COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 3 1 1 6 8

COMPANY NAME

A BROWN COMPANY, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

XAVIER ESTATES UPTOWN, AIRPORT ROAD, BALULANG, CAGAYAN DE ORO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAPFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
abci_headoffice@abrown.ph	N/A	(+63)9176391703

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,089	Any day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Marie Antonette U. Quinito	maquinito@abrown.ph	(088) 858-0150	(+63)9173101870

CONTACT PERSON's ADDRESS

Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City

NOTE 1 : *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 the 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.*

May 10, 2022

The Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **A Brown Company, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company 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.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

MAY 11 2022

SUBSCRIBED AND SWORN to before me this ____ day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Competent Evidence of Identity	Date of Issue	Place of Issue
Walter W. Brown	Senior Citizen ID No. 00020-Q	January 19, 2017	OSCA – Quezon City
Robertino E. Pizarro	P8882731B	February 8, 2022	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P6933691B	June 5, 2021	DFA – Cagayan de Oro

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Book No. VIII
Series of 2022

YSABEL KATHRYN M. SANTOS
Notary Public for
Pasig City, San Juan, Taguig & Pateros
Appointment No. 231 (2019-2020)
(Commission Extended until 30 June 2022 per SC Resolution dated 28 September 2021)
2704 East Tower, Tektite Towers
(Formerly Philippine Stock Exchange Centre),
Exchange Road, Ortigas Center, 1605 Pasig City
PTR No. 8131853 / 01.06.22 / Pasig
IBP LRN No. 016949 / 06.28.2019 / RSM
Roll of Attorneys No. 70408

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A Brown Company, Inc.
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of A Brown Company, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements of the Parent Company as at December 31, 2021 and 2020, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the parent company 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 Audit 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 (Code of Ethics) together with the ethical requirements that are relevant to our audit 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 financial statements which indicates that the parent company financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 parent company financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the parent company financial statements 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.

Auditor's Responsibilities for the Audit 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 auditor's 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 audit. 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 auditor's 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 auditor's 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 accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the parent company financial statements.

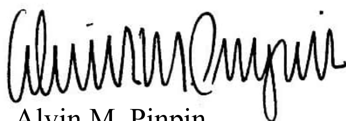
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of A Brown Company, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 94303-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854347, January 3, 2022, Makati City

May 10, 2022

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱1,186,524,480**	₱228,541,914
Receivables (Note 5)	**324,852,254**	897,396,559
Contract assets (Note 14)	**185,102,035**	76,301,227
Receivables from related parties (Note 15)	**158,015,513**	159,229,098
Real estate inventories (Note 6)	**2,090,015,454**	1,573,049,067
Other current assets (Note 8)	**421,838,875**	529,513,981
Total Current Assets	**4,366,348,611**	3,464,031,846
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**46,999,426**	26,338,455
Contract assets - net of current portion (Note 14)	**484,925,421**	20,563,963
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 7)	**239,411,453**	175,587,105
Investment in an associate (Note 9)	**110,000,000**	110,000,000
Investments in subsidiaries (Note 10)	**714,770,347**	689,770,347
Deposit for future stock subscription (Note 15)	**1,730,799,393**	1,554,098,279
Investment properties (Note 11)	**447,246,314**	94,977,941
Property and equipment (Note 12)	**58,931,354**	58,610,659
Other noncurrent assets (Note 8)	**256,609,490**	154,718,630
Total Noncurrent Assets	**4,089,693,198**	2,884,665,379
TOTAL ASSETS	**₱8,456,041,809**	**₱6,348,697,225**

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱685,707,728**	₱572,608,802
Short-term debt (Note 16)	**435,461,020**	406,177,400
Current portion of long-term debt (Note 16)	**201,643,018**	209,200,759
Contract liabilities (Note 14)	**169,402,619**	168,966,097
Total Current Liabilities	**1,492,214,385**	1,356,953,058

(Forward)

	December 31	
	2021	2020
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**₱850,811,991**	₱574,655,809
Deferred tax liabilities - net (Note 20)	**188,683,657**	168,918,659
Retirement benefit obligation (Note 19)	**68,665,783**	61,602,010
Total Noncurrent Liabilities	**1,108,161,431**	805,176,478
Total Liabilities	**2,600,375,816**	2,162,129,536
Equity		
Capital stock (Note 17)		
Common stock	**2,477,668,925**	2,477,668,925
Preferred stock	**13,264,900**	–
Additional paid-in capital (Note 17)	**1,931,178,758**	637,968,859
Treasury shares – common (Note 17)	**(70,618,247)**	(21,236,419)
Fair value reserve of EIFVOCI (Note 7)	**(194,659,340)**	(258,483,688)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	**(25,152,300)**	(23,471,199)
Retained earnings (Note 17)	**1,723,983,297**	1,374,121,211
Total Equity	**5,855,665,993**	4,186,567,689
TOTAL LIABILITIES AND EQUITY	**₱8,456,041,809**	₱6,348,697,225

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Real estate sales (Note 23)	**₱628,452,425**	₱761,538,359
Water service (Note 23)	**24,836,284**	23,417,340
	653,288,709	784,955,699
COST AND EXPENSES		
Cost of real estate sales (Note 6)	**219,690,454**	353,431,663
Cost of water service revenue	**9,579,082**	5,733,021
	229,269,536	359,164,684
GROSS PROFIT	**424,019,173**	425,791,015
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**198,656,020**	180,480,103
OTHER INCOME (EXPENSES)		
Dividend income (Notes 9 and 10)	**152,449,442**	205,201,219
Interest expense (Note 16)	**(25,038,878)**	(19,677,122)
Income from forfeited deposits	**12,117,875**	2,373,565
Interest income (Notes 4 and 5)	**2,174,214**	2,037,494
Loss on sale of property and equipment (Note 12)	**(50,833)**	–
Realized gain (loss) on sale of EIFVPL (Note 7)	**–**	12,478,111
Miscellaneous income	**4,965,997**	4,347,391
	146,617,817	206,760,658
INCOME BEFORE INCOME TAX	**371,980,970**	452,071,570
PROVISION FOR INCOME TAX (Note 20)		
Current	**(2,642,864)**	48,352,635
Deferred	**24,761,748**	22,241,136
	22,118,884	70,593,771
NET INCOME	**349,862,086**	381,477,799
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plan - net of tax effect (Note 19)	**(1,681,101)**	(5,067,722)
Net change in fair value of EIFVOCI (Note 7)	**63,824,348**	8,025,652
	62,143,247	2,957,930
TOTAL COMPREHENSIVE INCOME	**₱412,005,333**	₱384,435,729

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve of EIFVOCI	Remeasurement Loss on Retirement Obligation - net of tax	Retained Earnings	Total
At January 1, 2021	**₱2,477,668,925**	**₱–**	**₱637,968,859**	**(₱21,236,419)**	**(₱258,483,688)**	**(₱23,471,199)**	**₱1,374,121,211**	**₱4,186,567,689**
Issuance of capital stock	–	**13,264,900**	**1,313,225,100**	–	–	–	–	**1,326,490,000**
Stock issue costs, net of tax	–	–	**(20,015,201)**	–	–	–	–	**(20,015,201)**
Acquisitions of treasury shares (Note 17)	–	–	–	**(49,381,828)**	–	–	–	**(49,381,828)**
Net income (loss)	–	–	–	–	–	–	**349,862,086**	**349,862,086**
Other comprehensive income (loss)	–	–	–	–	**63,824,348**	**(1,681,101)**	–	**62,143,247**
Total comprehensive income	–	–	–	–	**63,824,348**	**(1,681,101)**	**349,862,086**	**412,005,333**
At December 31, 2021	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**(₱70,618,247)**	**(₱194,659,340)**	**(₱25,152,300)**	**₱1,723,983,297**	**₱5,855,665,993**
At January 1, 2020	₱2,477,668,925	₱–	₱637,968,859	(₱1,014)	(₱266,509,340)	(₱18,403,477)	₱992,643,412	₱3,823,367,365
Acquisitions of treasury shares (Note 17)	–	–	–	(21,235,405)	–	–	–	(21,235,405)
Net income (loss)	–	–	–	–	–	–	381,477,799	381,477,799
Other comprehensive income (loss)	–	–	–	–	8,025,652	(5,067,722)	–	2,957,930
Total comprehensive income	–	–	–	–	8,025,652	(5,067,722)	381,477,799	384,435,729
At December 31, 2020	₱2,477,668,925	₱–	₱637,968,859	(₱21,236,419)	(₱258,483,688)	(₱23,471,199)	₱1,374,121,211	₱4,186,567,689

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱371,980,970**	₱452,071,570
Adjustments for:		
Dividend income (Notes 7, 9 and 10)	**(152,449,442)**	(205,201,219)
Interest expense (Note 16)	**25,038,878**	19,677,122
Depreciation (Note 12)	**8,737,763**	5,535,884
Net change in retirement benefit obligation (Note 19)	**7,057,657**	6,643,440
Interest income from cash deposits (Note 4)	**(345,152)**	(108,148)
Loss on sale of property and equipment (Note 12)	**50,833**	–
Unrealized foreign exchange loss (gain)	**30,069**	(33,440)
Gain on sale of EIFVL (Note 7)	**–**	(12,478,111)
Operating income before working capital changes	**260,101,576**	266,107,098
Decrease (increase) in:		
Receivables	**443,883,334**	(184,169,615)
Contract assets	**(573,162,266)**	38,365,486
Real estate inventories	**(654,078,488)**	17,098,300
Receivables from related parties	**1,213,585**	(35,429,636)
Other current assets	**107,086,377**	(212,440,081)
Increase in:		
Accounts and other payables	**170,429,458**	110,948,954
Contract liabilities	**436,522**	29,461,662
Net cash from operations	**(244,089,902)**	29,942,168
Dividends received	**160,449,442**	219,401,219
Interest received from cash deposits	**345,152**	108,148
Net cash flows from (used in) operating activities	**(83,295,308)**	249,451,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment properties (Note 11)	**(205,638,655)**	–
Property and equipment (Note 12)	**820,000**	–
EIFVPL (Note 7)	**–**	25,762,552
Increase in deposit for future stock subscription (Note 15)	**(176,701,114)**	(65,757,928)
Additions to property and equipment (Note 12)	**(19,446,909)**	(11,826,827)
Addition to investments in subsidiaries (Note 10)	**(25,000,000)**	(15,000,000)
Increase in other noncurrent assets	**(1,890,860)**	(15,932,620)
Net cash flows used in investing activities	**(427,857,538)**	(82,754,823)

(Forward)

	December 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of preferred stock, net of issue costs (Note 17)	**₱1,306,474,799**	₱–
Long-term debt	**547,171,200**	171,903,700
Short-term debt	**157,065,000**	241,252,000
Payments of:		
Long-term debt	**(286,130,500)**	(189,742,099)
Short-term debt	**(120,223,639)**	(155,174,600)
Interest	**(85,809,551)**	(58,068,416)
Acquisitions of treasury shares - common (Note 17)	**(49,381,828)**	(21,235,405)
Net cash flows from (used in) financing activities	**1,469,165,481**	(11,064,820)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(30,069)**	33,440
NET INCREASE IN CASH	**957,982,566**	155,665,332
CASH AT BEGINNING OF YEAR	**228,541,914**	72,876,582
CASH AT END OF YEAR (Note 4)	**₱1,186,524,480**	₱228,541,914

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

The Parent Company is engaged in the business of real estate development in Cagayan de Oro City and Initao in Misamis Oriental; Tanay, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte. The Parent Company, through its subsidiaries, also ventured into palm oil milling and power generation.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

On November 12, 2021, the Parent Company secured the approval from PSE and SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A" preferred shares at the option of the Parent Company. The Parent Company issued and listed its preferred shares in PSE on November 29, 2021 (see Note 17).

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The accompanying financial statements as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the BOD on May 10, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared using the historical cost basis except for EIFVOCI and EIFVPL that are carried at fair value. The parent company financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded to the nearest Philippine Peso, unless otherwise indicated.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial accounting reliefs as issued and approved by the SEC in response to the COVID-19 pandemic:

a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and,
c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost)*.

The Parent has availed of the reliefs granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the above PIC Q&As until December 31, 2023.

The details and the impact of the deferral of the above financial reporting reliefs are discussed in the Changes in Accounting Polices and Disclosures section.

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRSs.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance.

The nature and impact of each new standard and amendment are described below:

Effective beginning on or after January 1, 2021

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Parent Company adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

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

The Parent shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition
-

The Parent Company adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2020-02, *Treatment of Uninstalled Materials in the Determination of the POC* (Amendment to PIC Q&A 2018-12-E)

  PIC Q&A 2020-02 was issued by PIC on December 15, 2020 and provides amendment on PIC Q&A 2018-12-E, *On Certain Materials Delivered on Site but not yet Installed*. The latter aims to provide guidance on the treatment of uninstalled materials in measuring the progress of the performance obligation. The PIC has concluded that in recognizing revenue using a cost-based input method, customized materials are to be included in the measurement of the progress of work while materials that are not customized shall be excluded.

  The adoption of the Interpretation has no significant impact on the parent company financial statements as the POC of the projects are determined based on the accomplishment and physical proportion of work done on the real estate which requires technical determination by the Parent Company's specialist (project engineers).

- Adoption of PIC &A 2018-12-H, *Accounting for CUSA Charges*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. The PIC provides guidance on whether a real estate developer is acting as a principal or agent in goods and services that it delivers based on contract of lease with the tenants.

  The Interpretation has no impact on the parent company financial statements.

- Adoption of PIC Q&A 2020-05, *Accounting for Cancellation of Real Estate Sales* (Amendment to PIC Q&A 2018-14)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach (Approach 3) where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively upon approval of the Financial Reporting Standards Council.

The adoption of the interpretation has no significant impact on the parent company financial statements as its current accounting for real estate sales cancellation is in accordance with Approach 3. The Parent Company records the repossessed inventory at cost and reverses in the period of cancellation the revenues and related costs previously recognized.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Parent Company first applies the amendment.

  The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopted*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Parent Company.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued MC No. 14-2018 and MC No. 3-2019, respectively, providing reliefs to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023 as follows:

  a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

  To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

  The Parent Company availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Parent Company assessed that the impact would have been as follows:

  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Parent Company has yet to assess if the mismatch constitutes a significant financing component for its CTSs.

  b. The exclusion of land in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and ICR; increased real estate inventories and would have impacted deferred income tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

  The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The Parent Company opted to avail of the relief as provided by the SEC. Had the Parent Company adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  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 Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

  These amendments do not have any impact on the parent company financial statements.

<u>Summary of Significant Accounting Policies</u>
The significant accounting policies that have been used in the preparation of the parent company financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

<u>Current versus Noncurrent Classification</u>
The Parent Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the 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 noncurrent.

A liability is current when:
- It is expected to be settled in the 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 noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Parent Company measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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 nonfinancial 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 or not 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.

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.

Cash
Cash includes cash on hand and in banks.

Financial Instruments – Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets
(i) Initial recognition and measurement
Financial assets are recognized when the Parent Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient are measured at the transaction price.

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms

that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. 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 does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement

The Parent Company subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the parent company statement of comprehensive income under 'Provision for impairment'.

The Parent Company's financial assets at amortized cost include cash, receivables (excluding advances to officers and employees), receivables from related parties and refundable deposits included under "Other current assets" and "Other noncurrent assets" in the parent company statement of financial position (see Notes 4, 5, and 8).

Financial assets at FVOCI (debt instruments). The Parent Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the parent company statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at December 31, 2021 and 2020, the Parent Company does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combination* applies. The classification is determined on an instrument-by-instrument basis.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Dividends are recognized in the parent company statement of comprehensive income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company includes equity instruments not HFT in this category. The Parent Company made irrevocable election to present in OCI subsequent changes in the fair value of all the Parent Company's investments in golf shares and unlisted shares of stock (see Note 7).

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of comprehensive income under 'Unrealized loss on EIFVPL'.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Parent Company may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Parent Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Parent Company's financial assets at FVPL include listed equity securities (see Note 7).

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Parent Company's statement of financial position) when:

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

When the Parent Company transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

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.

(iv) Impairment of financial assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on 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 an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Parent Company applies a simplified approach in calculating ECLs for receivables. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Parent Company has established a provision matrix that is based on its historical credit loss experience.

For ICR, the Parent Company uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Parent Company as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Parent Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Parent Company assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Parent Company’s investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Parent Company from the time of origination.

Determining the stage for impairment. At each reporting date, the Parent Company assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Parent Company considers that there has been an SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy. The Parent Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Reclassifications of financial instruments. The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by The Parent Company and any previously recognized gains, losses or interest shall not be restated. The Parent Company does not reclassify its financial liabilities.

Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the parent company statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at FVPL.

Financial liabilities measured at amortized cost. This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the parent company statement of comprehensive income.

The Parent Company's financial liabilities measured at amortized cost as of December 31, 2021 and 2020 includes the following (see Notes 13 and 16):
- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as 'Interest expense' in the parent company statement of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Parent Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

<u>Classification of Financial Instruments Between Liability and Equity</u>

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

<u>Offsetting Financial Instruments</u>

Financial assets and liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Real Estate Inventories
Real estate inventories consist of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate inventories, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Deposits for Purchased Land
This represents deposits made to landowners for the Parent Company's purchase of certain parcels of land which are intended to be held for sale or development in the future. The Parent Company normally makes deposits before a contract to sell is executed between the Parent Company and the landowner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting period. The deposits made are presented under other current assets in the parent company statement of financial position as these are expected to be used for the Parent Company's real estate development projects.

Prepayments
Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the parent company statement of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the parent company statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Deposits for Future Stock Subscription
Deposits for future stock subscription pertain to amounts paid by the Parent Company to its subsidiaries for additional subscriptions in excess of the authorized share capital pending the investees' application or approval of the amendments to increase authorized share capital.

Investment in an Associate
An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Parent Company's investments in associates are accounted for using the cost method. Under the cost method, investments are carried in the parent company statement of financial position at cost less any impairment in value. The Parent Company recognizes income from these investments only to the extent that it receives (or becomes entitled to) distributions from accumulated profits of the investees arising from the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investments and recognized as reduction in cost of investments.

Investments in Subsidiaries
The Parent Company's investments in A Brown Energy and Resources Development, Inc. (ABERDI); Palm Thermal Consolidated Holdings, Corp. (PTCHC); Vires Energy, Corporation (VEC); Blaze Capital Limited (BCL); Hydro Link Projects Corp. (HLPC); AB Bulk Water Company, Inc. (ABBWCI); Masinloc Consolidated Power, Inc. (MCPI); Simple Homes Development, Inc. (SHDI); and Irradiation Solutions Inc. (ISI) are accounted for under the cost method. A subsidiary is an entity that is controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, investment is recognized at cost less impairment losses, if any. Income from investment is recognized only to the extent that the Parent Company receives distributions from accumulated profits of the investees arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Investment Properties
Investment property consists of land, land improvements and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the parent company statement of comprehensive income.

Depreciation or amortization of an item of investment property begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

The Parent Company depreciates and amortizes its building using the straight-line method over the 10-30 years estimated useful lives.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the parent company statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter:

	Years
Building and improvements	10 - 30
Furniture and fixtures	3 - 5
Machineries and equipment	2 - 5
Transportation equipment	2 - 5
Tools and other equipment	2 - 5
Other equipment	2 - 10

The useful life and depreciation methods are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Parent Company expects to consume an asset's future economic benefits, the Parent Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Parent Company shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the parent company statement of comprehensive income.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Parent Company's other assets (excluding refundable deposits), investment in an associate, investments in subsidiaries, deposit for future stock subscription, investment properties, and property and equipment (see Notes 8, 9, 10, 11, 12 and 15).

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. 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.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.
An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

Equity

Capital stock and additional paid-in capital
Capital stock consists of common and preferred shares which are measured at par value for all common and preferred shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When the common and preferred shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained earnings
Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Revenue and Cost Recognition

Revenue from Contracts with Customers
The Parent Company is primarily engaged in real estate development and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Parent Company has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales. The Parent Company derives its real estate revenue from sale of lots and developed residential house and lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the bi-monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Buyer's equity represents the POC over the total selling price that the buyer has paid the Parent Company and it is at this collection level that the Parent Company assesses that it is probable that the economic benefits will flow to the Parent Company because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Parent Company. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under 'Contract assets' in the assets section of the parent company statement of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under 'Contract liabilities' account in the liabilities section of the parent company statement of financial position.

Cost of real estate sales. The Parent Company recognizes costs relating to satisfied performance obligations as these are incurred which include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

In addition, the Parent Company recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Water service. Revenue is recognized when performance obligation is rendered.

Income from forfeited deposits. Income from forfeited collections recorded under 'Other income' in the parent company statement of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Dividend income. Dividend income is recognized when the Parent Company's right to receive payment is established which is generally when shareholders approve the dividend.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Other income. Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Contract Balances

Installment contracts receivable. An ICR represents the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Parent Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract assets is recognized for the earned consideration that is conditional.

For the Parent Company's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under 'Receivables' in the parent company statement of financial position.

A receivable (e.g., ICR), represent the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

The Parent Company uses the vintage analysis for ECL of contract assets by calculating the cumulative loss rates of a given instalment contracts pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Parent Company as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized under 'Other current assets' in the parent company statement of financial position if the Parent Company expects to recover them. The Parent Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized over time using the POC method. Commission expense is included in the 'General, administrative expenses and selling expenses' account in the parent company statement of comprehensive income.

Costs incurred prior to obtaining a contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Parent Company amortizes capitalized costs to obtain a contract as marketing expense under 'General, administrative expenses and selling expenses' account in the parent company statement of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Parent Company determines whether there is an indication that costs to obtain a contract maybe impaired. If such indication exists, the Parent Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Parent Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Parent Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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

The contract liabilities also include payments received by the Parent Company from the customers for which revenue recognition has not yet commenced.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits
Pension benefits are provided to employees through a defined benefit plan. The net defined benefit liability or asset 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, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset 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 or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Leases
The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

As Lessee. The Parent Company applies the short-term lease recognition exemption to its short-term lease of office space and transportation equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies to the lease of low-value assets recognition exemption on the same lease as this is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Taxes

Current income tax. Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

VAT. Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under ‘Accounts and other payables’ in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under ‘Other current assets’ in the parent company statement of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company statement of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. Deferred Input VAT is stated at its realizable value.

Provisions

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. When the Parent Company expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the parent company financial statements are authorized for issue. Post year-end events that provide additional information about the Parent Company's financial 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 notes to parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRS requires the Parent Company to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates 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. Actual results could differ for such estimates.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Revenue from contracts with customers
The Parent Company is primarily engaged in real estate sales and development and water services. The Parent Company accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

The Parent Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Real estate revenue recognition. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price;

(d) application of the output method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of goods sold; and (f) recognition of cost to obtain a contract.

- *Identifying performance obligations.* The Parent Company has various CTS covering subdivision land and residential houses and lots. The Parent Company concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Parent Company is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, Parent Company accounts for them as a single performance obligation because they are not distinct in the context contract. The Parent Company uses those goods and services as inputs and provides a significant service of integrating them into a combined output. Included also in this performance obligation is the Parent Company's service to transfer the title of the real estate unit to the buyer.

- *Existence of a contract.* The Parent Company's primary document for a contract with a customer for real estate sales is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

  In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age of receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress.* The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Parent Company's specialists (project engineers).

In addition, the Parent Company requires a collection threshold of 10% of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer’s continuing commitment and the probability that economic benefits will flow to the Parent Company.

Contractual cash flows assessment. For each financial asset, the Parent Company assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Parent Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

As at December 31, 2021 and 2020, the aggregate carrying values of the financial assets amounted to ₱1,997.7 million and ₱1,527.1 million, respectively (see Note 22).

Evaluation of business model in managing financial instruments. The Parent Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Parent Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,
- The expected frequency, value and timing of sales are also important aspects of the Parent Company’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Parent Company’s original expectations, the Parent Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Definition of default and credit-impaired financial assets and contract assets. The Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

- *Qualitative criteria*
  The customer meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenant(s);
  - An active market for that financial assets has disappeared because of financial difficulties;
  - Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the borrower's financial difficulty; or,
  - It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Parent Company's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Incorporation of forward-looking information. The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Parent Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Parent Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Parent Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Parent Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Parent Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determining taxable profit, tax bases and tax rates. Upon adoption of the Philippine Interpretation IFRIC 23, the Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the parent company financial statements.

Distinction between real estate inventories, investment properties and owner-occupied properties. The Parent Company determines whether a property will be classified as real estate inventories, investment properties or owner-occupied properties. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (real estate inventories) and whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventories comprise of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Parent Company develops and intends to sell before or on completion of construction. Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Parent Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Significant influence on Peakpower Energy, Inc. (PEI). In determining whether the Parent Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Parent Company a significant influence. The Parent Company considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Parent Company refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Parent Company controls an investee. Particularly, the Parent Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Parent Company controls an investee if and only if it has all the following:
a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interest in MCPI represent 49%. The Parent Company has the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations of the investee are occupied by the representatives of the Parent Company.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects. The Parent Company's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Parent Company's revenue and cost of real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant management.

The Parent Company also includes land in the calculation of POC since the Parent Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended December 31, 2021 and 2020, the real estate sales recognized over time amounted to ₱628.5 million and ₱761.5 million, respectively, (see Note 23) while the related cost of real estate sales amounted to ₱219.7 million and ₱353.4 million, respectively (see Note 6).

Collectability of the sales price. In determining whether the sales price is collectible, the Parent Company considers that the initial and continuing investments by the buyer of 10% in 2021 and 2020 would demonstrate the buyer's commitment to pay.

The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱1,000.5 million and ₱895.5 million as of December 31, 2021 and 2020, respectively (see Notes 5 and 14).

Provision for expected credit losses of receivables and contract assets. The Parent Company uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Parent Company considers an ICR and contract asset in default when the Parent Company forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

The Parent Company uses vintage analysis to calculate ECLs for contract assets. The PD rates using vintage analysis are based on default counts of contract issuances in a given period for groupings of various customer segments that have similar loss patterns

The PD is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Parent Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating LGD, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Parent Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof. The resulting recovery rate coming from the above process, resulted to zero LGD, thus resulting to no recognized impairment loss.

The Parent Company recognized provision for expected credit losses on receivables and contract assets of nil and ₱2.4 million in 2021 and 2020, respectively. As at December 31, 2021 and 2020, the allowance for ECL recognized in the parent company statements of financial position amounted to ₱2.8 million respectively (see Note 5).

Estimating NRV of real estate inventories. The Parent Company reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Parent Company having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱2,090.0 million and ₱1,573.0 million as of December 31, 2021 and 2020, respectively (see Note 6).

Estimating useful lives of depreciable property and equipment and investment properties. The Parent Company estimates the useful lives of property and equipment and investment properties, except land, 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, the estimation of the useful lives of property and equipment is based on collective assessment of 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.

As of December 31, 2021 and 2020, the aggregate carrying value of depreciable property and equipment and investment properties amounted to ₱133.7 million and ₱49.0 million, respectively (see Notes 11 and 12).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the parent company statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As at December 31, 2021 and 2020, the aggregate fair values of the financial assets amounted to ₱1,997.7 million and ₱1,527.1 million, respectively, and of the financial liabilities amounted to ₱2,246.0 million and ₱1,790.7 million, respectively (see Note 22).

Impairment of nonfinancial assets. The Parent Company assesses impairment on its nonfinancial assets (e.g. investment in associate, investments in subsidiaries, deposit for future stock subscription, investment properties, property and equipment and other assets excluding refundable deposits) and considers the following important indicators:
- Significant or prolonged decline in the fair value of the asset;

- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Parent Company is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

Based on the assessment of the Parent Company, there is no indication of impairment of investment in associate, investments in subsidiaries, deposit for future stock subscription, investment properties, property and equipment and other assets (excluding refundable deposits). The carrying values of the nonfinancial assets follow:

	2021	2020
Investment in an associate (see Note 9)	**₱110,000,000**	₱110,000,000
Investments in subsidiaries (see Note 10)	**714,770,347**	689,770,347
Deposit for future stock subscription (see Note 15)	**1,730,799,393**	1,554,098,279
Investment properties (see Note 11)	**447,246,314**	94,977,941
Property and equipment (see Note 12)	**58,931,354**	58,610,659
Other assets* (see Note 8)	**636,599,248**	644,274,354

**Excluding refundable deposits amounting to ₱41.8 million and ₱40.0 million as of 2021 and 2020, respectively.*

No impairment was recognized for the Parent Company's nonfinancial assets for the years ended December 31, 2021 and 2020.

Estimating realizability of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

The Parent Company assessed its projected performance in determining the sufficiency of the future taxable income. As at December 31, 2021 and 2020, the carrying values of these deferred tax assets amounted to ₱43.9 million and ₱9.4 million, respectively (see Note 20).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As at December 31, 2021 and 2020, the Parent Company's retirement benefit obligation amounted to ₱68.7 million and ₱61.6 million, respectively (see Note 19).

4. Cash

	2021	2020
Cash on hand	**₱7,275,060**	₱1,082,908
Cash in banks	**1,179,249,420**	227,459,006
	₱1,186,524,480	₱228,541,914

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. Interest income earned on cash in banks amounted to ₱0.3 million and ₱0.1 million in 2021 and 2020, respectively.

5. Receivables

	2021	2020
ICR	**₱330,518,474**	₱798,623,667
Trade receivables	**4,839,468**	6,070,170
Advances to officers and employees	**3,185,910**	2,952,123
Dividend receivable	–	8,000,000
Other receivables	**36,102,024**	110,883,250
	374,645,876	926,529,210
Less allowance for impairment	**2,794,196**	2,794,196
	371,851,680	923,735,014
Less noncurrent portion	**46,999,426**	26,338,455
	₱324,852,254	₱897,396,559

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 10 years. Some of the ICRs bear interest ranging from 14% to 18% in 2021 and 2020, depending on the projects and units. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.8 million and ₱1.9 million in 2021 and 2020, respectively.

Trade receivables pertain to receivables from water service which is noninterest-bearing and normally collected within seven (7) days.

Advances to officers and employees pertain to salary and other loans granted to the Parent Company's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

Other receivables pertain to advances made to homeowners' association of one of the projects and nontrade receivables. These receivables are noninterest-bearing and are due within one (1) year.

Movement in the allowance for impairment is as follows:

	2021	2020
Balances at beginning of year	**₱2,794,196**	₱421,463
Provision (Note 18)	–	2,372,733
Balances at end of year	**₱2,794,196**	₱2,794,196

6. Real Estate Inventories

	2021	2020
Land for sale and development	**₱519,645,963**	₱195,500,285
Construction and development costs	**1,570,369,491**	1,377,548,782
	₱2,090,015,454	₱1,573,049,067

The rollforward of this account follows:

	2021	2020
Balance at beginning of the year	**₱1,573,049,067**	₱1,580,964,264
Construction and development costs incurred	**477,483,328**	300,155,667
Transfers from deposits for land acquisition (Note 8)	**299,980,155**	–
Transfers to investment properties (Note 11)	**(149,537,684)**	–
Borrowing costs capitalized (Note 16)	**61,716,946**	36,177,696
Purchase of land	**34,588,513**	–
Depreciation expense capitalized (Note 12)	**12,425,583**	9,183,103
Cost of real estate sales	**(219,690,454)**	(353,431,663)
	₱2,090,015,454	₱1,573,049,067

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost as of December 31, 2021 and 2020.

Land for sale and development represents real estate subdivision projects in which the Parent Company has been granted License to Sell (LTS) by the Department of Human Settlements and Urban Development. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing cost capitalized to real estate inventories in 2021 and 2020 amounted to ₱61.7 million and ₱36.2 million, respectively (see Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2021 and 2020 is 6.55% and 3.57%, respectively.

Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Parent Company's short-term and long-term debts (see Note 16). As at December 31, 2021 and 2020, the carrying values of the collateralized real estate inventories amounted to ₱474.2 million and ₱236.7 million, respectively.

7. Investments in Equity Instruments

Quoted and unquoted equity securities

The Parent Company's EIFVPL consists of quoted equity securities that are listed and traded in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under "Unrealized loss on EIFVPL" in parent company statements of comprehensive income.

The Parent Company's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

The Parent Company's unlisted shares of stock are measured at cost. Financial assets are measured at cost when insufficient more recent information is available to measure its fair value, or if a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

As of December 31, 2021 and 2020, the carrying value of unquoted golf club shares amounted to ₱226.8 million and ₱162.8 million, respectively; and unlisted shares of stock amounted to ₱12.7 million and ₱12.8 million for the years 2021 and 2020, respectively.

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

2021	**FVOCI**
Cost:	
At January 1	**₱434,070,793**
Disposal	**–**
At December 31	**434,070,793**
Cumulative unrealized loss:	
At January 1	**(258,483,688)**
Disposal	**–**
Fair value adjustment	**63,824,348**
At December 31	**(194,659,340)**
Carrying values	**₱239,411,453**

2020	FVPL	FVOCI
Cost:		
At January 1	₱64,125,698	₱434,070,793
Disposal	(64,125,698)	–
At December 31	–	434,070,793
(Forward)		
Cumulative unrealized loss:		
At January 1	(641,257)	(266,509,340)
Disposal	641,257	–
Fair value adjustment	–	8,025,652
At December 31	–	(258,483,688)
Carrying values	₱–	₱175,587,105

In 2020, the Parent Company sold its 64,125,698 shares of EIFVPL for ₱76.0 million, resulting in a gain of ₱12.5 million.

8. **Other Assets**

	2021	2020
Current		
Deposits for purchased land	**₱158,739,048**	₱319,065,057
Creditable withholding taxes	**95,859,728**	69,585,730
Construction materials	**86,267,235**	65,338,356
Prepaid expenses	**63,707,184**	55,087,290
Costs to obtain contracts (Note 23)	**12,725,634**	16,005,309
Input VAT	**3,651,994**	3,544,188
Refundable deposits	**551,467**	551,467
Miscellaneous	**336,585**	336,584
	₱421,838,875	₱529,513,981
Noncurrent		
Advances to third party and others	**₱215,311,840**	₱115,311,840
Refundable deposits - net of current portion	**41,297,650**	39,406,790
	₱256,609,490	₱154,718,630

Deposits for purchased land pertain to installment payments made by the Parent Company to the sellers of land where sales contracts have yet to be executed. The lands are intended to be held for sale and development in the future. In 2021, the Parent Company made transfers of land from deposits to real estate inventory upon transfer of control of the land to the Group amounting to ₱300.0 million (see Note 6).

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Prepaid expenses include prepaid insurance, employee benefits, supplies, rent and taxes and licenses which are applicable in the future period.

Costs to obtain a contract with a customer pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to marketing expenses under "General, administrative and selling expenses" in the parent company statements of comprehensive income as the related revenue is recognized (see Notes 18 and 23).

Advances to third party and others pertain to advances made by the Parent Company to potential joint venture partners for acceptable business projects and other project development costs. The advances are to be applied to the cost of the business project.

9. **Investment in an Associate**

This pertains to investment to Peakpower Energy, Inc. (PEI). PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region. Parent Company holds 20% of equity ownership as of December 31, 2021 and 2020. The primary place of business and office address of the associate is 3rd Floor Joy-Nostalg Center, ADB Avenue, Ortigas Center, Pasig City.

As at December 31, 2021 and 2020, the carrying value of the investment is equal to its cost amounting to ₱110.0 million.

The Parent Company's dividend income from PEI amounted to ₱72.4 million and ₱95.0 million in 2021 and 2020, respectively.

10. **Investments in Subsidiaries**

	Principal Activities	% of Ownership	**2021**	2020
ABERDI	Manufacturing	100	**₱449,999,995**	₱449,999,995
NC***	Agriculture	100	**–**	–
BAC***	Agriculture	100	**–**	–
PTCHC	Holding	100	**109,000,000**	109,000,000
VEC*	Power plant operations	100	**78,870,852**	78,870,852
ISI*	Irradiation services	100	**25,000,000**	–
BCL*	Infrastructure	100	**25,000,000**	25,000,000
HLPC*	Power operations	100	**16,000,000**	16,000,000
ABBWCI*	Water service	100	**5,000,000**	5,000,000
MCPI**	Power plant operations	49	**4,900,000**	4,900,000
SHDI*	Real estate	100	**999,500**	999,500
			₱714,770,347	₱689,770,347

* *Pre-operating entity.*
** *Non-operating entity.*
*** *Indirectly-owned through ABERDI.*

ABERDI
ABERDI was incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels. ABERDI's subsidiaries are NC and BAC.

NC
NC was registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

BAC
BAC was registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

PTCHC
PTCHC was registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

PTCHC owns 20% of Palm Conception Power Corporation (PCPC). PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants.

The Parent Company's dividend income from PTCHC amounted to ₱80.0 million and ₱110.0 million in 2021 and 2020, respectively.

VEC
VEC was registered with the SEC on March 11, 2015. It was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing, and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease, and operate refineries for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore and operate business that will provide the technical manpower to persons and institutions engaged in aforesaid energy production; and in general to carry on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights.

On June 18, 2020, the Parent Company entered into a share purchase agreement to acquire 86,995,407 common shares representing 99.995% of VEC's total issued and outstanding capital stock for a total consideration of ₱78.9 million. The total consideration is comprised of a cross-sale of the Parent Company's EIFVPL for ₱50.2 million and assumption by the Parent Company of VEC's third party payables amounting to ₱28.7 million.

BCL
BCL is registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

HLPC
HLPC was registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

ABBWCI
ABBWCI was registered with the SEC on March 31, 2015. The Company was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities.

MCPI
MCPI was registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

SHDI
SHDI was registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

ISI
ISI was incorporated and registered with SEC on January 4, 2021. The Company is primarily focused on providing irradiation services for all types of goods e.g., food products and non-food products through exposing such goods to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines. In 2021, the Parent Company made capital contributions to ISI amounting to ₱25.0 million.

11. Investment Properties

The Parent Company's investment properties as at December 31, 2021 and 2020 are classified as follows:

	2021	2020
Land held for capital appreciation	**₱299,006,532**	₱93,367,877
Land and building held for lease	**148,239,782**	1,610,064
	₱447,246,314	₱94,977,941

The fair values of investment properties as of December 31, 2021 and 2020, as determined by an independent appraiser amounted to ₱752.8 million and ₱400.6 million, respectively. The valuation techniques used are categorized under level 3 of the fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2021 and 2020. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived using the Cost Approach. This is a comparative approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

The details of land held for capital appreciation are as follows:

	2021	2020
Cost:		
Balances at beginning of year	**₱93,367,877**	₱93,367,877
Additions	**205,638,655**	–
Net carrying value	**₱299,006,532**	₱93,367,877

Land and building held for lease as at December 31, 2021 and 2020 are as follows:

2021	**Land**	**Building**	**Land Improvements**	**Total**
Cost:				
Balances at beginning of year	**₱1,610,064**	**₱7,142,749**	**₱–**	**₱8,752,813**
Transfers from real estate inventories (Note 6)	**62,298,696**	**–**	**87,238,988**	**149,537,684**
Balances at end of year	**63,908,760**	**7,142,749**	**87,238,988**	**158,290,497**
Accumulated depreciation:				
Balances at beginning of year	**–**	**7,142,749**	**–**	**7,142,749**
Depreciation (Note 18)	–	**–**	**2,907,966**	**2,907,966**
Balances at end of year	–	**7,142,749**	**2,907,966**	**10,050,715**
	₱63,908,760	**₱–**	**₱84,331,022**	**₱148,239,782**

2020	Land	Building	Land Improvements	Total
Cost:				
Balances at beginning and end of year	₱1,610,064	₱7,142,749	₱–	₱8,752,813
Accumulated depreciation:				
Balances at beginning and end of year	–	7,142,749	–	7,142,749
	₱1,610,064	₱–	₱–	₱1,610,064

Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the parent company statements of comprehensive income amounted to ₱2.9 million and ₱0.1 million 2021 and 2020, respectively. Lease revenue generated amounted ₱0.1 million and nil in 2021 and 2020, respectively.

12. **Property and Equipment**

The composition and movements of this account are as follows:

	2021							
	Land	**Building and Improvements**	**Machinery and Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Tools and Other Equipment**	**Other Equipment**	**Total**
Cost								
At January 1	**₱9,606,847**	**₱40,820,078**	**₱177,333,725**	**₱23,381,258**	**₱30,203,635**	**₱7,975,169**	**₱27,481,014**	**₱316,801,726**
Additions	**–**	**–**	**2,029,107**	**3,039,379**	**4,932,329**	**384,298**	**9,061,796**	**19,446,909**
Disposals	**–**	**–**	**–**	**–**	**(950,000)**	**–**	**–**	**(950,000)**
Reclassifications	**–**	**–**	**(22,593,894)**	**–**	**22,593,894**	**–**	**–**	**–**
At December 31	**9,606,847**	**40,820,078**	**156,768,938**	**26,420,637**	**56,779,858**	**8,359,467**	**36,542,810**	**335,298,635**
Accumulated depreciation								
At January 1	**–**	**40,735,858**	**138,611,574**	**21,113,949**	**28,125,589**	**6,357,079**	**23,247,018**	**258,191,067**
Depreciation	**–**	**–**	**6,326,335**	**1,144,725**	**3,639,076**	**1,525,949**	**5,619,296**	**18,255,381**
Disposals	**–**	**–**	**–**	**–**	**(79,167)**	**–**	**–**	**(79,167)**
At December 31	**–**	**40,735,858**	**144,937,909**	**22,258,674**	**31,685,498**	**7,883,028**	**28,866,314**	**276,367,281**
Net Book Value	**₱9,606,847**	**₱84,220**	**₱11,831,029**	**₱4,161,963**	**₱25,094,360**	**₱476,439**	**₱7,676,496**	**₱58,931,354**

	2020							
	Land	Building and Improvements	Machinery and Equipment	Furniture and Fixtures	Transportation Equipment	Tools and Other Equipment	Other Equipment	Total
Cost								
At January 1	₱9,606,847	₱40,820,078	₱172,567,550	₱22,498,948	₱27,230,038	₱7,654,919	₱24,596,519	₱304,974,899
Additions	–	–	4,766,175	882,310	2,973,597	320,250	2,884,495	11,826,827
At December 31	9,606,847	40,820,078	177,333,725	23,381,258	30,203,635	7,975,169	27,481,014	316,801,726
Accumulated depreciation								
At January 1	–	40,732,348	132,451,769	20,038,439	24,722,152	4,671,799	20,855,573	243,472,080
Depreciation	–	3,510	6,159,805	1,075,510	3,403,437	1,685,280	2,391,445	14,718,987
At December 31	–	40,735,858	138,611,574	21,113,949	28,125,589	6,357,079	23,247,018	258,191,067
Net Book Value	₱9,606,847	₱84,220	₱38,722,151	₱2,267,309	₱2,078,046	₱1,618,090	₱4,233,996	₱58,610,659

The depreciation from property and equipment in 2021 and 2020 are recognized as:

	2021	2020
General, administrative and selling expenses (Note 18)	**₱5,829,798**	₱5,535,884
Real estate inventories (Note 6)	**12,425,583**	9,183,103
	₱18,255,381	₱14,718,987

In 2021, the Parent Company sold property and equipment which resulted to a loss of ₱0.1 million presented as "Loss on sale of property and equipment" in the parent company statement of comprehensive income. Proceeds from the sale amounted to ₱0.8 million.

13. **Accounts and Other Payables**

	2021	2020
Trade payables	**₱427,993,710**	₱351,291,669
Statutory payables	**139,537,789**	129,756,106
Accrued expenses	**77,761,634**	57,471,890
Retention payable	**37,531,328**	32,152,143
Accrued interest payable	**2,883,267**	1,936,994
	₱685,707,728	₱572,608,802

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Accrued expenses pertain to accrued contractual services, professional fees, rent expenses and taxes and licenses incurred by the Parent Company.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Parent Company on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

14. **Contract Assets and Liabilities**

Contract assets represent the right to consideration that was already delivered by the Parent Company in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

The Parent Company requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the parent company statements of financial position.

When the Parent Company's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

The Parent Company's contract assets and contract liabilities as at December 31, 2021 and 2020 are as follows:

	2021	2020
Current portion of contract assets	**₱185,102,035**	₱76,301,227
Noncurrent portion of contract assets	**484,925,421**	20,563,963
Contract assets	**₱670,027,456**	₱96,865,190
Contract liabilities	**₱169,402,619**	₱168,966,097

The amount of revenue recognized in 2021 and 2020 from amounts included in contract liabilities at the beginning of the year amounted to ₱140.8 million and ₱40.4 million, respectively.

15. **Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting entities and key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. Related parties may be individuals or corporate entities.

The Parent Company, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Interest-bearing loan from shareholder (see Note 16).

  As of December 31, 2021 and 2020, the Parent Company has outstanding loan from shareholder, which is classified under "Long term debt" in the parent company statements of financial position amounting to ₱240.4 million and ₱293.4 million, respectively.

  On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

- Noninterest-bearing deposits for future stock subscription to the Parent Company's subsidiaries. These deposits will either be converted to equity or returned to the Parent Company in consideration for a possibility of an incoming new investor.

- Noninterest-bearing cash advances to ABBWCI, SHDI, PTCHC, BCL, MCPI, ISI and VEC

- Noninterest-bearing cash advances to PEI, an associate.
- Noninterest-bearing cash advances to East West Railway Transit Corporation (EWRTC), NC, BAC, AFF-PBJ Corporation (AFFPBJC), AFF-Monte Oro Resources & Energy, Inc. (AFFMOREI), affiliates of the Parent Company.

- Interest-bearing loan received from Brown Resources Corporation (BRC), an affiliate of the Parent Company.

- Advances to officers and employees pertain to salary and other loans granted to the Parent Company's officers and employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

		2021		
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Subsidiaries and shareholders				
Deposits for future stock subscription*:				
ABERDI	**₱73,548,260**	**₱848,505,587**	**Convertible to investment; non interest-bearing**	**Unsecured; no impairment**
PTCHC	**1,521,000**	**749,427,698**		
ISI	**75,600,000**	**75,600,000**		
HLPC	**99,999**	**26,084,253**		
BCL	**6,859,707**	**12,109,707**		
VEC	**19,072,148**	**19,072,148**		
		1,730,799,393		
Advances to**:				
ABBWCI	**₱30,574**	**₱15,195,495**	**On demand; non interest-bearing**	**Unsecured; no impairment**
ABERDI	**5,587,484**	**3,749,799**		
VEC	**1,179,668**	**4,731,491**		
ISI	**4,731,491**	**1,179,668**		
SHDI		**–**		
BCL		**–**		
PTCHC	**–**	**95,817**		
MCPI		**28,000**		
		24,980,270		
Long-term debt (see Note 16):				
From shareholder				
Principal payments	**₱53,040,950**	**₱–**	**12-year, 6.00% interest-bearing**	**Unsecured; no collateral**
Current	**–**	**(56,312,400)**		
Noncurrent	**–**	**(184,091,664)**		
		(240,404,064)		
Associate				
Advances to**:				
PEI	**₱99,205**	**₱80,642,965**	**On demand; non interest-bearing**	**Unsecured; no impairment**
Affiliates				
Advances to**:				
EWRTC	**₱–**	**₱51,611,143**	**On demand; non interest-bearing**	**Unsecured; no impairment**
NC	**–**	**730,760**		
BAC	**–**	**24,991**		
AFFPBJC	**–**	**23,948**		
AFFMOREI	**–**	**1,436**		
		52,392,278		
Long-term debt (see Note 16):				
BRC				
Principal payments	**₱947,227**	**₱–**	**2-year, 6.00% interest-bearing**	**Unsecured; no collateral**
Interest payments	**31,066**	**–**		
		–		

* *Presented as "Deposit for future stock subscription" in the parent company statements of financial position.*
** *Presented as "Receivables from related parties" in the parent company statements of financial position..*

Category	Amount	2020 Receivable (Payable)	Terms	Conditions
Subsidiaries and shareholders				
*Deposits for future stock subscription**:				
ABERDI	₱59,747,652	₱774,957,327	Convertible to investment; non interest-bearing	Unsecured; no impairment
PTCHC	1,010,000	747,906,698		
HLPC	–	25,984,254		
BCL	5,000,276	5,250,000		
		1,554,098,279		
*Advances to***:				
ABBWCI	₱2,231	₱15,164,921	On demand; non interest-bearing	Unsecured; no impairment
ABERDI	9,337,283	9,337,283		
SHDI	289,494	1,315,465		
BCL	–	348,506		
PTCHC	95,817	95,817		
MCPI	28,558	28,558		
		26,290,550		
Long-term debt (see Note 16):				
From shareholder				
Principal payments	₱24,200,000	₱–	12-year, 6.00% interest-bearing	Unsecured; no collateral
Current	–	(32,558,172)		
Noncurrent	–	(260,886,842)		
		(293,445,014)		
Associate				
*Advances to***:				
PEI	₱99,204	₱80,543,761	On demand; non interest-bearing	Unsecured; no impairment
Affiliates				
*Advances to***:				
EWRTC	₱–	₱51,611,143	On demand; non interest-bearing	Unsecured; no impairment
NC	3,185	730,760		
BAC	–	27,500		
AFFPBJC	23,948	23,948		
AFFMOREI	1,436	1,436		
		52,394,787		
Long-term debt (see Note 16):				
BRC				
Proceeds	₱1,400,000	₱–	2-year, 6.00% interest-bearing	Unsecured; no collateral
Principal payments	452,773	–		
Interest payments	36,373	–		
Current	–	(947,227)		
		(947,227)		

* *Presented as "Deposit for future stock subscription" in the parent company statements of financial position.*
** *Presented as "Receivables from related parties" in the parent company statements of financial position..*

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for deposits for future stock subscription and the advances to key management personnel, shall be settled in cash. The deposits for future stock subscription are convertible to additional investment in subsidiary. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Parent Company has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the parent company statements of comprehensive income follows:

	2021	2020
Short-term employee benefits	**₱31,379,838**	₱25,912,552
Other employee benefits	**–**	1,200,000
	₱31,379,838	₱27,112,552

Key management personnel of the Parent Company include all directors and senior management.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local financial institutions and shareholder to finance the Parent Company's real estate development projects, working capital requirements and for general corporate purposes.

The Parent Company entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB), China Bank Corporation (CBC), BPI Family Savings Bank (BPIF), May Bank Philippines (MBI), and Philippine Bank of Communication (PBCOM). The Parent Company also entered into loan agreements from a financial services company, Caterpillar Financial Services Phils. Inc. (CFSPI), from its affiliate, Brown Resources Corporation (BRC), and from a shareholder.

Short-term debt
Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans bear annual interest at rates ranging from 5.50% to 8.50% and 4.50% to 9.00% in 2021 and 2020, respectively, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date.

	2021	2020
DBP	**₱174,936,500**	₱173,668,000
UBP	**100,000,000**	100,000,000
CBC	**95,000,000**	100,000,000
PBCOM	**39,600,000**	–
UCPB	**25,924,520**	32,509,400
	₱435,461,020	₱406,177,400

Interest expense arising from these loans amounts to ₱26.4 million and ₱28.0 million in 2021 and 2020, respectively.

Long-term debt
The long-term debt represents various loans obtained from local financial institutions and shareholder to finance the Parent Company's real estate projects and for general corporate purposes.

	2021	2020
UBP	**₱468,500,000**	₱298,055,556
DBP	**260,000,000**	3,823,984
Shareholder (Note 15)	**240,404,064**	293,445,014
UCPB	**46,976,000**	50,000,000
CBC	**26,863,833**	23,824,911
BPIF	**6,415,428**	31,475,181
CFSPI	**3,295,684**	4,833,211
MBI	–	40,000,000
PBCOM	–	37,451,484
BRC (Note 15)	–	947,227
	1,052,455,009	783,856,568
Less current portion	**201,643,018**	209,200,759
	₱850,811,991	₱574,655,809

Loans from UBP
Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rate of 9.10% payable for 3 years. Variable-rate loans are subject to variable interest rates ranging from 6.5% to 7.5% payable for 5 years.

Loan from DBP
This loan is payable in quarterly installments for 6 years secured by real estate mortgage which is subject to a fixed annual interest rate of 6.0%.

Shareholder Loan - A (modified)
On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured and subject to a fixed annual interest rate of 6% (see Note 15).

Loans from UCPB
These loans are payable in monthly installments for 4 years secured by real estate mortgage which are subject to variable interest rates ranging from 7.00% to 8.5% and 8.00% to 8.20% in 2021 and 2020, respectively.

Loans from CBC
These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 6.00% to 10.51%.

Loans from BPIF
These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from CFSPI
This loan is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

Loan from MBI
The loan was payable in quarterly installments for 3 years, secured by real estate mortgage and was subject to a fixed annual interest rate of 8.00%. In 2021, the Group fully settled the loan.

Loans from PBCOM
These loans were payable in monthly installments and secured by real estate mortgage. Fixed-rate loan had an annual interest rate of 11.50% payable for 5 years. Variable-rate loans were subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank. In 2021, the Group fully repaid the loans.

Loans from BRC
The loan was payable in monthly installments for 2 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15). In 2021, the Group fully settled the loan.

Borrowing Cost
Total interest expense arising from long-term loans and from those due to related parties amounted to ₱62.0 million and ₱33.4 million in 2021 and 2020, respectively. In 2021 and 2020, borrowing costs amounting to ₱61.7 million and ₱36.2 million, respectively, are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.55% and 3.57% for 2021 and 2020, respectively.

Interest expense (excluding capitalized borrowing costs) recognized in the parent company statements of comprehensive income amounts to ₱26.7 million and ₱25.2 million in 2021 and 2020, respectively.

Repayment Schedule
The repayment schedule of the long-term debt follows:

Year	**2021**	2020
2021	**₱–**	₱209,200,759
2022	**201,643,018**	123,316,509
2023 – 2030	**850,811,991**	451,339,300
	₱1,052,455,009	₱783,856,568

Security and Debt Covenants
Real estate inventories with carrying amounts of ₱474.2 million and ₱236.7 million as of December 31, 2021 and 2020, respectively, are collateralized for its loans payable (see Note 6).

The Parent Company is not subject to any financial or negative covenants from its short-term and long-term debts.

17. **Equity**

Common stock
The details of the Parent Company's common stock as at December 31 follow:

	2021	2020
Common		
Authorized shares	**3,250,000,000**	3,300,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares	**2,477,668,925**	2,477,668,925
Outstanding shares	**2,398,912,911**	2,452,004,911
Value of shares issued	**₱2,477,668,925**	₱2,477,668,925

Preferred stock
On April 12, 2021, the BOD approved the amendment of the Articles of Incorporation of the Parent Company to reclassify and divide the authorized capital stock into: (i) 3,250.0 million common shares with a par value of ₱1.00 per share; and (ii) 50.0 million preferred shares with a par value of ₱1.00 per share. The amendment of AOI was approved by the shareholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting on June 24, 2021.

On May 25, 2021, the BOD authorized the shelf registration of 50.0 million preferred shares, and the offer and sale of up to 15.0 million preferred shares at an offer price of ₱100.00 per share.

On October 5, 2021, the SEC approved the Company's proposal to create preferred shares by reclassifying its authorized capital stock from the current 3,300.0 million common shares to 3,250.0 billion common shares and 50.0 million preferred shares.

On November 10, 2021, the Parent Company secured the approval from PSE for the shelf-listing of up to 50.0 million preferred shares and the follow-on public offer of up to 15.0 million preferred shares.

On November 12, 2021, the Company secured the approval from PSE and SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A" preferred shares at the option of the Parent Company. The "Series A" preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, May 29, August 29 and November 29 each year. The offering allowed the Parent Company to raise ₱1,300.0 million as new capital.

The details of the Parent Company's preferred stock as at December 31 follow:

Authorized shares	50,000,000
Par value per share	₱1.00
Issued shares	13,264,900
Outstanding shares	13,264,900
Value of shares issued	₱13,264,900

Additional paid-in capital (APIC)
APIC pertains to the excess proceeds over the par value of the issued shares. APIC for common shares amounted to ₱638.0 million as of December 31, 2021 and 2020.

In 2021, the Parent Company has recognized APIC for preferred shares for the excess proceeds of subscriptions over the par value amounting to ₱1,313.2 million in relation to its issuance of preferred shares. Incremental costs directly attributable to the issue of new shares such as underwriter fees, legal fees, and other professional fees are presented in equity as a deduction from APIC amounting to ₱20.0 million, net of income tax benefit.

As of December 31, 2021, APIC on preferred shares amounted to ₱1,293.2 million.

Treasury shares - common
On August 17, 2020, the Board of Directors of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares. On May 25, 2021, the initial approved budget of the program has been extended from ₱50.0 million to ₱100.0 million as recommended and approved by the BOD.

As of December 31, 2021, the Parent Company has bought back from the market a total of 78,756,014 common shares or ₱70.6 million. These treasury shares are recorded at cost.

The movement in the Parent Company's treasury shares follows:

	2021		2020	
	Shares	**Amount**	Shares	Amount
At January 1	**25,664,014**	**₱21,236,419**	1,014	₱1,014
Additions	**53,092,000**	**49,381,828**	25,663,000	21,235,405
At December 31	**78,756,014**	**₱70,618,247**	25,664,014	₱21,236,419

Capital management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Parent Company undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

The share price of common shares closed at ₱0.79 on December 31, 2021 and ₱0.90 on December 29, 2020. For preferred shares, the share price closed at ₱105.00 on December 31, 2021.

The table below pertains to the account balances the Parent Company considers as its core economic capital:

	2021	2020
Short-term debt	**₱435,461,020**	₱406,177,400
Long-term debt	**1,052,455,009**	783,856,568
Common stock	**2,477,668,925**	2,477,668,925
Preferred stock	**13,264,900**	−
Additional paid-in capital	**1,931,178,758**	−
Treasury shares	**(70,618,247)**	(21,236,419)
Retained earnings	**1,723,983,297**	1,374,121,211
	₱7,563,393,662	₱5,658,556,544

18. General, Administrative and Selling Expenses

	2021	2020
Personnel cost	**₱53,055,933**	₱60,125,149
Marketing (Note 23)	**47,708,616**	39,966,109
Taxes and licenses	**20,724,193**	22,196,270
Transportation and travel	**14,514,587**	846,921
Outside services	**11,332,567**	10,609,393
Depreciation (Note 12)	**8,737,763**	5,535,884
Rent (Note 21)	**7,928,496**	8,222,099
Retirement benefit expense (Note 19)	**7,057,657**	6,643,440
Professional fees	**5,016,270**	6,327,719
Utilities and supplies	**4,999,798**	5,275,767
Subscription and dues	**2,355,655**	1,983,203
Listing fee	**1,755,525**	259,500
Repairs and maintenance	**865,654**	924,285
Fines and penalties	**837,380**	983,867
Directors' fee	**818,000**	819,000
Bank charges	**811,860**	363,797
Insurance	**594,031**	669,026
Provision for impairment (Note 5)	**−**	2,372,733
Miscellaneous	**9,542,035**	6,355,941
	₱198,656,020	₱180,480,103

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Parent Company (see Notes 8 and 23).

"Miscellaneous" consists mainly of fines and penalties, bank charges, insurance expense and others.

19. Retirement Benefit Obligation

The Parent Company has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2021 and 2020.

Responsibilities of Trustee
The Parent Company's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Parent Company in the Trust Agreement executed between the Parent Company and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund, and an actuary to value the Retirement Fund.

The following tables summarize the components of retirement benefit costs recognized in the parent company statements of comprehensive income and the amounts recognized in the parent company statement of financial position.

The components of retirement benefit expense recognized as retirement benefits under "General, administrative and selling expenses" in the parent company statements of comprehensive income are as follows (see Note 18):

	2021	2020
Current service cost	**₱4,759,902**	₱4,004,858
Interest expense on defined benefit obligation	**2,422,284**	2,827,027
Interest income on plan assets	**(124,529)**	(188,445)
Total retirement benefit expense	**₱7,057,657**	₱6,643,440

The components of remeasurement loss on defined benefit plan recognized in OCI are as follows:

	2021	2020
Actuarial loss on defined benefit obligation	**₱-**	₱7,170,464
Remeasurement loss on plan assets	**6,116**	69,139
Income tax effect	**1,674,985**	(2,171,881)
Remeasurement loss at end of year	**₱1,681,101**	₱5,067,722

The breakdown of the retirement benefit obligation recognized in the parent company statements of financial position follow:

	2021	2020
Present value of defined benefit obligation	**₱71,572,778**	₱64,940,592
Fair value of plan assets	**(2,906,995)**	(3,338,582)
Retirement benefit obligation	**₱68,665,783**	₱61,602,010

Remeasurement loss on defined benefit obligation recognized in the parent company statements of financial position are as follows:

	2021	2020
At January 1	**₱23,471,199**	₱18,403,477
Actuarial loss on defined benefit obligation	**-**	7,170,464
Actuarial loss on fair value of plan assets	**6,116**	69,139
Income tax effect	**(1,529)**	(2,171,881)
At December 31	**₱23,475,786**	₱23,471,199

Changes in the present value of the defined benefit obligation follow:

	2021	2020
Balance at beginning of year	**₱64,940,592**	₱51,120,493
Current service cost	**4,759,902**	4,004,858
Interest cost	**2,422,284**	2,827,027
Benefits paid	**(550,000)**	(182,250)
Actuarial loss	**-**	7,170,464
Balance at end of year	**₱71,572,778**	₱64,940,592

Changes in the fair value of plan assets follow:

	2021	2020
Balance at beginning of year	**₱3,338,582**	₱3,401,526
Interest income	**124,529**	188,445
Actuarial loss	**(6,116)**	(69,139)
Benefits paid	**(550,000)**	(182,250)
Balance at end of year	**₱2,906,995**	₱3,338,582

The fair value of plan assets by each class as of December 31 are as follows:

	2021	2020
Equity instruments	**₱2,470,676**	₱2,795,207
Cash and cash equivalents	**422,090**	546,107
Debt instruments	**20,647**	30,173
Others	**(6,418)**	(32,905)
Balance at end of year	**₱2,906,995**	₱3,338,582

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2021	2020
Discount rates used	**3.73%**	3.73%
Expected rate of salary increases	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant.

	December 31, 2021	
		Effect
100 bps increase in discount rate	**4.7% decrease**	**(₱61,396,799)**
100 bps decrease in discount rate	**2.7% increase**	**69,028,324**
100 bps increase in salary rate	**6.0% increase**	**69,162,934**
100 bps decrease in salary rate	**4.0% decrease**	**(61,205,759)**

	December 31, 2020	
		Effect
100 bps increase in discount rate	4.7% decrease	(₱3,543,793)
100 bps decrease in discount rate	2.7% increase	4,087,732
100 bps increase in salary rate	6.0% increase	4,222,342
100 bps decrease in salary rate	4.0% decrease	(3,734,833)

The average duration of the defined benefit obligation as at December 31, 2021 and 2020 is 13.2 years. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2021.

Year ending:	
Less than one year	₱30,895,555
One to less than five years	10,209,469
Five to less than 10 years	29,137,187
10 to less than 15 years	18,831,108
15 to less than 20 years	32,930,002
20 years and above	45,745,387

20. **Income Taxes**

Provision for (benefit from) current income tax pertains to minimum corporate income tax (MCIT) and regular corporate income tax (RCIT) amounting to ₱1.39 million and ₱48.4 million in 2021 and 2020, respectively.

The reconciliation of statutory income to provision for income tax follows:

	2021	2020
Income tax computed at statutory rate	**₱92,995,242**	₱135,621,471
Additions to (reduction in) income tax resulting from:		
Tax-exempt dividend income	**(38,112,360)**	(61,560,366)
CREATE impact	**(33,859,011)**	−
Nondeductible expense	**1,181,301**	308,543
Interest income already subjected to final tax	**(86,288)**	(32,444)
Realized gain on sale of EIFVPL already subjected to final tax	−	(3,743,433)
	₱22,118,884	₱70,593,771

The components of the Parent Company's deferred tax assets and deferred tax liabilities are as follows:

	2021	2020
Recognized in profit or loss:		
Deferred income tax assets on		
NOLCO	**₱32,996,584**	₱–
Retirement benefit obligation	**8,782,346**	8,421,518
Allowance for expected credit losses	**698,549**	838,259
MCIT	**1,386,523**	–
Unamortized past service costs	**–**	86,805
Unrealized foreign exchange loss	**–**	10,032
	43,864,002	9,356,614
Deferred income tax liabilities on		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(244,414,568)**	(183,532,766)
Prepaid commission	**(3,181,408)**	(4,801,593)
Unrealized foreign exchange gain	**(7,517)**	–
	(247,603,493)	(188,334,359)
	(203,739,491)	(178,977,745)
Recognized directly in equity:		
Deferred tax asset on remeasurement loss on retirement benefit plan	**8,384,100**	10,059,086
Preferred share issue costs recognized in APIC	**6,671,734**	–
	(₱188,683,657)	(₱168,918,659)

The Parent Company has NOLCO and MCIT that is available for offset against future taxable income or tax payable for which deferred income tax assets have been recognized amounting to ₱39.7 million and ₱1.4 million, respectively, for the year ended December 31, 2021.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Parent Company has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	December 31, 2020	Addition	Expired	December 31, 2021
2021	2022-2026	₱–	₱158,673,272	₱–	₱158,673,272

As of December 31, 2021, the Company has incurred MCIT which can be claimed as deduction from the regular taxable income and tax due, respectively, for the next three (3) consecutive taxable years, as follows:

Year Incurred	Expiry Date	At December 31, 2020	Addition	Expired	At December 31, 2020
2021	December 31, 2024	₱–	₱1,386,523	₱–	₱1,386,523

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. The Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. The bill was published in a newspaper of general circulation on March 27, 2021, and became effective on April 11, 2021, which is 15 days after its publication.

The key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company is that effective July 1, 2020, the regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020, even though some of the provisions have retroactive effect to July 1, 2020, thus considered as a non-adjusting subsequent event on the December 31, 2020 balances. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of and for the year then ended (i.e., 30% RCIT / 2% minimum corporate income tax (MCIT) for financial reporting purposes.

The approval of the CREATE Act into law on March 26, 2021 is considered a substantive enactment of the Act into law that requires adjustments for financial reporting purposes. Applying the provisions of the CREATE Act to the Philippine-based entities, the applicable new income tax rates (i.e., 25% RCIT / 1% MCIT) were used to calculate for the current and deferred income taxes as at and for the year ended December 31, 2021.

Likewise, the impact on the December 31, 2020 balances had the CREATE Act been substantively enacted as of then, that were adjusted in 2021, are as follows:

Parent Company Statement of Financial Position

	Increase/(Decrease)
Deferred tax liabilities- net	
Attributable to profit and loss	(₱29,829,624)
Attributable to OCI	1,676,514
Income tax payable	(4,029,387)

Parent Company Statement of Comprehensive Income

	Increase/(Decrease)
Provision for income tax - current	(₱4,029,387)
Provision for income tax - deferred	(29,829,624)
Net income	33,859,011
Other comprehensive income	(1,676,514)
Total comprehensive income	(₱32,182,497)

21. Lease Agreements

The Parent Company has lease agreements for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

In 2021 and 2020, rent expense amounted to ₱7.9 million and ₱8.2 million, respectively (see Note 18).

22. Financial Risk Management Objectives and Policies

The Parent Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables (excluding advances to officers and employees), receivables from related parties, EIFVPL, EIFVOCI, and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables (excluding statutory payables) and short and long-term debt. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Parent Company's business activities.

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 exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Parent Company's overall risk management strategies and for approval of risk strategies and policies under the direction of the Parent Company's BOD.

The Parent Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Parent Company's financial performance.

There were no changes in the Parent Company's financial risk management objectives and policies in 2021 and 2020.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk. The Parent Company's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Parent Company trades only with recognized, creditworthy third parties. The Parent Company's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Parent Company's debt financial assets are not subject to collateral and other credit enhancement except for ICR. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Parent Company's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Parent Company has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the real estate units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Parent Company has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Parent Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

With respect to credit risk arising from the other debt financial assets of the Parent Company, which comprise cash, receivables from related parties and refundable deposits, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Parent Company's maximum exposure to credit risk is equal to the carrying values of its debt financial assets and contract assets except for ICRs as discussed above. The table below shows aging analysis of the Parent Company's financial assets:

	2021	2020
Financial assets:		
Cash[1]	**₱1,179,249,420**	₱227,459,006
Receivables	**368,665,770**	971,125,981
Receivables from related parties	**158,015,513**	108,886,008
Refundable deposits	**41,849,117**	39,958,257
Advances to officers and employees	**3,185,910**	2,952,123
Contract assets	**670,027,456**	96,865,190
	₱2,420,993,186	₱1,447,246,565

[1]*Excluding cash on hand amounting to ₱7,275,060 and ₱1,082,908 in 2021 and 2020, respectively.*

The following are the analyses of financial assets and contract assets that were neither past due nor impaired and past due but not impaired, and impaired as at December 31, 2021 and 2020:

			2021				
		Neither Past	**Past Due But not Impaired**				
	Total	**Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
Financial assets:							
Cash[1]	**₱1,179,249,420**	**₱1,179,249,420**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables[2]	**371,459,966**	**294,953,120**	**2,780,662**	**2,313,202**	**1,339,901**	**74,817,410**	**2,794,196**
Receivables from related parties	**158,015,513**	**–**	**–**	**–**	**–**	**158,015,513**	**–**
Refundable deposits	**41,849,117**	**41,849,117**	**–**	**–**	**–**	**–**	**–**
Advances to officers and employees	**3,185,910**	**3,185,910**	**–**	**–**	**–**	**–**	**–**
Contract assets	**670,027,456**	**670,027,456**	**–**	**–**	**–**	**–**	**–**
	₱2,423,787,382	**₱2,281,726,498**	**₱2,780,662**	**₱2,313,202**	**₱1,339,901**	**₱232,832,923**	**₱2,794,196**

[1]*Excluding cash on hand amounting to ₱7,275,060.*

	2020						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash[1]	₱227,459,006	₱227,459,006	₱–	₱–	₱–	₱–	₱–
Receivables[2]	923,577,087	806,804,750	10,353,194	5,012,654	2,975,891	95,636,402	2,794,196
Receivables from related parties	159,229,098	–	–	–	–	159,229,098	–
Refundable deposits	39,958,257	39,958,257	–	–	–	–	–
Advances to officers and employees	2,952,123	2,952,123	–	–	–	–	–
Contract assets	96,865,190	96,865,190	–	–	–	–	–
	₱1,450,040,761	₱1,174,039,326	₱10,353,194	₱5,012,654	₱2,975,891	₱254,865,500	₱2,794,196

[1]*Excluding cash on hand amounting to ₱1,082,908.*

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2021 and 2020.

General approach

- *Cash* – These are of high quality as the amounts are deposited in reputable banks which have good bank standing and is considered to have low credit risk. Accordingly, management assessed that no ECL relating to the cash of the Parent Company is recognized.

- *Receivables (except ICR and trade receivables), receivables from related parties and refundable deposits* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables and deposits of the Parent Company is recognized. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

Simplified approach

- *ICR and contract assets* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables of the Group is recognized. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

- *Trade receivables* – These are high grade since these pertain to receivables from customers who have established good credit standing with the Company. The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. Accordingly, management assessed and recognized ECL relating to trade receivables amounting to nil and ₱2.4 million in 2021 and 2020, respectively. Trade receivables are regarded as short-term and while there are certain accounts that are past-due, the Group evaluates the credit risk with respect to trade receivables as low as there were no history of default payments.

	2021				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱1,418,401,984**	**₱–**	**₱–**	**₱1,005,385,398**	**₱2,423,787,382**
Loss allowance	**–**	**–**	**–**	**(2,794,196)**	**(2,794,196)**
Carrying amount	**₱1,418,401,984**	**₱–**	**₱–**	**₱1,002,591,202**	**₱2,420,993,186**

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱548,481,734	₱–	₱–	₱901,559,027	₱1,450,040,761
Loss allowance	–	–	–	(2,794,196)	(2,794,196)
Carrying amount	₱548,481,734	₱–	₱–	₱898,764,831	₱1,447,246,565

For financial assets recognized on the consolidated statements of financial position, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.

Applying the expected credit risk model resulted to recognition of impairment loss of nil and ₱2.4 million from receivables in 2021 and 2020, respectively.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Parent Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Parent Company maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Parent Company considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Parent Company's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted payments:

	2021			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱1,186,524,480**	**₱–**	**₱–**	**₱1,186,524,480**
Receivables	**84,045,371**	**237,620,973**	**46,999,426**	**368,665,770**
Receivables from related parties	**158,015,513**	**–**	**–**	**158,015,513**
EIFVOCI	**–**	**–**	**239,411,453**	**239,411,453**
Refundable deposits	**–**	**551,467**	**41,297,650**	**41,849,117**
Advances to officers and employees	**3,185,910**			**3,185,910**
	1,431,771,274	**238,172,440**	**327,708,529**	**1,997,652,243**
Financial Liabilities				
Accounts and other payables[1]	**77,761,633**	**468,408,306**	**–**	**546,169,939**
Short-term debt				
Principal	**–**	**435,461,020**	**–**	**435,461,020**
Interest	**–**	**25,729,882**	**–**	**25,729,882**
Long-term debt				

(Forward)

		2021		
Principal	–	**201,643,018**	**850,811,991**	**1,052,455,009**
Interest	–	**29,951,888**	**21,958,132**	**51,910,020**
	77,761,633	**1,161,194,114**	**872,770,123**	**2,111,725,870**
Net Inflow (Outflow)	**₱1,354,009,641**	**(₱923,021,674)**	**(₱545,061,594)**	**(₱114,073,627)**

[1] *Excluding statutory payables of ₱139,537,789*

	2020			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	₱228,541,914	₱–	₱–	₱228,541,914
Receivables	116,772,337	777,672,099	26,338,455	920,782,891
Receivables from related parties	159,229,098	–	–	159,229,098
EIFVOCI	–	–	175,587,105	175,587,105
Refundable deposits	–	551,467	39,406,790	39,958,257
Advances to officers and employees	2,952,123	–	–	2,952,123
	507,495,472	778,223,566	241,332,350	1,527,051,388
Financial Liabilities				
Accounts and other payables[1]	57,471,890	385,380,805	–	442,852,695
Short-term debt				
Principal	–	406,177,400	–	406,177,400
Interest	–	25,729,882	–	25,729,882
Long-term debt				
Principal	–	209,200,759	574,655,809	783,856,568
Interest	–	29,951,888	21,958,132	51,910,020
	57,471,890	1,056,440,734	596,613,941	1,710,526,565
Net Inflow (Outflow)	₱450,023,582	(₱278,217,168)	(₱355,281,591)	(₱183,475,177)

[1] *Excluding statutory payables of ₱129,756,106.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Parent Company's financial instruments will fluctuate because of changes in market interest rates. The Parent Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Parent Company's income before tax and equity, through the impact on floating rate borrowings:

2021		2020	
Increase (decrease) in basis points	**Effect on profit before tax**	Increase (decrease) in basis points	Effect on profit before tax
300	**(₱2,272,656)**	300	(₱2,116,219)
200	**(1,515,104)**	200	(1,410,813)
100	**(757,552)**	100	(705,406)
(100)	**757552**	(100)	705,406
(200)	**1,515,104**	(200)	1,410,813
(300)	**2,272,656**	(300)	2,116,219

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to 100 to 300 basis points upward or downward fluctuation in both 2021 and 2020. There is no other impact on the Parent Company's total comprehensive income other than those already affecting the net income.

Equity Price Risk. The Parent Company's equity investments on golf and club shares, classified as FVOCI are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As of December 31, 2021 and 2020, the Group's exposure to equity price risk with respect to EIFVOCI is minimal.

Fair Value of Financial Assets and Liabilities

The following table presents a comparison by category of carrying values and estimated fair values of the Parent Company's financial instruments as at December 31:

	2021		2020	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱1,186,524,480**	**₱1,186,524,480**	₱228,541,914	₱228,541,914
Receivables	**368,665,770**	**368,665,770**	920,782,891	920,782,891
EIFVOCI	**239,411,453**	**239,411,453**	175,587,105	175,587,105
Receivables from related parties	**158,015,513**	**158,015,513**	159,229,098	159,229,098
Refundable deposits	**41,849,117**	**41,849,117**	39,958,257	39,958,257
Advances to officers and employees	**3,185,910**	**3,185,910**	2,952,123	2,952,123
	₱1,997,652,243	**₱1,997,652,243**	₱1,527,051,388	₱1,527,051,388
Financial Liabilities				
Accounts and other payables[1]	**₱546,169,939**	**₱546,169,939**	₱442,852,695	₱442,852,695
Short-term debt	**435,461,020**	**435,461,020**	406,177,400	406,177,400
Long-term debt	**1,052,455,009**	**1,264,325,273**	783,856,568	941,655,141
	₱2,034,085,968	**₱2,245,956,232**	₱1,632,886,663	₱1,790,685,236

[1] *Excluding statutory payables of ₱139,537,789 and ₱129,756,106 in 2021 and 2020, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash, receivables (except ICR), accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.

- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates (Level 3 input).

- *Receivables from related parties.* Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.

- *EIFVOCI.* For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

- *Refundable deposits*. The fair values of refundable deposits are not determinable since the timing of each refund is not reasonably predictable, hence presented at cost.

- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% to 7.5% in 2021 and 2020. The Parent Company classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Revenue from Contracts with Customers

Revenue Disaggregation
The Parent Company derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Parent Company's disaggregation of each sources of revenue from contracts with customers are presented below:

	2021	2020
Type of product:		
Real estate sales		
Lot-only units	**₱382,882,076**	₱397,771,805
House and lot units	**245,570,349**	363,766,554
Water service	**24,836,284**	23,417,340
	₱653,288,709	₱784,955,699

The real estate sales are revenue from contracts with customers that are recognized over time while revenue from water service are recognized when the services are rendered.

Contract Balances

	2021	2020
ICR (Note 5)	**₱330,518,474**	₱798,623,667
Contract assets (Note 14)	**670,027,456**	96,865,190
Costs to obtain contracts (Note 8)	**12,725,634**	16,005,309
Contract liabilities (Note 14)	**169,402,619**	168,966,097

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 10 years. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers.

Contract assets represent the right to consideration that was already delivered by the Parent Company in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Costs to obtain contracts
Costs to obtain contracts are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	2021	2020
Balance at January 1	**₱16,005,309**	₱16,355,255
Additions	**44,428,940**	39,616,163
Amortization (Note 18)	**(47,708,615)**	(39,966,109)
Balance at end of the year	**₱12,725,634**	₱16,005,309

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱34.6 million and ₱22.2 million in 2021 and 2020, respectively, are recognized as marketing expenses presented under "General, administrative and selling expenses" account in the parent company statements of comprehensive income (see Note 18).

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on POC. Contract liabilities amounted to ₱169.4 million and ₱169.0 million in 2021 and 2020, respectively. The movement of this account is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

The amount of revenue recognized in 2021 and 2020 from amounts included in contract liabilities at the beginning of the year amounted to ₱140.8 million and ₱40.4 million, respectively.

Performance Obligation
Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the

(i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% to 25% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Parent Company's real estate projects. The Parent Company's real estate projects are completed within 6 months to 12 months, from start of construction.

24. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities

2021

	Beginning Balance	**Availments/ Reissuances**	**Payments/ Acquisitions**	**Others**	**Ending Balance**
Short-term debt	**₱406,177,400**	**₱157,065,000**	**(₱127,781,380)**	**₱–**	**₱435,461,020**
Current portion of long-term debt	**209,200,759**	**–**	**(278,572,759)**	**271,015,018**	**201,643,018**
Noncurrent portion of long-term debt	**574,655,809**	**547,171,200**	**–**	**(271,015,018)**	**850,811,991**
Interest (Note 13)	**1,936,994**	**–**	**(85,809,550)**	**86,755,823**	**2,883,267**
	₱1,191,970,962	**₱704,236,200**	**(₱492,163,689)**	**₱86,755,823**	**₱1,490,799,296**

2020

	Beginning Balance	Availments/ Reissuances	Payments/ Acquisitions	Others	Ending Balance
Short-term debt	₱370,100,000	₱241,252,000	(₱155,174,600)	(₱50,000,000)	₱406,177,400
Current portion of long-term debt	167,402,746	–	(189,742,099)	231,540,112	209,200,759
Noncurrent portion of long-term debt	584,292,221	171,903,700	–	(181,540,112)	574,655,809
Interest (Note 13)	4,150,592	–	(58,068,416)	55,854,818	1,936,994
	₱1,125,945,559	₱413,155,700	(₱402,985,115)	₱55,854,818	₱1,191,970,962

Others include reclassification of loan from shareholder from short-term debt to long-term debt (see Notes 15 and 16), interest expense and capitalized borrowing costs.

The Parent's noncash investing and financing activities pertain to the following:

- Dividend receivable amounted to ₱80.0 million and ₱138.0 million as of December 31, 2021 and 2020, respectively.
- In 2021 and 2020, capitalized borrowing cost amounted to ₱61.7 million and ₱36.2 million, respectively.
- In 2021, the Parent Company transferred from real estate inventory to investment property amounting to ₱149.5 million.

25. **Subsequent Events**

Pursuant to the yearly cash dividends on "Series A" preferred shares (see Note 17), on February 2, 2022, the BOD approved the declaration of cash dividends in the amount of ₱1.75 per share out of the Parent Company's unrestricted retained earnings as of December 31, 2021 amounting to ₱23.2 million payable on March 1, 2022. Holders of "Series A" preferred shares on record as of February 16, 2022 are entitled to receive the said dividends.

Further, on May 2, 2022, the BOD approved the declaration of cash dividends on "Series A" preferred shares for the next three quarters of the year in the amount of ₱1.75 per share per share out of the Parent Company's unrestricted retained earnings as of December 31, 2021. Considering that the dividend payment dates are not banking days, the dividends are payable to the entitled shareholders on the following dates:

(i) May 30, 2022 to shareholders of record as of May 17, 2022;
(ii) August 30, 2022 to shareholders of record as of August 3, 2022; and,
(iii) November 29, 2022 to shareholders of record as of November 3, 2022.

26. **Supplementary Tax Information Required under RR 15-2010**

RR No. 15-2010 are promulgated to amend 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 parent company financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year. The Parent Company also reported and/or paid the following types of taxes for 2021:

<u>Value Added Tax (VAT)</u>
Details of the Parent Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed for 2021

	Net Sales	Output VAT
Vatable sales/receipt at 12%	₱442,861,921	₱53,143,431
Sale to government	726,413	87,170
Exempt sales	41,700,987	–
	₱485,289,321	₱53,230,601

The Parent Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of comprehensive income.

b. *The rollforward of Input VAT for 2021 follows*:

	Input VAT	Deferred Input VAT
Balance at January 1	₱3,544,188	₱515,134
Current year's domestic purchases/payments or importations for:		
Goods for resale/manufacture or further processing	20,818,097	–
Goods other than for resale or manufacture	359,067	–
Capital goods subject to amortization	325,417	(325,417)
Services lodged under cost of goods sold	27,898,770	–
Total	52,945,539	189,717
Applied against output VAT	(49,578,606)	–
Input VAT allocable to exempt sales	(3,366,933)	–
Input tax charged to expense	26,209	–
Creditable VAT	–	–
VAT payments during the year	3,589,464	–
VAT withheld on sales to government	36,321	–
Balance at December 31	₱3,651,994	₱189,717

Taxes and Licenses
Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for the year as follows:

Documentary stamp tax	₱12,104,284
Business permit	7,867,310
Real property tax	391,415
Registration and license fee	137,533
Others	223,651
December 31, 2021	₱20,724,193

Withholding Taxes
Details of withholding taxes for the year are as follows:

Expanded withholding taxes	₱12,435,970
Withholding tax on compensation and benefits	6,861,028
Final tax	–
December 31, 2021	₱19,296,998