



April 28, 2023

The Securities and Exchange Commission
The SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati 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, 2022 and 2021, 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

SUBSCRIBED AND SWORN to before me this 28 day of APR 2023, affiants exhibiting to me their respective passports, as follows:

JANINE T. TUTANES

Names	Competent Evidence of Identity	Date of Issue	Place of Issue
Walter W. Brown	P0742117C	June 30, 2022	DFA - NCR Central
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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PTR No. 9004903/01.04.23/Pasig
IBP No. 260918/01.05.23/RSM
Roll of Attorneys No. 79361
Admitted to the Bar: 05.16.22

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, 2022 and 2021, 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, 2022 and 2021, 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 2022 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.

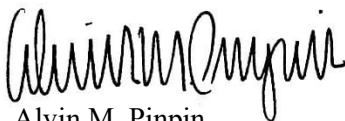
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. 9564678, January 3, 2023, Makati City

April 28, 2023



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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	₱135,786,328	₱1,186,524,480
Receivables (Note 5)	235,171,194	324,852,254
Contract assets (Note 14)	684,156,555	185,102,035
Receivables from related parties (Note 15)	135,994,883	158,015,513
Real estate inventories (Note 6)	2,961,366,259	2,090,015,454
Other current assets (Note 8)	566,181,473	421,838,875
Total Current Assets	4,718,656,692	4,366,348,611
Noncurrent Assets		
Receivables - net of current portion (Note 5)	–	46,999,426
Contract assets - net of current portion (Note 14)	784,993,918	484,925,421
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 7)	301,030,435	239,411,453
Investment in an associate (Note 9)	110,000,000	110,000,000
Investments in subsidiaries (Note 10)	744,870,347	714,770,347
Deposit for future stock subscription (Note 15)	1,934,493,651	1,730,799,393
Investment properties (Note 11)	453,264,654	447,246,314
Property and equipment (Note 12)	121,365,517	58,931,354
Other noncurrent assets (Note 8)	611,526,399	256,609,490
Total Noncurrent Assets	5,061,544,921	4,089,693,198
TOTAL ASSETS	₱9,780,201,613	₱8,456,041,809

LIABILITIES AND EQUITY**Current Liabilities**

Accounts and other payables (Note 13)	₱1,007,778,612	₱685,707,728
Short-term debt (Note 16)	472,019,208	435,461,020
Current portion of long-term debt (Note 16)	317,602,384	201,643,018
Contract liabilities (Note 14)	219,826,474	169,402,619
Total Current Liabilities	2,017,226,678	1,492,214,385

(Forward)

	December 31	
	2022	2021
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	₱909,647,980	₱850,811,991
Deferred tax liabilities - net (Note 20)	336,783,085	188,683,657
Retirement benefit obligation (Note 19)	68,998,747	68,665,783
Total Noncurrent Liabilities	1,315,429,812	1,108,161,431
Total Liabilities	3,332,656,490	2,600,375,816
Equity		
Capital stock (Note 17)		
Common stock	2,477,668,925	2,477,668,925
Preferred stock	13,264,900	13,264,900
Additional paid-in capital (Note 17)	1,931,178,758	1,931,178,758
Treasury shares - common (Note 17)	(94,932,275)	(70,618,247)
Fair value reserve of EIFVOCI (Note 7)	(133,040,358)	(194,659,340)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	(21,142,395)	(25,152,300)
Retained earnings (Note 17)	2,274,547,568	1,723,983,297
Total Equity	6,447,545,123	5,855,665,993
TOTAL LIABILITIES AND EQUITY	₱9,780,201,613	₱8,456,041,809

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31	
	2022	2021
REVENUES		
Real estate sales (Note 23)	₱1,378,739,155	₱628,452,425
Water service (Note 23)	25,323,973	24,836,284
	1,404,063,128	653,288,709
COST AND EXPENSES		
Cost of real estate sales (Note 6)	477,722,261	219,690,454
Cost of water service revenue	14,212,257	9,579,082
	491,934,518	229,269,536
GROSS PROFIT	912,128,610	424,019,173
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	311,081,054	198,656,020
OTHER INCOME (EXPENSES)		
Dividend income (Notes 9 and 10)	190,010,618	152,449,442
Interest expense (Note 16)	(24,034,420)	(25,038,878)
Income from forfeited deposits	18,401,162	12,117,875
Interest income (Notes 4 and 5)	2,251,669	2,174,214
Gain (loss) on sale of property and equipment (Note 12)	10,399	(50,833)
Miscellaneous income (Note 11)	7,201,465	4,965,997
	193,840,893	146,617,817
INCOME BEFORE INCOME TAX	794,888,449	371,980,970
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)		
Current	4,700,784	(2,642,864)
Deferred	146,762,794	24,761,748
	151,463,578	22,118,884
NET INCOME	643,424,871	349,862,086
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19)	4,009,905	(1,681,101)
Net change in fair value of EIFVOCI (Note 7)	61,618,982	63,824,348
	65,628,887	62,143,247
TOTAL COMPREHENSIVE INCOME	₱709,053,758	₱412,005,333

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, 2022 AND 2021**

	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve of EIFVOCI	Remeasurement Gain (Loss) on Retirement Obligation - net of tax	Retained Earnings	Total
At January 1, 2022	₱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
Acquisitions of treasury shares (Note 17)	–	–	–	(24,314,028)	–	–	–	(24,314,028)
Dividend declaration (Note 17)	–	–	–	–	–	–	(92,860,600)	(92,860,600)
Net income	–	–	–	–	–	–	643,424,871	643,424,871
Other comprehensive income	–	–	–	–	61,618,982	4,009,905	–	65,628,887
Total comprehensive income	–	–	–	–	61,618,982	4,009,905	643,424,871	709,053,758
At December 31, 2022	₱2,477,668,925	₱13,264,900	₱1,931,178,758	(₱94,932,275)	(₱133,040,358)	(₱21,142,395)	₱2,274,547,568	₱6,447,545,123
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	–	–	–	–	–	–	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

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱794,888,449	₱371,980,970
Adjustments for:		
Dividend income (Notes 7, 9 and 10)	(190,010,618)	(152,449,442)
Interest expense (Note 16)	24,034,420	25,038,878
Depreciation (Notes 11 and 12)	13,095,744	8,737,764
Net change in retirement benefit obligation (Note 19)	9,605,244	7,057,657
Interest income from cash deposits (Note 4)	(895,609)	(345,152)
Unrealized foreign exchange loss	679,977	30,069
Loss (gain) on sale of property and equipment (Note 12)	(10,399)	50,833
Operating income before working capital changes	651,387,208	260,101,577
Decrease (increase) in:		
Receivables	136,680,487	443,883,333
Contract assets	(799,123,017)	(573,162,266)
Receivables from related parties	22,020,630	1,213,585
Real estate inventories	(862,997,456)	(654,078,488)
Other current assets	(168,213,611)	107,086,377
Increase in:		
Accounts and other payables	370,456,659	170,429,458
Contract liabilities	50,423,855	436,522
Net cash used in operations	(599,365,245)	(244,089,902)
Dividends received	190,010,618	160,449,442
Interest received from cash deposits	895,609	345,152
Net cash flows used in operating activities	(408,459,018)	(83,295,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Note 12)	(81,073,596)	(19,446,909)
Investment properties (Note 11)	–	(205,638,655)
Investments in subsidiaries (Note 10)	–	(25,000,000)
Proceeds from sale of property and equipment (Note 12)	10,399	820,000
Increase in deposit for future stock subscription (Note 15)	(203,694,258)	(176,701,114)
Increase in other noncurrent assets	(354,916,907)	(1,890,860)
Net cash flows used in investing activities	(639,674,362)	(427,857,538)

(Forward)

	December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱434,720,800	₱547,171,200
Short-term debt	326,857,000	157,065,000
Issuance of preferred stock, net of issue costs (Note 17)	-	1,306,474,799
Payments of:		
Short-term debt	(290,298,812)	(127,781,380)
Long-term debt	(257,176,254)	(278,572,759)
Interest	(95,672,901)	(85,809,551)
Preferred share dividend	(92,860,600)	-
Debt issue cost	(3,180,000)	-
Acquisitions of treasury shares - common (Note 17)	(24,314,028)	(49,381,828)
Net cash flows from (used in) financing activities	(1,924,795)	1,469,165,481
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(679,977)	(30,069)
NET INCREASE (DECREASE) IN CASH	(1,050,738,152)	957,982,566
CASH AT BEGINNING OF YEAR	1,186,524,480	228,541,914
CASH AT END OF YEAR (Note 4)	₱135,786,328	₱1,186,524,480

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, 2022 and 2021 were approved and authorized for issue by the BOD on April 28, 2023.

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 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):

- 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 Company 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 Policies 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, 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The 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, 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.

- Amendments to PAS 16, *Property, 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.

- 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.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- 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.

- 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.

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, 2023

- 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.



- 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 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.

The Parent Company is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- 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, 2024 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.



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.

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the parent company financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

Current versus Noncurrent Classification

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.

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, 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, 2022 and 2021, 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).

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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.



For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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, 2022 and 2021 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.

Classification of Financial Instruments Between Liability and Equity

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.

Offsetting Financial Instruments

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 and other noncurrent 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 and landbanking, respectively.

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 subsidiaries 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 Parent Company 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 Parent Company 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.

Sales cancellation is accounted for as a modification of the contract (from non-cancelable to being cancelable) resulting to the reversal of the previously recognized real estate sales and cost of real estate sales and reinstating the real estate inventories at cost.

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; and (c) determination of the actual costs incurred as cost of goods sold.

- *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, 2022 and 2021, the aggregate carrying values of the financial assets amounted to ₱857.4 million and ₱1,997.7 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, 2022 and 2021, the real estate sales recognized over time amounted to ₱1,378.7 million and ₱628.5 million, respectively (see Note 23), while the related cost of real estate sales amounted to ₱477.7 million and ₱219.7 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 2022 and 2021 would demonstrate the buyer's commitment to pay.

The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱1,630.8 million and ₱1,047.5 million as of December 31, 2022 and 2021, 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 in 2022 and 2021, respectively. As at December 31, 2022 and 2021, 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 ₱2,961.4 million and ₱2,090.0 million as of December 31, 2022 and 2021, 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, 2022 and 2021, the aggregate carrying value of depreciable property and equipment and investment properties amounted to ₱193.3 million and ₱133.7 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, 2022 and 2021, the aggregate fair values of the financial assets amounted to ₱857.4 million and ₱1,997.7 million, respectively, and of the financial liabilities amounted to ₱2,413.4 million and ₱2,246.0 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:

	2022	2021
Investment in an associate (see Note 9)	₱110,000,000	₱110,000,000
Investments in subsidiaries (see Note 10)	744,870,347	714,770,347
Deposit for future stock subscription (see Note 15)	1,934,493,651	1,730,799,393
Investment properties (see Note 11)	453,264,654	447,246,314
Property and equipment (see Note 12)	121,365,517	58,931,354
Other assets* (see Note 8)	1,128,281,677	636,599,248

*Excluding refundable deposits amounting to ₱49.4 million and ₱41.8 million as of 2022 and 2021, respectively.



No impairment was recognized for the Parent Company's nonfinancial assets for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, the carrying values of these deferred tax assets amounted to ₱45.0 million and ₱58.9 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, 2022 and 2021, the Parent Company's retirement benefit obligation amounted to ₱69.0 million and ₱68.7 million, respectively (see Note 19).

4. Cash

	2022	2021
Cash on hand	₱13,521,063	₱7,275,060
Cash in banks	122,265,265	1,179,249,420
	₱135,786,328	₱1,186,524,480

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 ₱0.9 million and ₱0.3 million in 2022 and 2021, respectively.

5. Receivables

	2022	2021
ICR	₱161,658,615	₱330,518,474
Trade receivables	5,631,564	4,839,468
Advances to officers and employees	8,224,199	3,185,910
Other receivables	62,451,012	36,102,024
	237,965,390	374,645,876
Less allowance for impairment	2,794,196	2,794,196
	235,171,194	371,851,680
Less noncurrent portion	-	46,999,426
	₱235,171,194	₱324,852,254



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 2022 and 2021, 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 ₱1.4 million and ₱1.9 million in 2022 and 2021, 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.

As of December 31, 2022 and 2021, the Parent Company has allowance for impairment on receivables amounting to ₱2.8 million.

6. Real Estate Inventories

	2022	2021
Land for sale and development	₱807,287,382	₱519,645,963
Construction and development costs	2,154,078,877	1,570,369,491
	₱2,961,366,259	₱2,090,015,454

The rollforward of this account follows:

	2022	2021
Balance at beginning of the year	₱2,090,015,454	₱1,573,049,067
Construction and development costs incurred	803,472,007	477,483,328
Transfers from deposits for land acquisition (Note 8)	394,235,788	299,980,155
Borrowing costs capitalized (Note 16)	75,270,157	61,716,946
Purchase of land	67,640,630	34,588,513
Transfers to investment properties (Note 11)	-	(149,537,684)
Depreciation expense capitalized (Note 12)	8,454,484	12,425,583
Cost of real estate sales	(477,722,261)	(219,690,454)
	₱2,961,366,259	₱2,090,015,454

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost as of December 31, 2022 and 2021.

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 2022 and 2021 amounted to ₱75.3 million and ₱61.7 million, respectively (see Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2022 and 2021 is 6.89% and 6.55%, 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, 2022 and 2021, the carrying values of the collateralized real estate inventories amounted to ₱329.1 million and ₱474.2 million, respectively.

7. Investments in Equity Instruments

Quoted and unquoted equity securities

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, 2022 and 2021, the carrying value of unquoted golf club shares amounted to ₱288.3 million and ₱226.7 million, respectively; and unlisted shares of stock amounted to ₱12.7 million for 2022 and 2021, respectively.

The rollforward analysis of investments in EIFVOCI follows:

	2022	2021
Cost:		
At January 1 and December 31	₱434,070,793	₱434,070,793
Cumulative unrealized loss:		
At January 1	(194,659,340)	(258,483,688)
Fair value adjustment	61,618,982	63,824,348
At December 31	(133,040,358)	(194,659,340)
Carrying values	₱301,030,435	₱239,411,453



8. Other Assets

	2022	2021
<i>Current</i>		
Deposits for purchased land	₱256,818,694	₱158,739,048
Creditable withholding taxes	121,184,127	95,859,728
Construction materials	109,257,514	86,267,235
Prepaid expenses	70,852,837	63,707,284
Costs to obtain contracts (Note 23)	2,383,406	12,725,634
Input VAT	1,645,093	3,651,994
Refundable deposits	551,467	551,467
Miscellaneous	3,488,335	336,585
	₱566,181,473	₱421,838,875
<i>Noncurrent</i>		
Deposits for purchased land - noncurrent	₱347,339,831	₱-
Advances to third party and others	215,311,840	215,311,840
Refundable deposits - net of current portion	48,874,728	41,297,650
	₱611,526,399	₱256,609,490

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 current portion of the lands are intended to be held for sale and development in the future and the noncurrent portion is intended for capital appreciation and land which has undetermined future use. In 2022 and 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 ₱394.2 million and ₱300.0 million respectively (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 investment in 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, 2022 and 2021. The primary place of business and office address of the associate is 3rd Floor Joy-Nostal Center, ADB Avenue, Ortigas Center, Pasig City.

As at December 31, 2022 and 2021, 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 ₱80.0 million and ₱72.4 million in 2022 and 2021, respectively. All dividends were received by the Parent Company in the same year.

10. Investments in Subsidiaries

	Principal Activities	% of Ownership	2022	2021
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing	100	₱449,999,995	₱449,999,995
Nakeen Corporation (NC)***	Agriculture	100	–	–
Bonsai Agri Corporation (BAC)***	Agriculture	100	–	–
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	Holding	100	109,000,000	109,000,000
Vires Energy Corporation (VEC)*	Power plant operations	100	78,870,852	78,870,852
Irradiation Solutions Inc. (ISI)*	Irradiation services	100	60,000,000	25,000,000
Blaze Capital Limited (BCL)*	Infrastructure	100	25,000,000	25,000,000
Hydro Link Projects Corp. (HLPC)*	Power operations	100	16,000,000	16,000,000
AB Bulk Water Company, Inc. (ABBWCI)*	Water service	100	5,000,000	5,000,000
Masinloc Consolidated Power, Inc. (MCPI)**	Power plant operations	49	4,900,000	4,900,000
Simple Homes Development, Inc. (SHDI)*	Real estate	100	999,500	999,500
Total			₱749,770,347	₱714,770,347
Less allowance for impairment losses			4,900,000	–
			₱744,870,347	₱714,770,347

* 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 ₱110.0 million and ₱80.0 million in 2022 and 2021, respectively. All dividends were received by the Parent Company in the same year.

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.

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. MCPI has not yet started its commercial operations. On March 22, 2023, the Company has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate life from fifty (50) years from and after the date of incorporation to seventeen (17) years from and after the date of issuance of the Certificate of Incorporation, or on July 3, 2024.

In 2022, based on evaluation of asset impairment, the Parent Company provided provision for impairment loss on its investment in MCPI amounting to ₱4.9 million (see Note 18).

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.

11. Investment Properties

The Parent Company's investment properties as at December 31, 2022 and 2021 are classified as follows:

	2022	2021
Land held for capital appreciation	₱307,834,532	₱299,006,532
Land and building held for lease	145,430,122	148,239,782
	₱453,264,654	₱447,246,314

The fair values of investment properties as of December 31, 2022 and 2021 amounted to ₱758.1 million and ₱752.8 million, respectively.

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, 2022 and 2021. 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. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2022 and 2021. The significant unobservable input to the valuation is the price per square meter.

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:

	2022	2021
Cost:		
Balances at beginning of year	₱299,006,532	₱93,367,877
Additions	-	205,638,655
Reclassification from deposit for purchased land (Note 8)	8,828,000	-
Net carrying value	₱307,834,532	₱299,006,532

Land and building held for lease as at December 31, 2022 and 2021 are as follows:

	Land	Building	Land Improvements	Total
2022				
Cost:				
Balances at beginning of year	₱63,908,760	₱7,142,749	₱87,238,988	₱158,290,497
Additions	-	-	101,135	101,135
Balances at end of year	63,908,760	7,142,749	87,340,123	158,391,632
Accumulated depreciation:				
Balances at beginning of year	-	7,142,749	2,907,966	10,050,715
Depreciation (Note 18)	-	-	2,910,795	2,910,795
Balances at end of year	-	7,142,749	5,818,761	12,961,510
	₱63,908,760	₱-	₱81,521,362	₱145,430,122
2021				
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

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 in 2022 and 2021. Lease revenue generated amounted ₱3.2 million and ₱0.1 in 2022 and 2021, respectively.



12. Property and Equipment

The composition and movements of this account are as follows:

	2022							Total
	Land	Building and Improvements	Machinery and Equipment	Furniture and Fixtures	Transportation Equipment	Tools and Other Equipment	Other Equipment	
Cost								
At January 1	₹9,606,847	₹40,820,078	₹156,768,938	₹26,420,637	₹56,779,858	₹8,359,467	₹36,542,810	₹335,298,635
Additions	–	411,566	29,614,286	4,667,054	36,522,362	2,938,608	6,919,720	81,073,596
Disposals	–	–	–	(53,567)	–	–	–	(53,567)
At December 31	9,606,847	41,231,644	186,383,224	31,034,124	93,302,220	11,298,075	43,462,530	416,318,664
Accumulated depreciation								
At January 1	–	40,735,858	144,937,909	22,258,674	31,685,498	7,883,028	28,866,314	276,367,281
Depreciation	–	21,371	6,083,997	2,105,126	6,486,096	352,250	3,590,593	18,639,433
Disposals	–	–	–	(53,567)	–	–	–	(53,567)
At December 31	–	40,757,229	151,021,906	24,310,233	38,171,594	8,235,278	32,456,907	294,953,147
Net Book Value	₹9,606,847	₹474,415	₹35,361,318	₹6,723,891	₹55,130,626	₹3,062,797	₹11,005,623	₹121,365,517

	2021							Total
	Land	Building and Improvements	Machinery and Equipment	Furniture and Fixtures	Transportation Equipment	Tools and Other Equipment	Other Equipment	
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)
Reclassification			(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
Disposal					(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



The depreciation from property and equipment in 2022 and 2021 are recognized as:

	2022	2021
General, administrative and selling expenses (Note 18)	₱10,184,949	₱5,829,798
Real estate inventories (Note 6)	8,454,484	12,425,583
	₱18,639,433	₱18,255,381

In 2022 and 2021, the Company sold property and equipment, resulting in a gain of ₱10,399 and a loss of ₱50,833 million, respectively, recognized under “Other income” in the statements of comprehensive income.

13. Accounts and Other Payables

	2022	2021
Trade payables	₱697,217,883	₱427,993,710
Statutory payables	164,445,172	139,537,789
Accrued expenses	95,719,116	77,761,634
Retention payable	43,881,498	37,531,328
Accrued interest payable	6,514,943	2,883,267
	₱1,007,778,612	₱685,707,728

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, 2022 and 2021 are as follows:

	2022	2021
Current portion of contract assets	₱684,156,555	₱185,102,035
Noncurrent portion of contract assets	784,993,918	484,925,421
Contract assets	₱1,469,150,473	₱670,027,456
Contract liabilities	₱219,826,474	₱169,402,619

The amount of revenue recognized in 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱153.3 million and ₱140.8 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, 2022 and 2021, 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 ₱184.1 million and ₱240.4 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.

Category	Amount	2022		
		Receivable (Payable)	Terms	Conditions
Subsidiaries and shareholders				
<i>Deposits for future stock subscription*:</i>				
ABERDI	₱79,302,073	₱927,807,660	Convertible to investment; non interest-bearing	Unsecured; no impairment
PTCHC	–	749,427,698		
ISI	67,642,185	143,242,185		
VEC	56,750,000	75,822,148		
HLPC	–	26,084,253		
BCL	–	12,109,707		
		₱1,934,493,651		
<i>Advances to**:</i>				
ABBWCI	₱195,646	₱15,391,140	On demand; non interest-bearing	Unsecured; no impairment
VEC	–	4,731,491		
SHDI	–	1,835,597		
ABERDI	–	3,749,799		
BCL	792,824	792,824		
ISI	–	394,110		
		₱26,894,961		
Associate				
<i>Advances to**:</i>				
PEI	–	₱56,885,761	On demand; non interest-bearing	Unsecured; no impairment
Affiliates				
<i>Advances to**:</i>				
EWRTC	–	₱50,894,936	On demand; non interest-bearing	Unsecured; no impairment
NC	303,759	1,034,519		
BAC	259,715	284,706		
		₱52,214,161		
<i>Long-term debt (see Note 16):</i>				
From shareholder				
Principal payments	₱56,312,400	₱–	12-year, 6.00% interest-bearing	Unsecured; no collateral
Current	–	(59,785,625)		
Noncurrent	–	(124,306,039)		
	₱56,312,400	₱184,091,664		

* 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	2021		
		Receivable (Payable)	Terms	Conditions
Subsidiaries and shareholders				
<i>Deposits for future stock subscription*:</i>				
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		

(Forward)



Category	2021			
	Amount	Receivable (Payable)	Terms	Conditions
<i>Advances to**:</i>				
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		
PTCHC	—	95,817		
MCPI	—	28,000		
		₱24,980,270		
Associate				
<i>Advances to**:</i>				
PEI	₱99,205	₱80,642,965	On demand; non interest-bearing	Unsecured; no impairment
Affiliates				
<i>Advances to**:</i>				
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		
<i>Long-term debt (see Note 16):</i>				
BRC				
Principal payments	₱947,227	₱—	2-year, 6.00%	Unsecured;
Interest payments	31,066	—		
		₱—		
<i>Long-term debt (see Note 16):</i>				
From shareholder				
Principal payments	₱53,040,950	₱—	12-year, 6.00%	Unsecured;
Current	—	(56,312,400)	interest-bearing	no collateral
Noncurrent	—	(184,091,664)		
		(₱240,404,064)		

* 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:

	2022	2021
Short-term employee benefits	₱33,073,565	₱31,379,838
Other employee benefits	3,657,175	—
	₱36,730,740	₱31,379,838

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) 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), 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 8.25% and 5.50% to 8.50% in 2022 and 2021, respectively, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date.

	2022	2021
DBP	₱189,159,000	₱174,936,500
CBC	150,000,000	95,000,000
UBP	90,000,000	100,000,000
UCPB	29,660,208	25,924,520
PBCOM	13,200,000	39,600,000
	₱472,019,208	₱435,461,020

Interest expense arising from these loans amounts to ₱24.7 million and ₱26.4 million in 2022 and 2021, 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.

	2022	2021
UBP	₱749,181,355	₱468,500,000
DBP	246,294,000	260,000,000
Shareholder (Note 15)	184,091,664	240,404,064
UCPB	22,783,200	46,976,000
CBC	26,069,100	26,863,833
CFSPI	1,580,236	3,295,684
BPIF	-	6,415,428
	1,229,999,555	1,052,455,009
Less unamortized debt issue cost	2,749,191	-
	1,227,250,364	1,052,455,009
Less current portion	317,602,384	201,643,018
Total Noncurrent	₱909,647,980	₱850,811,991

Loans from UBP

Loans from UBP are comprised of loans subject to fixed interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 6.5% to 9.8% payable for 5 years.



On December 15, 2021, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱220.0 million available for drawing within 6 months from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 6.5%, whichever is higher, payable monthly. On January 28, 2022, ₱124.0 million was availed with this agreement carrying a nominal interest rate of 6.50% and effective interest of 7.06%, payable in monthly installments for 5 years.

On October 28, 2022, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱330.0 million available for drawing within 1 year from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 8%, whichever is higher, payable monthly. On November 3, 2022, ₱300.0 million was availed with this agreement carrying a nominal interest rate of 9.8% and effective interest of 11%, payable in monthly installments 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

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 quarterly installments for 5 years secured by real estate mortgage which are subject to fixed interest rate of 7.00%.

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%.

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 ₱74.2 million and ₱62.0 million in 2022 and 2021, respectively. In 2022 and 2021, borrowing costs amounting to ₱75.3 million and ₱61.7 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 6.89% and 6.55% for 2022 and 2021, respectively.

Interest expense (excluding capitalized borrowing costs) recognized in the parent company statements of comprehensive income amounts to ₱24.0 million and ₱26.7 million in 2022 and 2021, respectively.

The movement of the unamortized debt issue cost follows:

	2022	2021
At January 1	₱-	₱-
Additions	3,180,000	-
Amortization	(430,809)	-
At December 31	₱2,749,191	₱-

Repayment Schedule

The repayment schedule of the long-term debt follows:

Year	2022	2021
2022	₱-	₱201,643,018
2023	318,604,203	230,109,616
2024 - 2030	911,395,352	620,702,375
	₱1,229,999,555	₱1,052,455,009

Security and Debt Covenants

Real estate inventories with carrying amounts of ₱329.1 million and ₱474.2 million as of December 31, 2022 and 2021, 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:

	2022	2021
<u>Common</u>		
Authorized shares	3,250,000,000	3,250,000,000
Par value per share	₱1.00	₱1.00
Issued shares	2,477,668,925	2,477,668,925
Outstanding shares	2,372,367,911	2,398,912,911
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, 2022 and 2021.

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, 2022 and 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, 2022 and December 31, 2021, the Parent Company has bought back from the market a total of 105,301,014 common shares or ₱94.9 million and 78,756,014 common shares or ₱70.6 million, respectively. These treasury shares are recorded at cost and are not entitled for dividends.

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

	2022		2021	
	Shares	Amount	Shares	Amount
At January 1	78,756,014	₱70,618,247	25,664,014	₱21,236,419
Additions	26,545,000	24,314,028	53,092,000	49,381,828
At December 31	105,301,014	₱94,932,275	78,756,014	₱70,618,247

Declaration of Dividends

On February 2, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Company's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of February 16, 2022, paid in arrears on March 1, 2022.

On April 29, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Company's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of May 17, 2022 payable on May 30, 2022, all preferred stockholders of record August 3, 2022 payable on August 30, 2022 and all preferred stockholders of record as of November 3, 2022 payable on November 29, 2022.

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, 2022 and 2021.

The share price closed at ₱0.73 and ₱0.79 on December 29, 2022 and December 31, 2021, respectively. For preferred shares, the share price closed at ₱100.00 and ₱105.00 on December 28, 2022 and December 31, 2021 respectively.



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

	2022	2021
Short-term debt	₱472,019,208	₱435,461,020
Long-term debt	1,227,250,364	1,052,455,009
Common stock	2,477,668,925	2,477,668,925
Preferred stock	13,264,900	13,264,900
Additional paid-in capital	1,931,178,758	1,931,178,758
Treasury shares	(94,932,275)	(70,618,247)
Retained earnings	2,274,547,568	1,723,983,297
	₱8,300,997,448	₱7,563,393,662

18. General, Administrative and Selling Expenses

	2022	2021
Personnel cost	₱84,748,284	₱53,055,933
Marketing (Note 23)	76,800,689	47,708,616
Transportation and travel	31,434,549	14,514,587
Outside services	23,248,221	11,332,567
Taxes and licenses	14,829,483	20,724,193
Depreciation (Notes 11 and 12)	13,095,744	8,737,764
Utilities and supplies	10,025,036	4,999,798
Professional fees	9,761,096	5,016,270
Retirement benefit expense (Note 19)	9,605,244	7,057,657
Rent (Note 21)	7,636,596	7,928,496
Provision for impairment loss (Note 10)	4,900,000	-
Subscription and dues	2,935,938	2,355,655
Repairs and maintenance	2,625,275	865,654
Fines and penalties	1,648,186	837,380
Directors' fee	958,600	818,000
Insurance	783,240	594,031
Bank charges	509,989	811,860
Listing fee	3,750	1,755,525
Miscellaneous	15,531,134	9,542,034
	₱311,081,054	₱198,656,020

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 notarization, recreational expenses, representation and entertainment, among 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, 2022 and 2021.

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):

	2022	2021
Current service cost	₱7,044,010	₱4,759,902
Interest expense on defined benefit obligation	2,669,665	2,422,284
Interest income on plan assets	(108,431)	(124,529)
Total retirement benefit expense	₱9,605,244	₱7,057,657

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

	2022	2021
Remeasurement loss (gain) on defined benefit obligation	(₱4,469,882)	₱-
Remeasurement loss (gain) on plan assets	(876,658)	6,116
Income tax effect	1,336,635	1,674,985
Remeasurement loss (gain) at end of year	(₱4,009,905)	₱1,681,101

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

	2022	2021
Present value of defined benefit obligation	₱73,159,396	₱71,572,778
Fair value of plan assets	(4,160,649)	(2,906,995)
Retirement benefit obligation	₱68,998,747	₱68,665,783



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

	2022	2021
At January 1	P25,152,300	P23,471,199
Remeasurement gain on defined benefit obligation	(4,469,882)	-
Remeasurement loss (gain) on fair value of plan assets	(876,658)	6,116
Income tax effect	1,336,635	1,674,985
At December 31	P21,142,395	P25,152,300

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

	2022	2021
Balance at beginning of year	P71,572,778	P64,940,592
Current service cost	7,044,010	4,759,902
Interest cost	2,669,665	2,422,284
Benefits paid	(3,657,175)	(550,000)
Remeasurement gain	(4,469,882)	-
Balance at end of year	P73,159,396	P71,572,778

Changes in the fair value of plan assets follow:

	2022	2021
Balance at beginning of year	P2,906,995	P3,338,582
Contribution to the retirement fund	3,925,740	-
Interest income	108,431	124,529
Remeasurement gain (loss)	876,658	(6,116)
Benefits paid	(3,657,175)	(550,000)
Balance at end of year	P4,160,649	P2,906,995

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

	2022	2021
Equity instruments	P2,950,038	P2,470,676
Debt instruments	1,197,236	20,647
Cash and cash equivalents	2,254	422,090
Others	11,121	(6,418)
Balance at end of year	P4,160,649	P2,906,995

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

	2022	2021
Discount rates used	7.17%	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.

	Increase (Decrease)	Effect	
		2022	2021
Discount rate	+1.00%	(₱3,578,194)	(₱1,798,784)
	-1.00%	4,037,433	1,972,338
Salary increase rate	+1.00%	4,363,915	1,982,962
	-1.00%	(3,929,437)	(1,841,132)

The average duration of the defined benefit obligation as at December 31, 2022 and 2021 is 7.2 years and 13.2 years in December 31, 2022 and 2021, respectively. The Parent Company expects to make contribution of ₱16.4 million in 2023.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021.

	2022	2021
Less than 1 year	₱35,363,575	₱31,036,162
1 to less than 5 years	25,666,690	10,988,506
5 to less than 10 years	37,518,309	31,505,673
10 to less than 15 years	48,509,279	22,604,991
15 to less than 20 years	37,222,355	37,717,802
20 years and above	74,152,296	57,346,459

20. Income Taxes

Provision for (benefit from) current income tax pertains to minimum corporate income tax (MCIT) amounting to ₱4.7 million and ₱1.4 million in 2022 and 2021, respectively.

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

	2022	2021
Income tax computed at statutory rate	₱198,722,112	₱92,995,242
Additions to (reduction in) income tax resulting from:		
Tax-exempt dividend income	(47,502,654)	(38,112,360)
Nondeductible expense	468,022	1,181,301
Interest income already subjected to final tax	(223,902)	(86,288)
CREATE impact	–	(33,859,011)
	₱151,463,578	₱22,118,884



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

	2022	2021
<i>Recognized in profit or loss:</i>		
Deferred income tax assets on		
NOLCO	₱13,062,224	₱32,996,584
Retirement benefit obligation	10,202,221	8,782,346
MCIT	6,087,308	1,386,523
Allowance for impairment loss	1,225,000	-
Allowance for expected credit losses	698,549	698,549
	31,275,302	43,864,002
Deferred income tax liabilities on		
Excess of real estate sales based on POC over real estate sales based on tax rules	(380,324,443)	(244,414,568)
Unamortized debt issue cost	(687,298)	-
Prepaid commission	(595,851)	(3,181,408)
Unrealized foreign exchange gain	(169,994)	(7,517)
	(381,777,586)	(247,603,493)
	(350,502,284)	(203,739,491)
<i>Recognized directly in equity:</i>		
Deferred tax asset on remeasurement loss on retirement benefit plan	₱7,047,465	₱8,384,100
Preferred share issue costs recognized in APIC	6,671,734	6,671,734
	(₱336,783,085)	(₱188,683,657)

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 ₱19.1 million and ₱39.7 million, respectively, for the year ended December 31, 2022.

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 2021 and 2022 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, 2022, 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, 2021	Addition (Application)	Expired	December 31, 2022
2021	2022-2026	₱158,673,272	(₱79,737,444)	₱-	₱78,935,828

As of December 31, 2022, 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, 2021	Addition	Expired	At December 31, 2022
2021	December 31, 2024	₱1,386,523	₱-	₱-	₱1,386,523
2022	December 31, 2025	-	4,700,785	-	4,700,785
		₱1,386,523	₱4,700,785	₱-	₱6,087,308



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 2022 and 2021, rent expense amounted to ₱7.6 million and ₱7.9 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, 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 2022 and 2021.

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:

	2022	2021
Financial assets:		
Cash ¹	P122,265,265	P1,179,249,420
Receivables	226,946,995	368,665,770
Receivables from related parties	135,994,883	158,015,513
Refundable deposits	49,426,195	41,849,117
Advances to officers and employees	8,224,199	3,185,910
	P542,857,537	P1,750,965,730

¹Excluding cash on hand amounting to P13,521,063 and P7,275,060 as of December 31, 2022 and 2021, 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, 2022 and 2021:

	2022						
	Total	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired
			Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	
Financial assets:							
Cash ¹	P122,265,265	P122,265,265	P-	P-	P-	P-	P-
Receivables	229,741,191	223,669,871	1,602,840	535,176	569,554	569,554	2,794,196
Receivables from related parties	135,994,883	-	-	-	-	135,994,883	-
Refundable deposits	49,426,195	49,426,195	-	-	-	-	-
Advances to officers and employees	8,224,199	8,224,199	-	-	-	-	-
	P545,651,733	P403,585,530	P1,602,840	P535,176	P569,554	P136,564,437	P2,794,196

¹Excluding cash on hand amounting to P13,521,063.



2021							
	Total	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired
			Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	
Financial assets:							
Cash ¹	₱1,179,249,420	₱1,179,249,420	₱-	₱-	₱-	₱-	₱-
Receivables	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	-	-	-	-	-
	₱1,753,759,926	₱1,519,237,567	₱2,780,662	₱2,313,202	₱1,339,901	₱232,832,923	₱2,794,196

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

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2022 and 2021.

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, refundable deposits and advances to officers and employees* - 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* - 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 in 2022 and 2021, 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.

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱378,361,554	₱-	₱-	₱167,290,179	₱545,651,733
Loss allowance	-	-	-	(2,794,196)	(2,794,196)
Carrying amount	₱378,361,554	₱-	₱-	₱164,495,983	₱542,857,537



	2021				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	
Gross carrying amount	₱1,418,401,984	₱–	₱–	₱335,357,942	₱1,753,759,926
Loss allowance	–	–	–	(2,794,196)	(2,794,196)
Carrying amount	₱1,418,401,984	₱–	₱–	₱332,563,749	₱1,750,965,730

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 from receivables in 2022 and 2021, 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, 2022 and 2021 based on contractual undiscounted payments:

	2022			Total
	On Demand	One Year and Below	More than One Year	
Financial Assets				
Cash	₱135,786,328	₱–	₱–	₱135,786,328
Receivables	6,071,320	220,875,675	–	226,946,995
Receivables from related parties	135,994,883	–	–	135,994,883
EIFVOCI	–	–	301,030,435	301,030,435
Refundable deposits	–	551,467	48,874,728	49,426,195
Advances to officers and employees	8,224,199	–	–	8,224,199
	286,076,730	221,427,142	349,905,163	857,409,035
Contract assets	–	684,156,555	784,993,918	1,469,150,473
	286,076,730	905,583,697	1,134,899,081	2,326,559,508
Financial Liabilities				
Accounts and other payables ¹	95,719,116	747,614,324	–	843,333,440
Short-term debt				
Principal	–	472,019,208	–	472,019,208
Interest	–	25,729,882	–	25,729,882
Long-term debt				
Principal	–	317,602,384	909,647,980	1,227,250,364
Interest	–	29,951,888	21,958,132	51,910,020
	95,719,116	1,592,917,686	931,606,112	2,620,242,914
Net Inflow (Outflow)	₱190,357,614	(₱687,333,989)	₱203,292,969	(₱293,683,406)

¹ Excluding statutory payables of ₱164,445,172



	2021			Total
	On Demand	One Year and Below	More than One Year	
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
Contract assets	-	185,102,035	484,925,421	670,027,456
	1,431,771,274	423,274,475	812,633,950	2,667,679,699
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				
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	(₱737,919,639)	(₱60,136,173)	₱555,953,829

¹ Excluding statutory payables of ₱139,537,789

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:

2022		2021	
Increase (decrease) in basis points	Effect on profit before tax	Increase (decrease) in basis points	Effect on profit before tax
300	(₱2,846,466)	300	(₱2,272,656)
200	(1,897,644)	200	(1,515,104)
100	(948,822)	100	(757,552)
(100)	948,822	(100)	757,552
(200)	1,897,644	(200)	1,515,104
(300)	2,846,466	(300)	2,272,656

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 2022 and 2021. 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, 2022 and 2021, 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:

	2022		2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Cash	₱135,786,328	₱135,786,328	₱1,186,524,480	₱1,186,524,480
Receivables	226,946,995	226,946,995	368,665,770	368,665,770
EIFVOCI	301,030,435	301,030,435	239,411,453	239,411,453
Receivables from related parties	135,994,883	135,994,883	158,015,513	158,015,513
Refundable deposits	49,426,195	49,426,195	41,849,117	41,849,117
Advances to officers and employees	8,224,199	8,224,199	3,185,910	3,185,910
	₱857,409,035	₱857,409,035	₱1,997,652,243	₱1,997,652,243
Financial Liabilities				
Accounts and other payables ¹	₱843,333,440	₱843,333,440	₱546,169,939	₱546,169,939
Short-term debt	472,019,208	472,019,208	435,461,020	435,461,020
Long-term debt	1,227,250,364	1,098,048,472	1,052,455,009	1,264,325,273
	₱2,542,603,012	₱2,413,401,120	₱2,034,085,968	₱2,245,956,232

¹ Excluding statutory payables of ₱164,445,172 and ₱139,537,789 in 2022 and 2021, 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 5.9% to 8.4% in 2022 and 2021. 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, 2022 and 2021, 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:

	2022	2021
<i>Type of product:</i>		
Real estate sales		
Lot-only units	₱892,937,107	₱382,882,076
House and lot units	485,802,048	245,570,349
Water service	25,323,973	24,836,284
	₱1,404,063,128	₱653,288,709

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

	2022	2021
ICR (Note 5)	₱161,658,615	₱330,518,474
Contract assets (Note 14)	1,469,150,473	670,027,456
Costs to obtain contracts (Note 8)	2,383,406	12,725,634
Contract liabilities (Note 14)	219,826,474	169,402,619

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:

	2022	2021
Balance at January 1	₱12,725,634	₱16,005,309
Additions	38,477,515	31,311,660
Amortization	(48,819,743)	(34,591,335)
Balance at end of the year	₱2,383,406	₱12,725,634

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱48.8 million and ₱34.6 million in 2022 and 2021, 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 ₱219.8 million and ₱169.4 million in 2022 and 2021, 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 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱153.3 million and ₱140.8 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

2022

	Beginning Balance	Availments/ Reissuances	Payments/ Acquisitions	Movement of Debt Issue Cost	Others	Ending Balance
Short-term debt	₱435,461,020	₱326,857,000	(₱290,298,812)	–	₱–	₱472,019,208
Current portion of long-term debt	201,643,018	–	(257,176,254)	(3,122,766)	373,135,620	314,479,618
Noncurrent portion of long-term debt	850,811,991	434,720,800	–	–	(375,884,811)	909,647,980
Interest (Note 13)	2,883,267	–	(95,672,901)	–	99,304,577	6,514,943
Preferred share dividends	–	–	(92,860,600)	–	92,860,600	–
	₱1,490,799,296	₱761,577,800	(₱736,008,567)	(₱3,122,766)	₱189,415,986	₱1,705,784,515

2021

	Beginning Balance	Availments/ Reissuances	Payments/ Acquisitions	Movement of Debt Issue Cost	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	–	(85,809,551)	–	86,755,823	2,883,267
	₱1,191,970,962	₱704,236,200	(₱492,163,690)	–	₱86,755,823	₱1,490,799,296

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 ₱20.0 million and ₱80.0 million as of December 31, 2022 and 2021, respectively.
- In 2022 and 2021, capitalized borrowing cost amounted to ₱75.3 million and ₱61.7 million, respectively.
- In 2021, the Parent Company transferred from real estate inventory to investment property amounting to ₱149.5 million and nil in 2022.

25. Subsequent Events

Dividend Declaration

Pursuant to the yearly cash dividends on "Series A" preferred shares (see Note 17), on February 3, 2023, 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, 2022 to all holders of "Series A" preferred shares on record as of February 17, 2023 amounting to ₱23.2 million payable on March 1, 2023.



Surigao Greens Agri Corp. (SGAC)

On January 17, 2023, the Company's Board of Directors has authorized the investment to be made to Surigao Greens Agri Corp. (SGAC), a new subsidiary to be incorporated whose primary purpose is to engage in the business of processing, milling and refining palm oil to manufacture crude palm oil, refined beached deodorized palm oil, palm olein, and other products and to distribute such products on a wholesale or retail basis. The Company will be subscribing to 12,500,000 common shares representing one hundred percent (100%) of SGAC's outstanding capital stock upon incorporation.

On March 6, 2023, the Company's subsidiary, SGAC has executed an Asset Purchase Agreement consisting of several parcels of land with total land area of Seventy Thousand (70,000) square meters and a Palm Oil Milling Plant located in Tambis, Barobo, Surigao del Sur. The Palm Oil Milling Plant consists of a factory building and machineries with a rated capacity of 10 metric tons (MT) per hour. The purchase of the Palm Oil Milling Plant in Surigao del Sur will allow access to an existing and operational and cost-efficient crude palm oil milling plant that is able to source palm oil fresh fruit bunches from nearby plantation farms in the region (Surigao and Agusan). The acquisition will also provide operational and supply chain synergies with existing palm oil milling and refinery facilities in Impasug-ong, Bukidnon that are currently operated ABERDI.

ABC Electric Shuttle Service

On February 21, 2023 the Company's Board of Directors has authorized the Company to enter into a joint venture with GET Philippines, Inc. ("GET") to create, promote, operate and manage the ABC Electric Shuttle Service as a clean, efficient, modern and green mass transport system in Cagayan de Oro. GET will incorporate and set up a new company ("JV Co.") to be jointly owned with Parent Company for the purpose of initially owning ten (10) Community Optimized Managed Electric Transport (COMET) electric vehicles that will be deployed for the Project.

Shortening the Corporate Term of Masinloc Consolidated Power, Inc. (MCPI)

On March 22, 2023, the Company's subsidiary, Masinloc Consolidated Power, Inc. (MCPI) has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate term from fifty (50) years from and after the date of incorporation to seventeen years (17) years from and after the date of issuance of the Certificate of Incorporation, or on July 3, 2024. Masinloc Consolidated Power, Inc. was registered with the Securities and Exchange Commission (SEC) on July 4, 2007.

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 2022:



Value Added Tax (VAT)

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 2022*

	Net Sales	Output VAT
Vatable sales/receipt at 12%	₱742,133,059	₱89,055,967
Sale to government	110,839	13,301
Exempt sales	47,782,636	—
	<u>₱790,026,534</u>	<u>₱89,069,268</u>

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 2022 follows:*

	Input VAT	Deferred Input VAT
Balance at January 1	₱3,651,994	₱189,717
Current year's domestic purchases/payments or importations for:		
Goods other than for resale or manufacture	34,560,278	—
Capital goods subject to amortization	38,407,654	30,359
Services lodged under cost of goods sold	47,485,281	—
Total	124,105,207	220,076
Applied against output VAT	(118,351,119)	—
Input VAT allocable to exempt sales	(4,560,346)	—
Input tax charged to expense	335	—
Creditable VAT	(5,542)	—
VAT payments during the year	456,558	—
Balance at December 31	<u>₱1,645,093</u>	<u>₱220,076</u>

Documentary Stamp Tax (DST)

The Company paid/accrued DST on the following transactions:

	Amount	DST
Loan agreements	₱861,577,800	₱4,867,504
Others	—	3,946,800
	<u>₱861,577,800</u>	<u>₱8,814,304</u>

DST paid or accrued has been lodged under taxes and licenses.



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	₱8,814,304
Business permit	5,834,166
Real property tax	1,974,175
Registration and license fee	1,293,242
Others	93,596
	<hr/>
	₱18,009,483
	<hr/>

Withholding Taxes

Details of withholding taxes for the year are as follows:

Expanded withholding taxes	₱23,965,744
Withholding tax on compensation and benefits	7,635,934
Final tax	5,666,822
December 31, 2022	<hr/>
	₱37,268,500
	<hr/>

Tax Assessments

As of December 31, 2022, the Company has no outstanding final assessment notices from the BIR, nor does it have any pending tax cases outside the administration of the BIR.

