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BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Araneta Properties, Inc.
21st Floor, BDO Towers
Paseo de Roxas, Makati City
Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Araneta Properties, Inc. (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 the audit of the 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.

Key Audit Matters

The following key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from Real Estate Sales

The Company recognized revenue from real estate sales amounting to ₱43.0 million for the year ended December 31, 2022. This is significant to our audit as the recognition and measurement of revenue from real estate sales is important in the determination and evaluation of the performance of the Company.

We obtained an understanding of the relevant processes and controls over the accounting for revenues and performed inquiries with management on the sales, collection and reporting processes of the Company. We also obtained an understanding of management's assessment on the buyer's ability and intention to pay the amount of consideration when it is due, and assessed the basis of the Company's collection threshold in recognizing revenue by evaluating its historical analysis of sales collections and cancellations, if any, from the buyers. On a sample basis, we obtained supporting documentation such as sales and collection reports, signed contracts to sell and official receipts issued by the Company and compared the details with the information used in the Company's revenue calculations.

Valuation of Real Estate Inventories

The Company's real estate inventories which are measured at the lower of cost or net realizable value (NRV) amounted to ₱894.8 million as at December 31, 2022. This is significant to our audit as the carrying amount of real estate inventories represent 45.4% of the total assets (see Note 6 to the financial statements).

We obtained an understanding of the Company's processes and controls relating to the inventory cost accumulation and monitoring, including management's computation of the cost per square meter of land. We also assessed the assumptions used by management in estimating the NRV of real estate inventories by: (1) validating management's estimates of selling price and costs to sell of land by comparing these with the selling price and costs to sell previously incurred in similar real estate inventories sold by the Company and (2) verifying the estimates against the market value of similar properties in the vicinity to ascertain if management's assessment is reasonably appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

Other Matter

The financial statements of the Company as at December 31, 2021 and for the years ended December 31, 2021 and 2020 were audited by another auditor whose report dated May 27, 2022 expressed an unmodified opinion on those financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 24 to the 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 Araneta Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
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Issued April 8, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-012-2023
Valid until January 24, 2026
PTR No. 9564565
Issued January 3, 2023, Makati City

April 4, 2023
Makati City, Metro Manila

ARANETA PROPERTIES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(With Comparative Figures as at December 31, 2021)

	Note	2022	2021
ASSETS			
Current Assets			
Cash	4	**₱3,494,343**	₱3,905,191
Trade and other receivables	5	**171,810,045**	177,333,353
Real estate inventories	6	**894,771,529**	895,120,087
Input value-added tax (VAT)	7	**60,418,713**	64,424,473
Prepaid taxes		**3,084,110**	3,734,695
Total Current Assets		**1,133,578,740**	1,144,517,799
Noncurrent Assets			
Trade receivables - net of current portion	5	**160,043,932**	160,659,537
Equity instruments at fair value through other comprehensive income (FVOCI)		**4,000,000**	5,150,000
Investment properties	8	**674,056,173**	674,056,173
Property and equipment	9	**1,150,863**	3,634,548
Total Noncurrent Assets		**839,250,968**	843,500,258
		₱1,972,829,708	₱1,988,018,057
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱44,980,661**	₱38,539,131
Liability for purchased land	11	**115,305,608**	115,305,608
Due to a related party	16	**24,229,330**	41,714,842
Total Current Liabilities		**184,515,599**	195,559,581
Noncurrent Liabilities			
Retirement liability	17	**35,498,445**	35,429,448
Net deferred tax liabilities	18	**21,114,483**	21,342,875
Total Noncurrent Liabilities		**56,612,928**	56,772,323
Total Liabilities		**241,128,527**	252,331,904
Equity			
Capital stock	12	**1,951,387,570**	1,951,387,570
Additional paid-in capital		**201,228,674**	201,228,674
Deficit		**(416,466,474)**	(413,631,502)
Remeasurement losses on retirement liability	17	**(5,370,890)**	(5,370,890)
Net unrealized gains on equity instruments at FVOCI		**922,301**	2,072,301
Total Equity		**1,731,701,181**	1,735,686,153
		₱1,972,829,708	₱1,988,018,057

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Figures for the Years Ended December 31, 2021 and 2020)

	Note	2022	2021	2020
REAL ESTATE SALES		**₱42,981,521**	₱36,661,169	₱20,482,436
COST OF REAL ESTATE SALES	6	**(7,342,598)**	(11,300,824)	(3,340,972)
GROSS PROFIT		**35,638,923**	25,360,345	17,141,464
GENERAL AND ADMINISTRATIVE EXPENSES	13	**(42,978,195)**	(51,702,950)	(43,348,805)
OTHER INCOME	14	**4,541,473**	6,536,200	6,108,997
LOSS BEFORE INCOME TAX		**(2,797,799)**	(19,806,405)	(20,098,344)
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		**265,565**	484,565	1,157,012
Deferred		**(228,392)**	(8,532,862)	(6,503,765)
		37,173	(8,048,297)	(5,346,753)
NET LOSS		**(2,834,972)**	(11,758,108)	(14,751,591)
OTHER COMPREHENSIVE LOSS				
Items not to be reclassified to profit or loss in subsequent periods:				
Net changes in fair value of equity instruments at FVOCI		**(1,150,000)**	(654,596)	–
Remeasurement losses on retirement liability - net of deferred tax	17	**–**	(1,943,207)	(2,039,020)
		(1,150,000)	(2,597,803)	(2,039,020)
TOTAL COMPREHENSIVE LOSS		**(₱3,984,972)**	(₱14,355,911)	(₱16,790,611)
BASIC AND DILUTED LOSS PER SHARE	19	**(₱0.0015)**	(₱0.0060)	(₱0.0076)

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Figures for the Years Ended December 31, 2021 and 2020)

	Note	**2022**	2021	2020
CAPITAL STOCK - ₱1.00 par value	12	**₱1,951,387,570**	₱1,951,387,570	₱1,951,387,570
ADDITIONAL PAID-IN CAPITAL		**201,228,674**	201,228,674	201,228,674
DEFICIT				
Balance at beginning of year		**(413,631,502)**	(401,873,394)	(387,121,803)
Net loss		**(2,834,972)**	(11,758,108)	(14,751,591)
Balance at end of year		**(416,466,474)**	(413,631,502)	(401,873,394)
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurement losses on retirement liability - net of deferred tax	17			
Balance at beginning of year		**(5,370,890)**	(3,427,683)	(1,388,663)
Remeasurement loss - net of effect of changes in tax rates		**–**	(1,943,207)	(2,039,020)
Balance at end of year		**(5,370,890)**	(5,370,890)	(3,427,683)
Net unrealized gains on equity instruments at FVOCI				
Balance at beginning of year		**2,072,301**	2,726,897	2,726,897
Decrease in fair value		**(1,150,000)**	(654,596)	–
Balance at end of year		**922,301**	2,072,301	2,726,897
		(4,448,589)	(3,298,589)	(700,786)
		₱1,731,701,181	₱1,735,686,153	₱1,750,042,064

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Figures for the Years Ended December 31, 2021 and 2020)

	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱2,797,799)**	(₱19,806,405)	(₱20,098,344)
Adjustments for:				
Depreciation	9	**2,492,525**	2,393,646	2,406,389
Retirement benefit expense	17	**2,170,914**	2,365,261	2,567,824
Interest income	14	**(2,270)**	(3,565)	(23,820)
Operating income (loss) before working capital changes		**1,863,370**	(15,051,063)	(15,147,951)
Decrease (increase) in:				
Trade and other receivables		**6,138,913**	(4,657,870)	18,305,503
Input VAT		**4,005,760**	2,672,455	3,055,019
Prepaid taxes		**650,585**	858,922	2,557,800
Real estate inventories		**348,558**	6,620,233	(17,354,436)
Increase in trade and other payables		**6,441,530**	8,670,111	2,349,040
Net cash generated from (used for) operations		**19,448,716**	(887,212)	(6,235,025)
Interest received		**2,270**	3,565	23,820
Retirement benefits paid	17	**(2,101,917)**	(372,360)	–
Income taxes paid		**(265,565)**	(893,633)	(1,560,421)
Net cash flows provided by (used in) operating activities		**17,083,504**	(2,149,640)	(7,771,626)
CASH FLOWS FROM AN INVESTING ACTIVITY				
Acquisitions of property and equipment	9	**(8,840)**	(1,217,478)	–
CASH FLOWS FROM A FINANCING ACTIVITY				
Collections (payments) of due to a related party	16	**(17,485,512)**	1,154,500	9,814,573
NET INCREASE (DECREASE) IN CASH		**(410,848)**	(2,212,618)	2,042,947
CASH AT BEGINNING OF YEAR		**3,905,191**	6,117,809	4,074,862
CASH AT END OF YEAR		**₱3,494,343**	₱3,905,191	₱6,117,809

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Information for 2021 and 2020)

1. General Information

Corporate Information
Araneta Properties, Inc. (the Company), formerly known as Integrated Chrome Corporation, was registered with the Philippine Securities and Exchange Commission (SEC) on June 15, 1988. Currently, the Company's primary purpose is to engage in real estate development. The Company is also a party to joint operations.

The Company's 1,561,110,070 common shares are listed for trading in the Philippine Stock Exchange (PSE) under the stock symbol "ARA".

The Company's registered office address and principal place of business is at 21st Floor, BDO Towers, Paseo de Roxas, Makati City.

Authorization for Issuance of Financial Statements
The financial statements of the Company as at and for the year ended December 31, 2022 (with comparative figures as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were reviewed and recommended for approval by the Audit Committee on April 4, 2023, and were approved and authorized for issue by the Board of Directors (BOD) on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

Measurement Bases
The financial statements are presented in Philippine Peso (Peso), the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest Peso, unless otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis, except for investments in club shares which are carried at fair value and retirement liability which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

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 by the 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.

When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values are included in Note 8 - *Investment Properties,* and Note 22 - *Fair Value Measurement.*

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS which the Company adopted effective January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets).

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

    - Amendment to PFRS 16, *Leases – Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments – Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 – *Noncurrent Liabilities with Covenants* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss.

In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2022 and 2021, the Company does not have financial assets and financial liabilities at FVPL.

Equity Securities Designated as FVOCI. On initial recognition, equity instruments that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Dividends from equity instruments held at FVOCI are recognized at profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of these instruments including those arising from foreign currency changes are recognized in OCI and presented in the equity section of the statement of financial position. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity investments, instead, these will be transferred to retained earnings.

As at December 31, 2022 and 2021, the Company designated its investments in club shares as financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Company's cash in bank and trade and other receivables are classified under this category (see Notes 4 and 5).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2022 and 2021, the Company's trade and other payables (excluding customers' deposits and statutory payables), liability for purchased land and due to a related party are classified under this category (see Notes 10, 11 and 16).

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Company records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- 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 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.

Classification of Assets and Liabilities between Current and Noncurrent

Current Assets. The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current Liabilities. The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Company will classify all other assets and liabilities as noncurrent.

Cost to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental cost of obtaining a contract with a customer if the Company expects to recover those costs. Otherwise, those costs are recognized as expensed when incurred. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Interests in Joint Operations

Interests in joint operations represent one or more assets contributed to, or acquired for the purpose of the joint operations. The assets are used to obtain benefits for the operators, wherein each operator takes a share of the output from the assets, as agreed between the parties and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation. The Company's contribution to the joint operation is included in real estate inventories.

The Company's project agreements with Sta. Lucia Realty and Development, Inc. (SLRDI) and Sta. Lucia Land, Inc. (SLI) are accounted for as joint operations (see Note 15).

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and other related costs, as applicable.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money, if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money, if material, to the date of completion.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Input VAT" or "Trade and other payables" accounts, respectively, in the statement of financial position.

Prepaid Taxes
Prepaid taxes pertain to the excess payment against the current income tax due which are expected to be utilized as payment for income taxes within 12 months.

Investment Properties
Investment properties, consisting of parcels of land, are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes. Investment properties are carried at cost less any impairment in value. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sell.

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment consists of the purchase price and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year 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 costs of property and equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office condominium unit	25
Building and improvements	25
Hauling and transportation equipment	5
Furniture, fixtures and other equipment	5

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Company. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between market participants less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values 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 recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

Capital Stock
Common stock is measured at par value for all shares issued.

Additional Paid-in Capital
Additional paid-in capital represents the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Deficit
Deficit represents the cumulative balance of net losses incurred by the Company. Deficit may also include effect of changes in the accounting policy as may be required by the transitional provisions of new and amended standards.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprise of items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income (loss) pertains to remeasurement losses on retirement liability and net unrealized gains on equity instruments at FVOCI.

Basic and Diluted Earnings (Loss) per Share
Basic earnings (loss) per share is computed by dividing the net income (loss) for the period attributable to common equity holders of the Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Company expected to be entitled in exchange for those goods and services.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Revenue from Real Estate Sales. The Company primarily derives revenues from its sale of real estate inventories to third-party buyers. The Company considers a contract to sell as a valid revenue contract and assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Company has entered into project agreements with SLRDI and SLI (see Note 15). Revenue from the sale of these real estate projects under pre-completion stage, if any, are recognized over time. In measuring the progress of its performance obligation over time, the Company recognizes revenue on the basis of direct measurements of the value to customers of the goods transferred to date, relative to the remaining goods promised under the contract using survey of performance completed to date based on the project accomplishment report prepared by the project's supervising engineers. As at December 31, 2022 and 2021, the Company's projects with SLRDI are 100% completed, while there is no substantial progress yet with the Company's joint operations with SLI.

For tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

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

Penalties and Other Income. Income from penalties and other sources are recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration any contract fulfillment assets. These include costs of land, planning and design, professional fees, property transfer taxes, among others. These costs are allocated to the saleable area, with the portion allocable to the sold units being recognized as cost of real estate sales while the portion allocable to the unsold units being recognized as part of real estate inventories.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

<u>Employee Benefits</u>

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the net retirement liability.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Retirement liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets, if any, against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

<u>Income Taxes</u>

Current Tax. Current tax assets and liabilities 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 at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to 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.

Changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Company's total assets or, ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Company's total assets. Details of transactions entered into by the Company with related parties are reviewed in accordance with the Company's related party transactions policy.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

The key management personnel of the Company are also considered to be related parties.

Segment Reporting

The Company has only one reportable segment that sells only one product line at present. Moreover, the Company has only one geographical segment as all of its assets are located in the Philippines. Revenues are derived from external customers with no revenues concentrated on specific customers. The Company's operating results are regularly reviewed by the Company's Chief Operating Decision Maker, who is the Company's Chief Executive Officer, to make decisions about resources to be allocated and assess its performance.

Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Classifying Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Company's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Distinction between Joint Operation and Joint Venture. The Company applies judgment when assessing whether a joint arrangement is a joint operation or a joint venture. The Company determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The Company assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. The Company's arrangements with SLRDI and SLI are not structured through a separate vehicle. The contractual arrangements establish the parties' rights to the assets and obligations for the liabilities relating to the arrangements, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, these agreements were accounted for as joint operations (see Note 15).

Determining Revenue Recognition. Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Company's promised property is specifically identified in the contract with the buyer and the contractual restriction on the Company's ability to direct the promised property for another use renders the property non-interchangeable with the other properties of the Company. In addition, the Company requires a certain percentage 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 the buyer's continuing commitment and the probability that economic benefits will flow to the Company.

The Company also determined that the output method is the appropriate method in measuring the progress of the performance obligation as this faithfully depicts the Company's performance in transferring control of real estate inventories to the customers. As discussed in Note 6, the Company's joint operation with SLRDI are already substantially completed, while the Company's joint operation with SLI has not yet commenced as at December 31, 2022 and 2021. Thus, minimal judgment was exercised in measuring the progress of development of real estate inventories for purposes of measuring the appropriate amounts of revenue.

Classifying Real Estate Inventories, Investment Properties and Property and Equipment. The Company determines whether a property qualifies as a real estate inventory, an investment property or an item of property and equipment. In making its judgment, the Company considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Company.

The carrying amounts of real estate inventories, investment properties and property and equipment as at December 31, 2022 and 2021 are disclosed in Notes 6, 8 and 9, respectively.

Assessing Provisions and Contingencies. The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

No provision for contingencies was recognized in 2022, 2021 and 2020 (see Note 20).

Accounting Estimates and Assumptions
The following are the key sources of accounting estimation uncertainty and other key accounting assumptions concerning the future at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Recognizing Revenue and Cost of Real Estate Sales. The Company's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost, particularly in relation to the threshold amount of buyer's payments as a percentage of the selling price to be collected before revenue is recognized. If the criteria is not met, the Company recognizes customers' deposit recorded under "Trade and other payables" until the conditions for recognizing revenue are met (see Note 10).

Determining the NRV of Real Estate Inventories. Real estate inventories are stated at lower of cost or NRV. NRV of real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory write-down was recognized in 2022, 2021 and 2020. The carrying amounts of real estate inventories as at December 31, 2022 and 2021 are disclosed in Note 6.

Assessing the ECL on Trade Receivables. The Company initially uses a provision matrix based on the historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Company adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Company's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

No provision for ECL was recognized in 2022, 2021 and 2020. The carrying amounts of the Company's trade receivables as at December 31, 2022 and 2021 are disclosed in Note 5.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition and in which case, ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; or
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Company also considers financial assets that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized in 2022, 2021 and 2020. The carrying amounts of financial assets at amortized cost other than trade receivables as at December 31, 2022 and 2021 are disclosed in Note 5.

Estimating the Useful Lives of Property and Equipment. The Company reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation of property and equipment.

There were no changes in the estimated useful lives of property and equipment in 2022, 2021 and 2020. The carrying amounts of property and equipment as at December 31, 2022 and 2021 are disclosed in Note 9.

Assessing the Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Company, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Company whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

No provision for impairment loss on nonfinancial assets was recognized in 2022, 2021 and 2020.

The carrying amounts of input VAT, investment properties and property and equipment as at December 31, 2022 and 2021 are disclosed in Notes 7, 8 and 9, respectively.

Estimating the Retirement Liability. The determination of the Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by an actuary, as applicable, in calculating such amounts. Those assumptions are described in Note 17 to the financial statements and include among others, discount rate and salary increase rate. While the Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

The carrying amounts of retirement liability as at December 31, 2022 and 2021 are disclosed in Note 17.

Assessing the Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following allowable periods. Management reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts 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. Management has assessed that it is not probable that sufficient future taxable income will be available against which all the deferred tax assets can be utilized.

The carrying amounts of recognized deferred tax assets and the amount of unrecognized deferred tax assets as at December 31, 2022 and 2021 are disclosed in Note 18.

4. Cash

This account consists of:

	2022	2021
Cash on hand	**₱32,281**	₱32,281
Cash in banks	**3,462,062**	3,872,910
	₱3,494,343	₱3,905,191

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to ₱2,270 in 2022, ₱3,565 in 2021 and ₱23,820 in 2020 (see Note 14).

5. Trade and Other Receivables

This account consists of:

	2022	2021
Trade receivables	**₱328,782,767**	₱334,752,418
Advances to officers, employees and other receivables	**3,071,210**	3,240,472
	331,853,977	337,992,890
Less: noncurrent portion of trade receivables	**160,043,932**	160,659,537
Current portion	**₱171,810,045**	₱177,333,353

Trade receivables pertain to the Company's outstanding receivable balance from its sale of real estate inventories in relation to its joint operations with SLRDI (see Note 15). These are collectible in monthly instalments over a period of one to ten years.

Income from interests and penalties arising from late payment of these receivables amounting to ₱4.5 million in 2022, ₱6.5 million in 2021 and ₱6.1 million in 2020 are recognized under "Interests, penalties and other income" in the statement of comprehensive income (see Note 14).

Advances to officers, employees and other receivables are noninterest-bearing receivables that are due within 12 months from the reporting date.

6. Real Estate Inventories

This account mainly pertains to land developed for a residential subdivision under the project agreement with SLRDI and includes other lots owned and held for sale by the Company.

As discussed in Note 15, the Company and SLRDI began their regular activities in 2005 based on their project agreement. As at December 31, 2022 and 2021, the projects with SLRDI are 100% completed based on the physical completion report provided by the project's supervising engineer.

Movements of this account are accounted as follows:

	2022	2021
Balance at beginning of year	**₱895,120,087**	₱901,740,321
Development costs	**1,962,790**	–
Cost of real estate sales	**(2,311,348)**	(6,620,234)
Balance at end of year	**₱894,771,529**	₱895,120,087

Based on management's evaluation, the NRV of the real estate inventories is substantially higher than its cost, hence, no write-down was recognized in 2022, 2021 and 2020.

The amount of real estate inventories recognized under "Cost of real estate sales" in the statement of comprehensive income amounting to ₱7.3 million in 2022, ₱11.3 million in 2021 and ₱3.3 million in 2020, consists of the cost of the land sold and directly attributable costs of selling the real estate inventories amounting to ₱5.0 million in 2022, ₱4.7 million in 2021 and ₱2.8 million in 2020.

7. Input VAT

Input VAT amounting to ₱60.4 million and ₱64.4 million as at December 31, 2022 and 2021, respectively, pertains to the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services which can be applied against the Company's output VAT. Management has assessed that these are recoverable in future periods.

8. Investment Properties

The Company's investment properties which are carried at cost consist of land currently held for long-term capital appreciation amounting to ₱674.1 million as at December 31, 2022 and 2021.

Based on the Company's latest appraisal report dated March 15, 2023, the fair value of the investment properties amounted to ₱2,587.9 million. The valuation was performed by a qualified independent appraiser and the valuation techniques used and key inputs to valuation on the investment properties are as follows:

Property	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market Data Approach	Price per square meter	₱1,200 - ₱1,500

Price per square meter is the estimated value prevailing in the real estate market depending on the location, area, shape and time element.

The fair valuation techniques used as at December 31, 2022 and 2021 are categorized as Level 3 in the fair value hierarchy. Significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the property.

9. Property and Equipment

Details and movements of this account are as follows:

	2022				
	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost					
Balance at beginning of year	₱46,047,004	₱12,143,398	₱5,964,870	₱6,755,488	₱70,910,760
Additions	–	–	–	8,840	8,840
Balance at end of year	46,047,004	12,143,398	5,964,870	6,764,328	70,919,600
Accumulated Depreciation					
Balance at beginning of year	44,175,892	12,143,398	4,497,779	6,459,143	67,276,212
Depreciation	1,841,881	–	526,560	124,084	2,492,525
Balance at end of year	46,017,773	12,143,398	5,024,339	6,583,227	69,768,737
Carrying Amount	₱29,231	₱–	₱940,531	₱181,101	₱1,150,863

	2021				
	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost					
Balance at beginning of year	₱46,047,004	₱12,143,398	₱4,845,406	₱6,657,474	₱69,693,282
Additions	–	–	1,119,464	98,014	1,217,478
Balance at end of year	46,047,004	12,143,398	5,964,870	6,755,488	70,910,760
Accumulated Depreciation					
Balance at beginning of year	42,334,012	12,143,398	4,139,108	6,266,048	64,882,566
Depreciation	1,841,880	–	358,671	193,095	2,393,646
Balance at end of year	44,175,892	12,143,398	4,497,779	6,459,143	67,276,212
Carrying Amount	₱1,871,112	₱–	₱1,467,091	₱296,345	₱3,634,548

The cost of the fully depreciated property and equipment still being used in operations amounted to ₱21.6 million as at December 31, 2022 and 2021.

10. Trade and Other Payables

This account consists of:

	2022	2021
Trade payables	**₱34,553,572**	₱27,045,360
Customers' deposits	**7,456,644**	8,443,545
Accrued expenses	**2,396,021**	2,162,569
Statutory payables	**381,767**	612,204
Others	**192,657**	275,453
	₱44,980,661	₱38,539,131

Trade payables are unsecured, noninterest-bearing and are generally due and demandable.

Customers' deposits include reservation fees and collections received from prospective buyers which are and to be applied against the total contract price of the real estate sale.

Accrued expenses include accruals for professional fees, utilities, salaries and wages and outside services which are normally settled in the next 12 months.

Statutory payables include withholding taxes payable and government contributions payable which are normally remitted within the next month.

11. Liability for Purchased Land

This account pertains to the Company's outstanding payable for the purchase of land recognized under "Real estate inventories" amounting to ₱115.3 million.

On September 19, 2016, the Company entered into a contract of acquisition of a 580,154 sqm. land from Insular Life Insurance Company (ILIC) for a total consideration of ₱430.5 million.

On August 30, 2019, SLI paid the Company's remaining liability to ILIC amounting to ₱115.3 million, thereby extinguishing the Company's liability to ILIC. Moreover, the Company recognized a noninterest-bearing liability to SLI which is payable after the issuance of a license to sell the developed property in line with the Company and SLI's project agreement (see Note 15). The outstanding liability is payable to SLI either by direct payment or by way of proceeds from the sale of subdivided lots.

12. Equity

Below is the Company's track record of registration of its common shares:

Year Approved by SEC	Description	Number of shares (in thousands)	Par value per share	Total amount (in thousands)
1988	Capital upon registration:			
	Class A	30,000,000	₱0.01	₱300,000
	Class B	20,000,000	0.01	200,000
		50,000,000		500,000
	Decrease in authorized capital stock and change			
1992	of par value from ₱0.01 to ₱1.00			
	Class A	150,000	1.00	150,000
	Class B	100,000	1.00	100,000
		250,000		250,000
1994	Change of par value from ₱1.00 to ₱0.30			
	Class A	150,000	0.30	45,000
	Class B	100,000	0.30	30,000
		250,000		75,000
1995	Increase in authorized capital stock and removal of classification of shares of stock	1,000,000	0.30	300,000
1996	Increase in authorized capital stock and change of par value from ₱0.30 to ₱1.00	5,000,000	1.00	5,000,000
Authorized capital stock as at December 31, 2022 and 2021		5,000,000	₱1.00	₱5,000,000

As at December 31, 2022 and 2021, the Company has issued and outstanding common shares of 1,951,387,570 at par value of ₱1.00 a share. The Company has 2,142 stockholders and 2,139 stockholders as at December 31, 2022 and 2021, respectively.

13. General and Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Salaries and wages		**₱21,181,113**	₱20,690,979	₱19,389,915
Security services	16	**6,928,984**	7,722,880	7,252,565
Taxes and licenses		**4,202,368**	13,337,762	6,209,786
Depreciation	9	**2,492,525**	2,393,646	2,406,389
Retirement benefit expense	17	**2,170,914**	2,365,261	2,567,824
Building dues and related charges		**1,666,888**	1,568,861	1,445,928
Professional fees		**1,002,000**	502,450	738,286
Telecommunications		**754,733**	626,690	640,995
Transportation and travel		**372,233**	321,692	268,248
Office supplies		**325,893**	343,098	312,191
Repairs and maintenance		**254,626**	167,043	182,768
Entertainment, amusement and recreation		**166,330**	535,940	894,443
Utilities		**71,497**	65,090	136,043
Others		**1,388,091**	1,061,558	903,424
		₱42,978,195	₱51,702,950	₱43,348,805

Others mainly consist of legal and notarial fees and other miscellaneous charges.

14. Other Income

This account consists of:

	Note	2022	2021	2020
Interests, penalties and other income		**₱4,539,203**	₱6,532,635	₱6,085,177
Interest income from cash in banks	4	**2,270**	3,565	23,820
		₱4,541,473	₱6,536,200	₱6,108,997

15. Project Agreements with SLRDI and SLI

Agreement with SLRDI

The Company and SLRDI began their activities based on their agreement dated June 5, 2003, under which, SLRDI will develop and sell certain parcels of land owned by the Company at its own cost. The Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. The project consisted of the development of an exclusive mixed-use subdivision with a country club, which will be shared by the parties either through cash or lot override options. The Company shall receive 40% of the net sales proceeds, in case of cash override, or 40% of the saleable lots, in case of a lot override. SLRDI on the other hand shall receive 60% of the net sales proceeds or the saleable lots. The Company opted to receive its share through a combination of cash and lot overrides of the various phases of the project.

On April 27, 2006, the then Housing and Land Use Regulatory Board (now Department of Human Settlements and Urban Development) approved SLRDI's application to obtain license to sell.

On January 29, 2013, SLRDI assigned its rights and interests over the sales proceeds from the sales of saleable area in Phase 3, Phase 3A, and Phase 3B to SLI. SLI assumed the responsibility of collecting payments or amortizations and undertook to remit the Company's share from the sales proceeds.

As at December 31, 2022 and 2021, all phases of the project have been substantially completed. The Company recognized revenue under this joint operation amounting to ₱43.0 million in 2022, ₱36.7 million in 2021 and ₱20.5 million in 2020, and the related cost of real estate sales amounting to ₱7.3 million in 2022, ₱11.3 million in 2021 and ₱3.3 million in 2020.

The Company's trade receivables and unsold real estate inventories pertaining to this joint operation are recognized as part of "Trade receivables" account and "Real estate inventories" account, respectively, in the statement of financial position (see Notes 5 and 6).

Agreement with SLI

On November 29, 2019, the Company entered into an agreement with SLI to develop a parcel of land owned by the Company. Under the agreement, SLI will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing required clearance and permit to develop. Meanwhile, the Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. Furthermore, SLI's share will be in the form of lots comprising 60% of the net saleable area, while the remaining 40% shall be the share of the Company.

On the same date, the Company entered into a memorandum of agreement with SLI with regards to the terms and conditions of the payment made by SLI, in behalf of the Company, to ILIC (see Note 11).

As at December 31, 2022 and 2021, there is still no substantial progress on the Company's project agreement with SLI.

16. Related Party Transactions and Balances

The Company, in its regular conduct of business, has transactions with related parties. The following table summarizes the transactions with the related parties and outstanding balances arising from these transactions.

		Amount of Transactions		Outstanding Balances	
Related Party	Nature of Transactions	**2022**	2021	**2022**	2021
Stockholder					
Due to a related party	Advances	**(₱17,485,512)**	₱1,154,500	**₱24,229,330**	₱41,714,842
Under Common Key Officers					
Trade payables	Security services	**₱6,928,984**	₱7,722,880	**₱29,829,652**	₱23,303,574

The foregoing payables to related parties are non-interest-bearing, unsecured and are due and demandable.

Compensation of Key Management Personnel
Short-term compensation of key management personnel of the Company amounted to ₱8.9 million in 2022, and ₱6.2 million in 2021 and 2020.

Retirement expense of the Company's key management personnel amounted to ₱1.4 million in 2022, 2021 and 2020. Other than these, there are no other post-employment benefits paid or accrued in 2022, 2021 and 2020.

17. Retirement Benefits Liability

The Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary.

The latest actuarial valuation was made for the year ended December 31, 2021. Management has assessed that the Company's estimates of retirement expense and retirement liability as at and for the year ended December 31, 2022 do not significantly differ had the Company obtained an updated actuarial valuation in 2022.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. There are no unusual or significant risks to which the retirement liability exposes the Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Company.

The components of retirement benefit expense recognized in profit or loss are as follows:

	2022	2021	2020
Current service costs	**₱1,356,389**	₱1,347,485	₱1,347,485
Interest costs	**814,525**	1,017,776	1,220,339
	₱2,170,914	₱2,365,261	₱2,567,824

Movements of this account follows:

	2022	2021	2020
Balance at beginning of year	**₱35,429,448**	₱31,172,050	₱25,691,340
Current service costs	**1,356,389**	1,347,485	1,347,485
Interest costs	**814,525**	1,017,776	1,220,339
Benefits paid	**(2,101,917)**	(372,360)	–
Remeasurement loss	**–**	2,264,497	2,912,886
Balance at end of year	**₱35,498,445**	₱35,429,448	₱31,172,050

The cumulative remeasurement losses on retirement liability recognized as part of other comprehensive loss as at December 31 are as follows:

	2022		
	Cumulative Remeasurement Losses	**Deferred Tax**	**Net**
Balance at beginning and end of year	**₱7,161,187**	**₱1,790,297**	**₱5,370,890**

	2021		
	Cumulative Remeasurement Losses	Deferred Tax (see Note 18)	Net
Balance at beginning of year	₱4,896,690	₱1,469,007	₱3,427,683
Remeasurement loss	2,264,497	566,124	1,698,373
Effect of changes in tax rates due to CREATE Law	–	(244,834)	244,834
Balance at end of year	₱7,161,187	₱1,790,297	₱5,370,890

	2020		
	Cumulative Remeasurement Losses	Deferred Tax (see Note 18)	Net
Balance at beginning of year	₱1,983,804	₱595,141	₱1,388,663
Remeasurement loss	2,912,886	873,866	2,039,020
Balance at end of year	₱4,896,690	₱1,469,007	₱3,427,683

The principal assumptions used for the computation are as follows:

	2022	2021
Discount rate	**4.89%**	4.89%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes to each significant assumption on the retirement benefit obligation, assuming all other assumptions are held constant:,

	Increase (decrease) in basis points	**2022**	2021
Discount rate	+100	**(₱4,619,061)**	(₱1,385,810)
	-100	**5,363,397**	1,605,767
Salary increase rate	+100	**5,423,646**	1,587,588
	-100	**(4,746,688)**	(1,443,152)

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

Years	Amount
Less than 1 year	₱21,135,705
1 year to less than 5 years	550,915
5 years to less than 10 years	14,426,699
10 years to less than 15 years	1,761,964
15 years to less than 20 years	2,300,261
20 years and above	6,300,585
Total	₱46,476,129

The Company does not expect to contribute to its retirement plan in 2023. The average working life of employees as of December 31, 2022 and 2021 is 15 years and 16 years, respectively. While there are no minimum funding requirements in the country, the size of underfunding may pose a cash flow risk when a significant number of employees is expected to retire.

18. Income Tax

The provision for current income tax represents MCIT in 2022, 2021 and 2020.

The components of income tax expense (benefit) are as follows:

	2022	2021	2020
Recognized in profit or loss:			
Current	**₱265,565**	₱484,565	₱1,157,012
Deferred	**(228,392)**	(8,532,862)	(6,503,765)
	₱37,173	(₱8,048,297)	(₱5,346,753)
Reported in OCI:			
Deferred tax related to remeasurement losses on retirement liability	**₱–**	(₱321,290)	(₱873,866)

The components of the Company's net deferred tax liabilities are as follows:

	2022	2021
Deferred tax assets:		
Retirement liability	**₱8,874,611**	₱8,857,362
Excess MCIT over RCIT	**–**	2,777,217
NOLCO	**–**	135,945
	8,874,611	11,770,524
Deferred tax liabilities:		
Effect of difference between revenue recognized for tax and accounting	**(29,989,094)**	(32,711,965)
Other components of equity	**–**	(401,434)
	(29,989,094)	(33,113,399)
Net deferred tax liabilities	**(₱21,114,483)**	(₱21,342,875)

As at December 31, 2022, the Company did not recognize deferred tax assets relating to its NOLCO and excess MCIT over RCIT amounting to ₱4.2 million and ₱1.9 million, respectively.

Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Law

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years up to June 30, 2023. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

For financial reporting, however, the Company did not adopt the income tax rate changes as at and for the year ended December 31, 2020. The difference amounting to ₱6.0 million arising from the changes in income tax rates was recognized in 2021.

The reconciliation between the income tax based on the statutory income tax rate and the provision for (benefit from) income tax reported in the statement of comprehensive income is as follows:

	2022	2021	2020
Income tax at statutory tax rate	**(₱699,450)**	(₱4,951,601)	(₱6,029,503)
Add (deduct) tax effects of:			
Expired MCIT	**1,138,624**	1,503,780	–
Expired NOLCO and other adjustments	**(401,433)**	1,412,076	687,609
Interest income already subjected to final tax	**(568)**	(194)	(4,859)
Change in income tax rates	**–**	(6,012,358)	–
	₱37,173	(₱8,048,297)	₱5,346,753

The details of the Company's NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Expiry Year	Beginning Balance	Incurred	Applied	Ending Balance
2022	2025	₱–	₱16,352,745	₱–	₱16,352,745
2021	2026	543,780	–	–	543,780
		₱543,780	₱16,352,745	₱–	₱16,896,525

MCIT

Year Incurred	Expiry Year	Beginning Balance	Incurred	Expired	Ending Balance
2022	2025	₱–	₱265,565	₱–	₱265,565
2021	2024	483,868	–	–	483,868
2020	2023	1,154,725	–	–	1,154,725
2019	2022	1,138,624	–	1,138,624	–
		₱2,777,217	₱265,565	₱1,138,624	₱1,904,158

Under Republic Act No. 11494, also known as "Bayanihan to Recover As One Act" and Revenue Regulations No. 25-2020, NOLCO incurred for the taxable years 2020 and 2021 will be carried over for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO incurred for taxable year 2022 will be carried over for the next three (3) consecutive taxable years, or until 2025.

19. Earnings (Loss) per Share

Basic and diluted loss per share are computed as follows:

	2022	2021	2020
Net loss	**(₱2,834,972)**	(₱11,758,108)	(₱14,751,591)
Weighted average common shares	**1,951,387,570**	1,951,387,570	1,951,387,570
Basic and diluted loss per share	**(₱0.0015)**	(₱0.0060)	(₱0.0076)

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributed to common stockholders of the Company by the weighted average number of common shares issued and outstanding during the year. The weighted average number of shares takes into account the weighted average effect of any changes in the number of shares outstanding during the year.

The Company does not have any dilutive common shares outstanding, thus, the basic and diluted loss per share as at December 31, 2022, 2021 and 2020 are the same.

20. Contingencies

The Company, in the ordinary course of business, has pending legal claims and assessments which are in various stages of discussions, protests and appeal with relevant third parties. Management, in consultation with its legal counsel, believes that the ultimate resolution of these legal claims and assessments would not have a material impact on the Company's financial position and results of operations based upon an analysis of potential results. No provision for contingencies was recognized in 2022, 2021 and 2020.

21. Financial Risk Management Objectives and Policies

The Company's financial instruments consists of cash, trade and other receivables, equity instruments at FVOCI, trade and other payables (excluding customers' deposits and statutory payables), liability for purchased land and due to a related party.

It is the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk

The Company's exposure to credit risk arises from the failure of a counterparty to fulfill its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of these financial assets represent its maximum credit exposure.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms, and conditions are offered. The Company's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Company. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

There were no significant credit concentrations as at December 31, 2022 and 2021. The maximum exposure at the end of the reporting period is the carrying amounts of trade receivables as at December 31, 2022 and 2021.

No provision for ECL on trade receivables was recognized in 2022, 2021 and 2020 (see Note 5).

Other Financial Assets at Amortized Cost

The Company's other financial assets at amortized cost are mostly composed of cash in banks and other receivables. The Company limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

It is the Company's policy to measure ECL on the above 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. When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

	2022			
	12-Month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Total**
Cash in banks	**₱3,462,062**	**₱–**	**₱–**	**₱3,462,062**
Trade receivables	**–**	**328,782,767**	**–**	**328,782,767**
Advances to officers, employees and other receivables	**–**	**3,071,210**	**–**	**3,071,210**
	₱3,462,062	**₱331,853,977**	**₱–**	**₱335,316,039**

	2021			
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks	₱3,872,910	₱–	₱–	₱3,872,910
Trade receivables	–	334,752,418	–	334,752,418
Advances to officers, employees and other receivables	–	3,240,472	–	3,240,472
	₱3,872,910	₱337,992,890	₱–	₱341,865,800

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted cash flows as at December 31, 2022 and 2021:

	2022			
	Due and Payable on Demand	**Within 1 Year**	**Beyond 1 Year**	**Total**
Trade and other payables*	**₱–**	**₱37,142,250**	**₱–**	**₱37,142,250**
Liability for purchased land	**115,305,608**	**–**	**–**	**115,305,608**
Due to a related party	**24,229,330**	**–**	**–**	**24,229,330**
	₱139,534,938	**₱37,142,250**	**₱–**	**₱176,677,188**

**Excludes customers' deposits and statutory payables aggregating to ₱7.8 million as at December 31, 2022.*

	2021			
	Due and Payable on Demand	Within 1 Year	Beyond 1 Year	Total
Trade and other payables*	₱–	₱29,483,382	₱–	₱29,483,382
Liability for purchased land	115,305,608	–	–	115,305,608
Due to a related party	41,714,842	–	–	41,714,842
	₱157,020,450	₱29,483,382	₱–	₱186,503,832

**Excludes customers' deposits and statutory payables aggregating to ₱9.1 million as at December 31, 2021.*

The Company monitors its risk to a shortage of funds through analyzing the maturity of its financial assets and cash flows from operations. The Company monitors its cash position by a system of sales and cash forecasting. All expected collections, check disbursements and other payments are determined on a regular basis to arrive at the projected cash position to cover its obligations.

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company addresses liquidity concerns primarily through cash flows from operations.

Capital Management

The Company monitors capital on the basis of the carrying amount of equity as presented in the statement of financial position. Capital for the reporting periods are as follows:

	2022	2021
Capital stock	**₱1,951,387,570**	₱1,951,387,570
Additional paid-in capital	**201,228,674**	201,228,674
Deficit	**(416,466,474)**	(413,631,502)
Other comprehensive loss	**(4,448,589)**	(3,298,589)
	₱1,731,701,181	₱1,735,686,153

The objectives of the Company's capital management are to ensure that the Company's ability to continue as a going concern and to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value.

The Company's debt-to-equity ratio are as follows:

	2022	2021
Total liabilities	**₱241,128,527**	₱252,331,904
Total equity	**1,731,701,181**	1,735,686,153
	0.14:1.00	0.15:1.00

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes in 2022, 2021 and 2020. The Company is not subject to externally-imposed capital requirements.

Impact of COVID-19

The varying level of community quarantine that have been enforced in the different parts of the country since its initial imposition on March 16, 2020 have created significant impact to businesses in general. Management has developed and executed its business continuity protocols which allowed the Company to continue with its operations to date.

Management continues to monitor all the ongoing COVID-19-related developments to assess, anticipate, and develop appropriate business strategies going forward.

22. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets and liabilities at amortized cost:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash	**₱3,494,343**	**₱3,494,343**	₱3,905,191	₱3,905,191
Trade and other receivables	**331,853,977**	**331,853,977**	337,992,890	337,992,890
	₱335,348,320	**₱335,348,320**	₱341,898,081	₱341,898,081

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Trade and other payables*	**₱37,142,250**	**₱37,142,250**	₱29,483,382	₱29,483,382
Liability for purchased land	**115,305,608**	**115,305,608**	115,305,608	115,305,608
Due to a related party	**24,229,330**	**24,229,330**	41,714,842	41,714,842
	₱176,677,188	**₱176,677,188**	₱186,503,832	₱186,503,832

**Excludes customers' deposits and statutory payables aggregating to ₱7.8 million and ₱9.1 million as at December 31, 2022 and 2021, respectively.*

The carrying amounts of these financial instruments, except for the noncurrent portion of trade receivables, approximate the fair values due to the short-term nature of these financial instruments. The fair value on noncurrent trade receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Management has assessed that the effect of discounting these noncurrent trade receivables is not significant. This is classified under Level 3 of the fair value hierarchy.

23. Notes to Statement of Cash Flows

Cash flows from receipts (payments) of due to a related party amounted to (₱17.5 million) in 2022, ₱1.2 million in 2021 and ₱9.8 million in 2020. There are no noncash investing and financing activities in 2022 and 2021.

24. Supplementary Tax Information Required under Revenue Regulations (RR) 15-2010 of the Bureau of Internal Revenue

The information for the year 2022 as required by the above regulations is presented below:

Output VAT

Output VAT declared by the Company for the year ended December 31, 2022 amounted to ₱5,670,997 and the revenues upon which the same was based amounted to ₱47,258,305.

The gross revenues are based on gross receipts of the Company for VAT purposes while gross revenues and other income in the statement of comprehensive income are measured in accordance with PFRS.

Input VAT

The movements in the input VAT paid for by the Company for the year ended December 31, 2022 are shown below:

Balance at beginning of year	₱64,424,473
Add: Domestic purchase of services	703,196
Domestic purchase of goods other than capital goods	962,041
Total input VAT	66,089,710
Less: Applied against output VAT	5,670,997
Balance at end of year	₱60,418,713

Taxes and Licenses

Details of the Company's taxes and licenses paid or accrued during the year are as follows:

Transfer taxes	₱1,562,467
Real property taxes	1,390,425
Business permits	991,401
Registration and others	258,075
	₱4,202,368

Withholding Taxes

Details of taxes paid and accrued during the year are as follows:

	Paid	Accrued	Total
Expanded withholding taxes	₱358,767	₱39,398	₱398,165
Withholding taxes on compensation	2,406,996	187,141	2,594,137
	₱2,765,763	₱226,539	₱2,992,302

Tax Assessments and Tax Cases

In 2022, the Company received from the BIR a Formal Letter of Demand (FLD) for the Company's alleged deficiency income tax, value-added tax, expanded withholding tax and documentary stamps tax for the calendar years 2019 and 2020 amounting to ₱96.2 million and ₱61.5 million, respectively. As at December 31, 2022, the Company's motion for reinvestigation on both FLDs have been granted and that the same are subject to further audit investigation by the BIR.