales and its corresponding cost of sales during the year to its supporting documents.
- Obtained the percentage-of-completion of each project from the contractors.
- 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

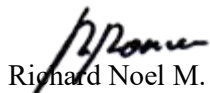
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SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and valid in the audit of 2021 to 2025 financial statements

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
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
<hr/>					
December 31, 2022	At beginning of Year	Additional advances/ Impairment	Accrual of interest – note 20	Collection/ application/	At end of year
Common key management					
Plastic City Corp. (a)	₱ 197,140,311	₱ 462,770	₱ 3,856,418	(₱ 200)	₱ 201,459,299
Forum Holdings Corp. (b)	39,188,624	91,992	766,601	–	40,047,217
Kennex Container Corp. (b)	36,615,523	85,618	713,482	(139,201)	37,275,422
Orient Pacific Corp. (b)	25,596,884	110,137	500,721	(50,051)	26,157,691
Noble Arch Realty and Construction (c)	4,964,286	43,322	96,464	–	5,104,072
Pacific Rehouse Corporation (f)	873,986	350,194,922	–	(320,607,126)	30,461,782
Metro Alliance Holdings and Equities Corporation (e)	274,782,761	631,201	5,260,007	–	280,673,969
Rexlon Realty Group, Inc (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
	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
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.

* * *

UNDERTAKING

A copy of SEC Form 17-A will be provided free of charge upon written request to the following:

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

PART III

After reasonable inquiry and to the best knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on APR 30 2024, 2024.


AMANDO J. PON SARAN, JR.
Assistant Corporate Secretary

APR 30 2024

SUBSCRIBED AND SWORN to before me, this ___ day of _____ 2024, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 171-798-949-000) with her photograph appearing thereon.

Doc. No. 181;
Page No. 98;
Book No. 43;
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
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

Certification

I **JOCELYN A. VALLE, Finance Head** of **PHILIPPINE ESTATES CORPORATION** with SEC registration number **112978** with principal office at **35th Floor, One Corporate Centre, Julia Vargas Avenue cor. Meralco, Avenue, Ortigas Center, Pasig City**, on oath state:

- 1) That on behalf of **PHILIPPINE ESTATES CORPORATION**, I have caused this **SEC FORM 20-IS** to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company **PHILIPPINE ESTATES CORPORATION** will comply with the requirements set forth in SEC Notice dated **24 JUNE 2020** for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of April, 2024. Pasig City.



JOCELYN A. VALLE
Finance Head
TIN : 110-820-293

SUBSCRIBED AND SWORN to before me this APR 30 2024 day of _____, 20____.

NOTARY PUBLIC


FERDINAND D. AYAHAO
Notary Public

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