

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Mar 1, 2023
2. SEC Identification Number
167423
3. BIR Tax Identification No.
000-477-103
4. Exact name of issuer as specified in its charter
MEGAWORLD CORPORATION
5. Province, country or other jurisdiction of incorporation
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio,
Taguig City
Postal Code
1634
8. Issuer's telephone number, including area code
(632) 8894-6300/6400
9. Former name or former address, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	31,220,765,872
Preferred	6,000,000,000

11. Indicate the item numbers reported herein
Item 9(b)

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



MEGAWORLD

Megaworld Corporation

MEG

PSE Disclosure Form 4-30 - Material Information/Transactions
*References: SRC Rule 17 (SEC Form 17-C) and
Sections 4.1 and 4.4 of the Revised Disclosure Rules*

Subject of the Disclosure

Audited Consolidated Financial Statements of Megaworld Corporation for the year ended 31 December 2022

Background/Description of the Disclosure

Please see the attached copy of the Audited Consolidated Financial Statements of Megaworld Corporation for the year ended 31 December 2022

Other Relevant Information

None

Filed on behalf by:

Name	Jamie Katrina Chan
Designation	Senior Manager II

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (c) THEREUNDER**

1. **March 1, 2023**
Date of Report
2. SEC Identification Number: **167423** 3. BIR Tax Identification No: **000-477-103**
4. **MEGAWORLD CORPORATION**
Exact name of Issuer as specified in its charter
5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **30th Floor, Alliance Global Tower**
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634
Address of principal office
8. **(632) 8894-6300/6400**
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Outstanding</u>
Common	31,220,765,872
Preferred	6,000,000,000
Total	37,220,765,872

10. **Item 9(b)**


Please see the attached Audited Consolidated Financial Statements of Megaworld Corporation for the year ended 31 December 2022, as audited by its external auditor, Punongbayan & Araullo.

SIGNATURE

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

MEGAWORLD CORPORATION
Issuer

By:


DR. FRANCISCO C. CANUTO
Senior Vice President and
Corporate Information Officer
March 1, 2023



MEGAWORLD CORPORATION

30th Floor, Alliance Global Tower, 36th Street Corner 11th Avenue, Uptown Bonifacio, Fort Bonifacio, Taguig City, NCR, Fourth District Philippines 1630
Tels (632) 8946300 / 9052800 • www.megaworldcorp.com • Email customerservice@megaworldcorp.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman and Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 27th day of February 2023



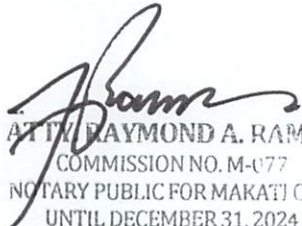
01 MAR 2023

MAKATI CITY

SUBSCRIBED AND SWORN to before me on this ____ day of _____ at _____, Philippines affiants exhibiting to me their Tax Identification Nos. as follows:

Andrew L. Tan 125-960-003-000
Francisco C. Canuto 102-956-483-000

Doc. No. 236 ;
Page No. 49 ;
Book No. 257 ;
Series of 2023


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01-03-2023/Makati City
MCLE Compliance No. VII-0020180/04-14-2025



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2022, 2021 and 2020



Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1

The Enterprise Center

6766 Ayala Avenue

1200 Makati City

Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)**

30th Floor, Alliance Global Tower

36th Street cor. 11th Avenue

Uptown Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition on Real Estate Sales and Determination of Related Costs***Description of the Matter***

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and cost of real estate sales amounted to P36.8 billion or 61.5% of consolidated Revenues and Income and P18.6 billion or 38.4% of consolidated Cost and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 20 and 21, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include tests of design and operating effectiveness of relevant controls over revenue generation and recognition, as well as tests of information technology (IT) general and application controls. We also performed tests of details to ascertain accuracy and occurrence of revenue recognized through examination of real estate sales contracts and other relevant supporting documents of the samples selected and performed overall analytical review of actual results.

As part of our test of compliance with revenue recognition criteria, we tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behavior.

Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recognition and allocation of costs per project and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of design and operating effectiveness of controls over cost recognition and measurement, including IT general and application controls. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

(b) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Megaworld Corporation and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identifying and eliminating voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses, receivables, payables and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 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 consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated 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 consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 27,754,568,446	P 43,794,605,919
Trade and other receivables - net	6	35,906,287,222	34,482,656,507
Contract assets	20	13,613,227,726	11,970,852,843
Inventories	7	123,451,306,761	115,741,508,821
Advances to contractors and suppliers	2	13,224,995,447	12,233,167,915
Prepayments and other current assets	8	10,365,034,100	9,611,978,356
		224,315,419,702	227,834,770,361
Total Current Assets			
NON-CURRENT ASSETS			
Trade and other receivables - net	6	21,035,571,171	12,489,998,575
Contract assets	20	6,006,696,047	7,951,394,519
Advances to contractors and suppliers	2	2,112,862,719	2,783,551,177
Advances to landowners and joint operators	10	7,896,413,808	7,158,576,223
Financial assets at fair value through other comprehensive income	9	5,253,799,848	5,760,368,447
Investments in associates - net	11	3,138,183,202	3,287,474,516
Investment properties - net	12	128,101,844,538	119,222,248,947
Property and equipment - net	13	7,196,910,584	6,530,887,796
Deferred tax assets - net	26	394,145,565	377,447,575
Other non-current assets - net	14	3,759,690,116	4,580,532,972
		184,896,117,598	170,142,480,747
Total Non-current Assets			
TOTAL ASSETS		P 409,211,537,300	P 397,977,251,108

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 12,691,010,973	P 12,685,534,491
Bonds payable	16	14,026,453,110	-
Trade and other payables	17	24,158,766,211	22,875,967,140
Contract liabilities	20	3,392,947,567	2,447,089,883
Customers' deposits	2	9,421,120,175	10,872,699,457
Advances from other related parties	27	2,126,611,006	3,243,336,539
Income tax payable		61,272,502	55,404,855
Redeemable preferred shares	18	-	251,597,580
Other current liabilities	19	9,375,781,591	<u>9,476,396,474</u>
Total Current Liabilities		<u>75,253,963,135</u>	<u>61,908,026,419</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	36,967,485,247	38,964,170,107
Bonds and notes payable	16	31,212,622,400	41,982,042,246
Contract liabilities	20	4,853,473,963	4,956,605,925
Customers' deposits	2	1,259,789,445	1,281,160,572
Deferred tax liabilities - net	26	12,264,107,694	11,541,788,887
Retirement benefit obligation	25	349,574,867	546,802,701
Other non-current liabilities	19	6,029,997,597	<u>7,092,663,304</u>
Total Non-current Liabilities		<u>92,937,051,213</u>	<u>106,365,233,742</u>
Total Liabilities		<u>168,191,014,348</u>	<u>168,273,260,161</u>
EQUITY			
Total equity attributable to the Company's shareholders	28	209,226,173,725	198,838,867,474
Non-controlling interests		<u>31,794,349,227</u>	<u>30,865,123,473</u>
Total Equity		<u>241,020,522,952</u>	<u>229,703,990,947</u>
TOTAL LIABILITIES AND EQUITY		<u>P 409,211,537,300</u>	<u>P 397,977,251,108</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES AND INCOME				
Real estate sales	20	P 36,849,992,605	P 31,129,417,724	P 24,858,537,303
Rental income	12	15,653,727,970	13,319,580,244	12,932,770,278
Hotel operations	20	2,603,709,878	1,928,863,081	1,482,160,976
Interest and other income - net	23	4,419,826,198	4,376,429,682	4,267,409,295
		<u>59,527,256,651</u>	<u>50,754,290,731</u>	<u>43,540,877,852</u>
COSTS AND EXPENSES				
Cost of real estate sales	21	18,554,755,392	16,874,283,279	13,790,525,832
Cost of hotel operations	21	1,462,451,435	1,086,978,559	963,104,532
Operating expenses	22	14,584,659,156	12,864,632,841	11,850,258,972
Equity share in net losses of associates	11	155,429,591	176,548,383	69,879,672
Interest and other charges - net	24	5,628,116,792	4,808,537,325	2,930,637,292
Tax expense	26	3,767,557,891	564,917,329	3,347,906,258
		<u>44,152,970,257</u>	<u>36,375,897,716</u>	<u>32,952,312,558</u>
NET PROFIT FOR THE YEAR		<u>P 15,374,286,394</u>	<u>P 14,378,393,015</u>	<u>P 10,588,565,294</u>
Net profit attributable to:				
Company's shareholders		P 13,455,475,825	P 13,434,466,763	P 9,885,989,490
Non-controlling interests		<u>1,918,810,569</u>	<u>943,926,252</u>	<u>702,575,804</u>
		<u>P 15,374,286,394</u>	<u>P 14,378,393,015</u>	<u>P 10,588,565,294</u>
Earnings Per Share:				
Basic	29	<u>P 0.431</u>	<u>P 0.422</u>	<u>P 0.295</u>
Diluted		<u>P 0.430</u>	<u>P 0.421</u>	<u>P 0.294</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT FOR THE YEAR		<u>P 15,374,286,394</u>	<u>P 14,378,393,015</u>	<u>P 10,588,565,294</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified				
subsequently to consolidated profit or loss:				
Fair value gains (losses) on financial assets				
at fair value through other comprehensive income	9	(579,783,082)	1,347,392,142	(323,225,082)
Actuarial gains on retirement				
benefit obligation	25	219,636,360	325,125,100	354,133,354
Share in other comprehensive income				
of associates	11	-	-	1,474,538
Tax expense	25, 26	(55,553,033)	(62,880,238)	(106,240,006)
		<u>(415,699,755)</u>	<u>1,609,637,004</u>	<u>(73,857,196)</u>
Items that will be reclassified				
subsequently to consolidated profit or loss:				
Exchange difference on translating				
foreign operations	2	106,276,210	47,027,439	(14,884,569)
Unrealized gains (losses) on cash flow hedge	30	91,147,189	199,713,502	(144,749,961)
Share in other comprehensive income				
of associates	11	6,138,277	20,926,197	-
Tax income (expense)	26	(34,902,030)	(11,756,858)	4,465,371
		<u>168,659,647</u>	<u>255,910,280</u>	<u>(155,169,159)</u>
Total Other Comprehensive Income (Loss)		<u>(247,040,108)</u>	<u>1,865,547,284</u>	<u>(229,026,355)</u>
TOTAL COMPREHENSIVE INCOME				
FOR THE YEAR		<u>P 15,127,246,286</u>	<u>P 16,243,940,299</u>	<u>P 10,359,538,939</u>
Total comprehensive income attributable to:				
Company's shareholders		<u>P 13,196,367,962</u>	<u>P 15,276,423,950</u>	<u>P 9,684,718,799</u>
Non-controlling interests		<u>1,930,878,324</u>	<u>967,516,349</u>	<u>674,820,140</u>
		<u>P 15,127,246,286</u>	<u>P 16,243,940,299</u>	<u>P 10,359,538,939</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders						Total	Non-controlling Interests (See Note 2)	Total Equity
	Capital Stock (See Note 28)	Additional Paid-in Capital (APIC) (See Note 28)	Treasury Shares - At Cost (See Note 28)	Revaluation Reserves (See Notes 9, 11 and 25)	Perpetual Securities (See Note 28)	Retained Earnings (See Note 28)			
Balance at January 1, 2022	P 32,430,865,872	P 16,660,844,347	(P 1,784,028,454)	P 7,627,867,265	P -	P 143,903,318,444	P 198,838,867,474	P 30,865,123,473	P 229,703,990,946
Exercise of stock options	-	1,902,623	902,111	-	-	(1,031,680)	1,773,054	-	1,773,054
Cash dividends	-	-	-	-	-	(1,911,107,946)	(1,911,107,946)	(1,001,652,570)	(2,912,760,516)
Acquisition of treasury shares	-	-	(916,099,229)	-	-	(916,099,229)	(916,099,229)	-	(916,099,229)
Share-based employee compensation	-	-	-	-	-	16,372,411	16,372,411	-	16,372,411
Total comprehensive income (loss) for the year	-	-	-	(259,107,863)	-	13,455,475,825	13,196,367,962	1,930,878,324	15,127,246,286
Balance at December 31, 2022	<u>P 32,430,865,872</u>	<u>P 16,662,746,970</u>	<u>(P 2,699,225,572)</u>	<u>P 7,368,759,402</u>	<u>p -</u>	<u>P 155,463,027,054</u>	<u>P 209,226,173,725</u>	<u>P 31,794,349,227</u>	<u>P 241,020,522,952</u>
Balance at January 1, 2021	P 32,430,865,872	P 16,660,844,347	(P 1,627,041,094)	(P 3,702,510,630)	P 10,237,898,577	P 131,464,174,188	P 185,464,231,260	P 27,066,248,937	P 212,530,480,197
Changes in percentage of ownership	-	-	-	9,488,420,708	-	-	9,488,420,708	3,227,048,107	12,715,468,815
Redemption of perpetual securities	-	-	-	-	(10,237,898,577)	484,257,436	(9,753,641,141)	-	(9,753,641,141)
Cash dividends	-	-	-	-	-	(1,337,820,837)	(1,337,820,837)	(263,692,340)	(1,601,513,177)
Acquisition of treasury shares	-	-	(156,987,360)	-	-	(156,987,360)	(156,987,360)	-	(156,987,360)
Distribution to holders of perpetual securities	-	-	-	-	-	(151,963,438)	(151,963,438)	-	(151,963,438)
Reduction in capital of a subsidiary	-	-	-	-	-	-	-	(141,998,580)	(141,998,580)
Share-based employee compensation	-	-	-	-	-	10,204,332	10,204,332	-	10,204,332
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	10,001,000	10,001,000
Total comprehensive income for the year	-	-	-	1,841,957,187	-	13,434,466,763	15,276,423,950	967,516,349	16,243,940,299
Balance at December 31, 2021	<u>P 32,430,865,872</u>	<u>P 16,660,844,347</u>	<u>(P 1,784,028,454)</u>	<u>P 7,627,867,265</u>	<u>p -</u>	<u>P 143,903,318,444</u>	<u>P 198,838,867,474</u>	<u>P 30,865,123,473</u>	<u>P 229,703,990,947</u>
Balance at January 1, 2020	P 32,430,865,872	P 16,658,941,725	(P 633,270,575)	(P 3,501,239,939)	P 10,237,898,577	P 123,270,889,661	P 178,464,085,321	P 26,401,437,184	P 204,865,522,505
Cash dividends	-	-	-	-	-	(1,177,796,572)	(1,177,796,572)	(10,008,387)	(1,187,804,959)
Acquisition of treasury shares	-	-	(994,672,630)	-	-	(994,672,630)	(994,672,630)	-	(994,672,630)
Distribution to holders of perpetual securities	-	-	-	-	-	(535,258,625)	(535,258,625)	-	(535,258,625)
Share-based employee compensation	-	-	-	-	-	21,381,914	21,381,914	-	21,381,914
Exercise of stock options	-	1,902,622	902,111	-	-	(1,031,680)	1,773,053	-	1,773,053
Total comprehensive income (loss) for the year	-	-	-	(201,270,691)	-	9,885,989,490	9,684,718,799	674,820,140	10,359,538,939
Balance at December 31, 2020	<u>P 32,430,865,872</u>	<u>P 16,660,844,347</u>	<u>(P 1,627,041,094)</u>	<u>(P 3,702,510,630)</u>	<u>P 10,237,898,577</u>	<u>P 131,464,174,188</u>	<u>P 185,464,231,260</u>	<u>P 27,066,248,937</u>	<u>P 212,530,480,197</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 19,141,844,285	P 14,943,310,344	P 13,936,471,552
Adjustments for:				
Depreciation and amortization	12, 13, 14	3,279,686,211	3,467,925,032	3,104,661,233
Unrealized foreign currency losses (gains) - net		2,366,023,638	1,625,333,145	(1,086,060,295)
Interest expense	24	2,258,100,909	1,941,630,481	1,641,304,190
Interest income	23	(2,143,200,870)	(1,566,929,419)	(1,445,447,319)
Equity share in net losses of associates	11	155,429,591	176,548,383	69,879,672
Dividend income	23, 27	(21,420,750)	(24,456,757)	(8,193,611)
Employee share options	25	16,372,411	10,204,332	21,381,914
Loss (gain) on sale of investment property	12	832,805	(136,206,674)	-
Gain on sale of property and equipment	13	(66,002)	(1,225,627)	(592,954)
Loss on derecognition of property and equipment	13	-	43,603,084	-
Operating profit before working capital changes		25,053,602,228	20,479,736,324	16,233,404,382
Decrease (increase) in trade and other receivables		(6,012,370,613)	(1,835,285,029)	3,064,093,048
Decrease (increase) in contract assets		302,323,589	(541,521,049)	(737,721,626)
Increase in inventories		(6,982,569,520)	(8,951,566,293)	(2,510,261,657)
Decrease (increase) in advances to contractors and suppliers		(321,139,074)	514,205,832	(217,097,481)
Decrease (increase) in prepayments and other current assets		(742,381,075)	(1,740,765,114)	699,913,970
Decrease (increase) in advances to landowners and joint operators		(737,837,585)	354,803,949	(454,495,711)
Decrease (increase) in other non-current assets		846,939,366	(146,217,428)	(887,291,362)
Increase in trade and other payables		1,239,593,735	606,265,488	2,510,777,198
Increase in contract liabilities		842,725,722	1,560,066,505	630,074,260
Increase (decrease) in customers' deposits		(1,472,950,409)	(2,534,471,445)	888,463,236
Increase (decrease) in other liabilities		(1,644,520,203)	(1,327,724,229)	2,766,117,805
Cash generated from operations		10,371,416,161	6,437,527,511	21,985,976,062
Cash paid for income taxes		(2,636,045,057)	(813,914,179)	(2,886,445,031)
Net Cash From Operating Activities		7,735,371,104	5,623,613,332	19,099,531,031
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(12,115,399,233)	(7,055,426,460)	(6,731,614,968)
Property and equipment	13	(733,081,802)	(519,098,962)	(430,709,071)
Interest received		2,198,139,764	2,052,061,538	1,039,449,706
Advances to associates and other related parties:	27			
Granted		(1,827,132,491)	(413,989,152)	(260,769,847)
Collected		-	89,575,462	35,608,643
Proceeds from sale of property and equipment	13	29,374,859	4,739,942	6,385,095
Dividends received		21,420,750	24,456,757	8,193,611
Additions to financial assets at fair value through other comprehensive income	9	-	(238,089,875)	-
Acquisition and subscription of shares of stock of subsidiaries and associates		-	(1,001,843,366)	-
Proceeds from sale of investment property	12	-	136,607,144	-
Net Cash Used in Investing Activities		(12,426,678,153)	(6,921,006,972)	(6,333,456,831)
<i>Balance carried forward</i>		(P 4,691,307,049)	(P 1,297,393,640)	P 12,766,074,200

	Notes	2022	2021	2020
<i>Balance brought forward</i>		(P 4,691,307,049)	(P 1,297,393,640)	P 12,766,074,200
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of long and short-term liabilities	36	(12,451,825,598)	(20,982,065,248)	(13,107,450,229)
Proceeds from availments of long and short-term liabilities	15, 36	10,522,520,857	26,643,083,897	7,800,000,000
Interest paid		(4,200,536,048)	(3,977,876,007)	(3,843,166,540)
Advances from other related parties:	27, 36			
Paid		(2,433,986,742)	(48,783,694)	(255,089,920)
Obtained		1,317,261,209	608,170,119	24,157,233
Cash dividends paid	28	(1,911,107,946)	(2,515,617,409)	-
Cash dividends declared and paid to non-controlling interest		(1,001,652,570)	(263,692,340)	(10,008,387)
Acquisition of treasury shares	28	(916,099,229)	(156,987,360)	(994,672,630)
Redemption of preferred shares	18	(251,597,580)	(251,597,580)	(251,597,580)
Repayments of lease liabilities	19, 36	(23,479,830)	-	(24,915,531)
Proceeds from exercise of stock rights	28	1,773,053	-	1,773,053
Proceeds from secondary offering of subsidiary's shares	28	-	14,717,312,432	-
Payments for redemption of perpetual capital securities		-	(8,552,741,141)	(1,200,900,000)
Distribution to holders of perpetual securities	28	-	(151,963,438)	(535,258,625)
Payments for return of capital to non-controlling interest		-	(141,998,580)	-
Issuance of bonds and notes payable	16, 36	-	-	16,692,935,192
Net Cash From (Used in) Financing Activities		(11,348,730,424)	4,925,243,651	4,295,806,036
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(16,040,037,473)	3,627,850,011	17,061,880,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		43,794,605,919	40,166,755,908	23,104,875,672
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 27,754,568,446	P 43,794,605,919	P 40,166,755,908

Supplemental Information on Non-cash Investing and Financing Activities:

1) In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property between Inventories, Property and Equipment, and Investment Properties. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 7, 12 and 13).

2) In 2021, the Group recognized right-of-use assets amounting to P3.6 million, and lease liabilities amounting to P3.6 million, respectively (see Notes 13 and 19).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Parent Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Parent Company is presently engaged in property-related activities such as project design, construction and property management. The Parent Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in food and beverage, real estate development, quick-service restaurant, tourism-entertainment and gaming businesses.

The Parent Company and AGI's common shares are publicly-listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office address, which is also its principal place of business, is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office address, which is also its principal place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.1 Composition of the Group

As at December 31, the Parent Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries	Effective Percentage of Ownership		
	2022	2021	2020
Prestige Hotels and Resorts, Inc. (PHRI)	100%	100%	100%
Richmonde Hotel Group International Ltd. (RHGI)	100%	100%	100%
Eastwood Cyber One Corporation (ECOC)	100%	100%	100%
Megaworld Cebu Properties, Inc. (MCP)	100%	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)	100%	100%	100%
Oceantown Properties, Inc. (OPI)	100%	100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)	100%	100%	100%
Arcovia Properties, Inc. (API)	100%	100%	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership		
		2022	2021	2020
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	100%	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	100%	100%	100%
Piedmont Property Ventures, Inc. (PPVT)	(a)	100%	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	100%	100%	100%
Streamwood Property, Inc. (SP)	(a)	100%	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)		100%	100%	100%
Luxury Global Malls, Inc. (LGMI)		100%	100%	100%
Davao Park District Holdings, Inc. (DPDHI)		100%	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		100%	100%	100%
Global One Hotel Group, Inc. (GOHGI)		100%	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	100%	100%	100%
San Vicente Coast, Inc. (SVCI)		100%	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)		100%	100%	100%
Savoy Hotel Manila, Inc. (SHMI)		100%	100%	100%
Savoy Hotel Mactan, Inc. (SHM)		100%	100%	100%
Kingsford Hotel Manila, Inc. (KHMI)	(h)	100%	100%	100%
Agile Digital Ventures, Inc. (ADVI)		100%	100%	100%
MREIT Fund Managers, Inc. (MFMI)	(f)	100%	100%	-
MREIT Property Managers, Inc. (MPMI)	(f)	100%	100%	-
MREIT, Inc. (MREIT)	(f)	62.09%	62.09%	-
Belmont Hotel Mactan Inc. (BHMI)	(a, m)	100%	-	-
Megaworld Bacolod Properties, Inc. (MBPI)		91.55%	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	76.55%	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		76.28%	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		75%	75%	75%
La Fuerza, Inc. (LFI)		66.67%	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)	(j)	60%	60%	60%
Northwin Properties, Inc. (NWPI)		60%	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	52.14%	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	68.03%	68.03%	68.03%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%	50%
Integrated Town Management Corporation (ITMC)		50%	50%	50%
Maple Grove Land, Inc. (MGLI)		50%	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%	100%
City Walk Building Administration, Inc. (CBAI)	(e)	100%	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(e)	100%	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(e)	100%	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(e)	100%	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	100%	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(e)	100%	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	100%	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(e)	100%	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	100%	100%	100%
Cityfront Commercial Center Administration, Inc. (CCCAI)	(a, m)	100%	-	-

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership		
		2022	2021	2020
Suntrust Properties, Inc. (SPI)		100%	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		100%	100%	100%
Governor's Hills Science School, Inc. (GHSSI)		100%	100%	100%
Sunrays Property Management, Inc. (SPMI)		100%	100%	100%
Suntrust One Shanata, Inc. (SOSI)	(a)	100%	100%	100%
Suntrust Two Shanata, Inc. (STSI)	(a)	100%	100%	100%
Stateland, Inc. (STLI)	(i)	98.41%	98.31%	96.87%
Global-Estate Resorts, Inc. (GERI)		82.32%	82.32%	82.32%
Elite Communities Property Services, Inc. (ECPSI)		82.32%	82.32%	82.32%
Southwoods Mall, Inc. (SMI)		91.09%	91.09%	91.09%
Megaworld Global-Estate, Inc. (MGEI)		89.39%	89.39%	89.39%
Twin Lakes Corporation (TLC)		90.99%	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)		90.99%	90.99%	90.99%
Fil-Estate Properties, Inc. (FEPI)		82.32%	82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a)	82.32%	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	82.32%	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	82.32%	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	82.32%	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	82.32%	82.32%	82.32%
La Compañía De Sta. Barbara, Inc. (LCSBI)		82.32%	82.32%	82.32%
MCX Corporation (MCX)	(a)	82.32%	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	82.32%	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a)	82.32%	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		82.32%	82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	82.32%	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	65.03%	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)		45.28%	45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		82.32%	82.32%	82.32%
Golforce, Inc. (Golforce)		82.32%	82.32%	82.32%
Southwoods Ecocentrum Corp. (SWEC)		49.39%	49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	49.39%	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		82.32%	82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	82.32%	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	82.32%	82.32%	82.32%
Savoy Hotel Boracay, Inc. (SHBI)		82.32%	82.32%	82.32%
Belmont Hotel Boracay, Inc. (BHBI)		82.32%	82.32%	82.32%
Oceanfront Properties, Inc. (OFPI)		41.13%	41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)		81.73%	81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)		81.73%	81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	81.73%	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	81.73%	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a)	81.73%	81.73%	81.73%
20 th Century Nylon Shirt, Inc. (CNSI)	(a)	81.73%	81.73%	81.73%
Laguna BelAir School, Inc. (LBASI)		59.67%	59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	49.04%	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMI)	(k)	58.53%	58.53%	32.69%
Megaworld Resort Estates, Inc. (MREI)	(b, c)	51%	51%	51%
Townsquare Development, Inc. (TDI)		30.60%	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		30.60%	30.60%	30.60%

Associates	Explanatory Notes	Effective Percentage of Ownership		
		2022	2021	2020
Bonifacio West Development Corporation (BWDC)		46.11%	46.11%	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%	40%
Suntrust Resort Holdings, Inc., formerly Suntrust Home Developers, Inc. (SUN)	(g)	34%	34%	34%
SWC Project Management Limited (SPML)		34%	34%	34%
WC Project Management Limited (WPML)		34%	34%	34%
Suncity WC Hotel Inc. (Suncity WC)		34%	34%	-
First Oceanic Property Management, Inc. (FOPMI)	(l)	-	-	8.16%
Citylink Coach Services, Inc. (CCSI)	(l)	-	-	8.16%
GERI		-	-	-
Fil-Estate Network, Inc. (FENI)	(a)	16.46%	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)	(a)	16.46%	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(a)	16.46%	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)	(a)	16.46%	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)		11.52%	11.52%	11.52%

Explanatory Notes:

- (a) These are entities which have not yet started commercial operations or are non-operating entities as at December 31, 2022.
- (b) As at December 31, 2022, the Parent Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.
- (c) As at December 31, 2022, the Parent Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.
- (d) As at December 31, 2022, the Parent Company owns 68.03% of MBPHI, which consists of 67.43% direct ownership and 0.60% indirect ownership from TIHGI.
- (e) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Parent Company through MLI, their immediate parent company.
- (f) MFMI, MPMI and MREIT are newly incorporated subsidiaries in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of an REIT, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009*, including its implementing rules and regulations, and other applicable laws.
- (g) In 2021, SUN disposed its investments in FOPMI and CCSI.
- (h) KHMI was incorporated in 2020 and also engaged in hotel operations.
- (i) In 2021, the Parent Company acquired additional common shares of STLI from previous stockholders representing 1.44% direct ownership. As at December 31, 2022, the effective ownership of Parent Company over STLI is 98.41%, consisting of 18.84% direct ownership and 79.47% indirect ownership through SPI.
- (j) In 2021, the SEC approved the application of MDC for the decrease of its authorized capital stock. As a result, MDC paid a total of P355.0 million to its current stockholders for the return of capital. The Parent Company's ownership interest over MDC remains at 60%.
- (k) PCMI is a subsidiary through EELHI. In 2021, certain number of shares owned by the Parent Company were transferred to EELHI, increasing the effective ownership of EELHI to 58.53%, which consists of 25.84% direct ownership and 32.69% indirect ownership from EELHI.
- (l) In 2021, SHDI disposed its investments in FOPMI and SHDI.
- (m) Newly incorporated subsidiaries in 2022.

All subsidiaries and associates were incorporated and have their principal place of business in the Philippines except for the following:

- MCII – incorporated and has principal place of business in the Cayman Islands
- RHGI – incorporated and has principal place of business in the British Virgin Islands
- SPML – incorporated and has principal place of business in Hongkong
- WPML – incorporated and has principal place of business in Macau

The Parent Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2022, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations, fund management operations and marketing services and e-commerce.

There are no significant restrictions on the Parent Company's ability to access or use the assets and settle the liabilities of the Group.

EELHI, GERI, MREIT and SUN are publicly-listed companies in the Philippines.

1.2 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below (in thousands).

Name	Accumulated Equity of NCI			Subsidiary's Consolidated Profit (Loss) Allocated to NCI		
	2022	2021	2020	2022	2021	2020
GERI	P 6,465,556	P 5,924,064	P 5,659,306	P 504,135	P 273,591	P 216,179
EELHI	11,079,586	10,947,572	11,721,428	132,014	131,173	102,361
MCTI	1,540,324	1,478,957	1,436,742	61,367	42,215	38,765
MREIT	4,106,038	4,193,831	-	847,186	218,295	-
MBPHI	3,738,342	3,380,091	3,245,697	358,251	134,394	283,219
LFI	1,315,389	1,331,477	1,261,066	50,573	103,742	46,099
NWPI	2,304,894	2,304,126	2,305,165	768	(1,040)	(505)

The summarized balance sheet of GERI, EELHI, MCTI, MREIT, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2022					
GERI	P 38,887,889,575	P 18,640,892,072	P 9,248,792,774	P 10,115,411,364	P 38,164,576,509
EELHI	41,968,274,885	5,286,438,058	13,498,100,728	3,019,479,946	30,737,132,269
MCTI	6,438,103,924	621,264,555	492,410,748	73,179,426	6,493,778,305
MREIT	1,912,786,392	55,265,630,024	754,220,972	8,133,703,383	48,290,492,059
MBPHI	14,720,986,562	3,083,087,364	6,678,205,933	1,312,522,540	9,813,345,453
LFI	541,671,947	892,738,490	255,335,825	168,161,734	1,010,912,878
NWPI	2,909,654,333	869,970,790	372,546,245	-	3,407,078,878
December 31, 2021					
GERI	P 38,139,719,431	P 15,820,703,376	P 9,221,560,921	P 8,611,153,304	P 36,127,708,582
EELHI	40,955,740,994	5,428,674,577	13,225,879,295	3,166,385,834	29,992,150,442
MCTI	5,205,827,670	454,925,454	415,870,367	60,923,341	5,183,959,416
MREIT	1,549,745,634	57,299,106,443	509,654,981	8,084,070,157	50,255,126,939
MBPHI	14,987,068,437	3,005,053,314	7,454,946,818	1,823,770,796	8,713,404,137
LFI	744,011,168	943,227,515	391,720,546	235,982,910	1,059,535,227
NWPI	958,312,019	884,391,370	7,648,473	-	1,835,054,916

The summarized comprehensive income of GERI, EELHI, MCTI, MREIT, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

		<u>Revenues</u>		<u>Net Profit (Loss)</u>		<u>Other Comprehensive Income (Loss)</u>
2022						
GERI	P	7,290,310,594	P	1,983,928,641	P	38,918,313
EELHI		4,708,080,236		706,157,443		38,839,596
MCTI		772,855,785		258,714,115		-
MREIT		3,645,501,549		501,904,556		-
MBPHI		64,681,698		1,099,941,316		-
LFI		300,111,585		151,733,792		8,102,824
NWPI						
2021						
GERI	P	5,112,502,154	P	1,635,535,937	P	175,090,394
EELHI		4,495,217,729		760,663,345		23,619,795
MCTI		456,354,032		177,972,817		-
MREIT		1,806,625,310		423,248,654		-
MBPHI		2,431,858,083		420,365,816		-
LFI		554,170,309		311,257,955		2,376,412
NWPI		8,202	(	2,599,043)		-
2020						
GERI	P	5,341,807,071	P	1,222,729,982	(P	1,617,931)
EELHI		5,205,581,572		560,267,510	(	107,716,731)
MCTI		440,765,150		163,426,923		-
MBPHI		4,698,569,950		869,571,261		-
LFI		419,400,696		138,311,203	(	2,891,031)
NWPI		1,428	(	1,262,879)		-

The summarized cash flows of GERI, EELHI, MCTI, MREIT, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

		<u>Net Cash from (Used in)</u>				
		<u>Operating Activities</u>	<u>Investing Activities</u>	<u>Financing Activities</u>		
2022						
GERI	P	243,620,711	(P	1,749,326,023)	(P	87,887,407)
EELHI		400,808,553		29,440,184	(	390,683,984)
MCTI	(	925,743,293)		79,931,609		1,051,104,773
MREIT		2,513,336,874	(	76,983)	(	2,466,539,438)
MBPHI	(	2,404,894,633)	(	539,213,308)	(	367,097,566)
LFI		249,491,046		7,488	(	200,000,000)
NWPI	(	28,229,018)		-		31,866,113
2021						
GERI	P	296,711,694	(P	23,628,604)	P	1,434,041,992
EELHI		1,295,015,628		5,622,495	(	40,942,556)
MCTI	(	147,010,156)	(	22,025,041)		1,051,104,773
MREIT		1,552,973,207	(	9,116,000,000)		6,587,915,869
MBPHI		1,425,208,741	(	372,827,723))	(	94,039,779)
LFI		149,327,127		23,562,500	(	103,912,836)
NWPI	(	28,229,018)		-		31,866,113
2020						
GERI	(P	155,538,806)	(P	358,228,252)	P	131,398,685
EELHI		1,131,309,023	(	2,721,264)	(	144,199,581)
MCTI	(	70,435,493)		47,671,293		-
MBPHI		1,489,075,211	(	56,992,141)		-
LFI		271,532,158		171,938	(	158,972,586)
NWPI	(	103,343)		-		-

In 2022, only MREIT and LFI have declared and paid dividends amounting to P2,466.5 million and P200.0 million, respectively. In 2021, only MREIT and LFI have declared and paid dividends amounting to P607.7 million and P100.0 million, respectively.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 (including the comparative consolidated financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Group's BOD on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in detail in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (until December 31, 2023)

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine Peso, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test of Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective Subsequent to 2022 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, the shares of the Parent Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly-controlled operations, and non-controlling interests as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings of Associates account in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Parent Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates are changed when necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Jointly-controlled Operations

For interests in jointly-controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint arrangement. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

(d) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are recognized in equity.

When the Parent Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity are accounted for as if the Parent Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the United States (U.S.) dollar as their functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Interest and Other Income or Charges – net in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, their functional currency, are translated to Philippine peso, the Parent Company's functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized under Exchange Difference on Translating Foreign Operations account in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Parent Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine Peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at FVOCI.

(i) *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, and Guarantee and other deposits (presented as part of Other Current and Non-current Assets).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statements of income as part of Interest and Other Income – net.

(ii) *Financial Assets at Fair Value Through Other Comprehensive Income*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell (“hold to collect and sell”); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or if it is a contingent consideration recognized arising from a business combination. Accordingly, the Group has designated equity instruments as at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statements of income as part of Interest and Other Income – net.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Interest and Other Income – net, when the Group’s right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group’s financial assets at FVTPL include derivatives with positive fair value and are presented in the consolidated statement of financial position as part of Prepayments and Other Current Assets.

Financial assets at FVTPL are initially measured at fair value. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss as part of Interest and Other Income – net in the consolidated statements of income unless the Group has elected to apply hedge accounting by designating the derivative as hedging instrument in an eligible hedging relationship in which some or all gains and losses may be recognized in other comprehensive income and included under Revaluation Reserves in the statements of changes in equity.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets including those which contain significant financing component. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 32.3(b)].

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- (i) *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- (ii) *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- (iii) *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all impaired financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially at fair value and are subsequently remeasured at fair value. Such derivatives are carried as assets when the net fair value is positive and as liabilities when the net fair value is negative.

The Group uses hedge accounting when it assigns hedging relationships between a hedging instrument, usually a derivative financial instrument, and a hedged item. The hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness to qualify for hedge accounting. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge.

Changes in fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included under Revaluation Reserves in equity to the extent that the hedge is effective. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

If the hedged future cash flows are no longer expected, the amount that has been accumulated in Revaluation Reserves shall be immediately reclassified to profit or loss.

2.7 Inventories

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.21). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized plus any amount to be refunded to customers and the cost of the repossessed property is recognized in the consolidated statement of income.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Advances to contractors and suppliers pertain to advance payments made by the Group, which are for purchase of construction service and materials.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.9 Property and Equipment

Property and equipment, including land, are carried at acquisition or construction cost less subsequent depreciation and/or amortization for property and equipment, and any impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

The depreciation and amortization periods for other property and equipment, based on the above policies, are as follows:

Buildings and improvements	5-25 years
Office improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

The measurement for right-of-use assets is disclosed in Note 2.17(a).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the consolidated profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties include properties held for lease under operating lease agreements, properties intended to be held for lease, and properties held for currently undetermined use. These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.11 Financial Liabilities

Financial liabilities of the Group, which include interest-bearing loans and borrowings, bonds and notes payable, trade and other payables (except tax-related liabilities), derivative liabilities, redeemable preferred shares, advances other related parties, commission payable and subscription payable (presented as part of Other Current Liabilities and Other Non-current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. Financial liabilities (except derivative liabilities) are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Derivative liabilities are initially recognized and subsequently measured at fair value. Changes in fair value are recognized in profit or loss unless designated as hedging instrument in a cash flow hedge (see Note 2.6).

All interest-related charges, except for capitalized borrowing costs, are recognized as expense in profit or loss under the caption Interest and Other Charges in the consolidated statement of income.

Interest-bearing loans and borrowings, bonds payable and redeemable preferred shares are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. These shares are also issued for support of long-term funding.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

All interest-related charges are recognized as expense in profit or loss under the caption Interest and other charges – net account in consolidated statement of income.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated statement of income.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Business Combination

(a) Accounting for Business Combination Using the Acquisition Method

Business acquisitions of entities not under common control of a principal stockholder are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Parent Company's interest in the fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the Parent Company is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or other comprehensive income, as appropriate.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Parent Company is required to report in its financial statements provisional amounts for the items for which accounting is incomplete. The recognized provisional amounts may be adjusted during the measurement period as if the accounting for the business combination had been completed at the acquisition date. The measurement period ends as soon as the Parent Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the Parent Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting of Business Combination Using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves”, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.14 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these products and service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- interest income and costs, and foreign currency gains and losses;
- equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and,
- gain on sale of investments in associate.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

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 the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, property management fees and hotel operations.

To determine whether to recognize revenue from sale of real properties and hotel operations, the Group follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and,
5. Recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The Group also enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(b). Sales cancellations are accounted for as contract modification on the year of forfeiture. Cumulative revenue and costs recognized on cancelled contracts are reversed in the year of cancellation, and any gain or loss is charged to profit or loss.

- (a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.
- (b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.
For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Parent Company, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, OPI, MGAI, MCTI and STLI.
- (c) *Sale of undeveloped land and golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at a point in time when the control over the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.
- (d) *Hotel accommodation* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.
- (e) *Food, beverage and others* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoice for consumer goods transferred are due upon receipt by the customer.
- (f) *Rendering of services* – Revenues are recognized over time (i.e., time-and-materials basis as the services are provided or based on the actual work done) until the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include property management, commission and construction income.

Incremental costs of obtaining a contract to sell real estate property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

Cost of real estate sales include the acquisition cost of the land, development costs incurred to date, applicable borrowings costs (see Note 2.21) and estimated costs to complete the project, determined based on estimates made by the project engineers.

Operating expenses and other costs are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred.

Finance costs are reported on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as how the Group assesses impairment of its financial assets [see Note 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sale, consideration received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- (a)* the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- (b)* the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- (c)* the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of property and equipment and other liabilities, respectively.

(b) *Group as Lessor*

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.18 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill and Leasehold rights (included as part of Other Non-current Assets), Investment Properties, Property and Equipment, and other non-financial assets are subject to impairment testing. Goodwill and intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs-to-sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and intangible assets with indefinite life, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Share-based Employee Remuneration

The Group grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Share options issued by a subsidiary is accounted for as non-controlling interests at fair value at the date of grant in the consolidated statement of changes in equity. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as follows:

(a) *Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Trade and Other Payables account in the consolidated statement of financial position.

(b) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified, noncontributory and administered by trustees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method.

The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provide evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest and Other Charges – net or Interest and Other Income – net in the consolidated statement of income.

Past-service costs are recognized immediately in consolidated profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss, except to the extent that it relates to items recognized in consolidated 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 the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their related parties, regardless whether a price is charged.

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. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded post-employment plan.

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Parent Company's board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.24 Equity

Capital stock is determined using the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Also, this includes shares of the Parent Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

- (a) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income;
- (b) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax;
- (c) Cumulative share in other comprehensive income of associates attributable to the Group;
- (d) Translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency;

- (e) The effective portion of gains and losses on hedging instruments in a cash flow hedge; and,
- (f) Changes in ownership interest in subsidiaries that do not result in a loss of control.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.25 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any share dividend, share split and reverse share split during the current year, if any.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares (see Note 29).

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group'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 consolidated financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate properties is satisfied over time, while completed real estate properties is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Hotel Operations

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iii) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management assesses that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(iv) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(v) Property Management Services

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(c) Estimation of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(d) Determination of ECL on Trade and Other Receivables

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered the continuing impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 32.3(b).

(e) *Distinction Among Investment Properties and Owner-occupied Properties*

The Group determines whether a property should be classified as investment property or owner-occupied property. The Group applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(f) *Distinction Between Inventories and Investment Properties*

Inventories comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(g) *Distinction Between Investments in Financial Instruments and Inventories*

Being a real estate developer, the Group determines how golf and resort shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or investments in financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

(h) *Presentation of Perpetual Debt Securities*

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. Based on management's assessment, the perpetual debt securities are classified as equity securities as the Group has the ability to defer payments of principal and interest indefinitely (see Note 28.7).

(i) *Distinction Between Asset Acquisition and Business Combinations*

The Parent Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Parent Company considers whether the acquisition represents acquisition of a business or asset. The Parent Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property*, on ancillary services.

(j) *Distinction Between Operating and Finance Leases (as a Lessor)*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Group's lease agreements, as lessor, are classified either operating or finance leases.

(k) *Consolidation of Entities in which the Group Holds 50% or Less of Voting Rights*

Management considers that the Group has de facto control over investees even though it effectively holds less than 50% of the ordinary shares and voting rights in those companies when it has the ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors (see Note 1.1).

(l) *Significant Influence on Investees Even if the Group Holds Less than 20% of Voting Rights*

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1.1 and 11).

(m) *Determination on whether Lease Concessions Granted constitute a Lease Modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group amounted to P1.4 billion and P2.3 billion in 2022 and 2021, respectively.

(n) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.15 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Revenue Recognition for Performance Obligation Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.5(b) and Note 32.3(b).

(c) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate inventory is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the inventories within the next reporting period. In evaluating net realizable value of inventories, recent market conditions and current market prices have been considered. The carrying value of Inventories is disclosed in Note 7.

(d) *Fair Value of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share options were granted. The estimates and assumptions used are presented in Note 28.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Group's share price and fair value of the Group's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of share options recognized as part of Salaries and employee benefits in 2022, 2021 and 2020 is presented in Note 25.2.

(e) *Fair Value Measurement of Investment Properties*

Investment properties are measured using the cost model. The Group determines the fair value of investment properties earning rental income through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 34.4.

(f) *Estimation of Useful Lives of Investment Properties, Property and Equipment, and Leasehold Rights*

The Group estimates the useful lives of investment properties, property and equipment, and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of investment properties and property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

An analysis of the movements in the carrying amount of Investment Properties, Property and Equipment, and Leasehold Rights is presented in Notes 12, 13 and 14, respectively.

(g) *Valuation of Financial Assets at Fair Value through Other Comprehensive Income*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the investee. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity. Valuation methods used in determining the fair value of these financial assets are disclosed in Note 34.2(a).

The carrying amounts of financial asset at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(b) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2022 and 2021 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2022 and 2021 is disclosed in Note 26.

(j) *Impairment of Goodwill and Other Non-financial Assets*

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become evident. In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses on the Group's goodwill and other non-financial assets required to be recognized in 2022, 2021 and 2020 based on management's assessment.

(k) *Valuation of Retirement Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 25.3.

(l) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their acquisition date fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. Segment accounting policies are the same as the policies described in Note 2.14. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Presentation of Segment Information

In 2022, the Group modified the presentation and measure of the performance of its operating segments such that only income and costs directly attributable to the segments are included. Following this change, the comparable segment information in the prior periods presented were restated to conform with the current year presentation.

4.5 Analysis of Segment Information

The tables presented in the succeeding page present revenue and profit information regarding industry segments for the years ended December 31, 2022, 2021 and 2020 and certain asset and liability information regarding segments as at December 31, 2022 and 2021.

	2022			
	Sale of Goods –	Sale of Services		Total
	Real estate	Rental	Hotel Operations	
TOTAL REVENUES				
Sales to external customers	P 36,849,992,605	P 15,653,727,970	P 2,603,709,878	P 55,107,430,453
Interest income on real estate sales	799,056,815	-	-	799,056,815
Intersegment sales	-	532,327,818	-	532,327,818
	<u>37,649,049,420</u>	<u>16,186,055,788</u>	<u>2,603,709,878</u>	<u>56,438,815,086</u>
COSTS AND OTHER				
OPERATING EXPENSES				
Costs of sales and services	25,712,626,517	1,856,763,898	2,101,359,090	29,670,749,506
Depreciation and amortization	258,051,817	2,731,898,812	144,072,673	3,134,023,302
	<u>25,970,678,334</u>	<u>4,588,662,710</u>	<u>2,245,431,763</u>	<u>32,804,772,808</u>
SEGMENT OPERATING PROFITS	<u>P 11,678,371,085</u>	<u>P 11,597,393,078</u>	<u>P 358,278,115</u>	<u>P 23,634,042,278</u>
ASSETS AND LIABILITIES				
Segment assets	<u>P 249,662,958,994</u>	<u>P 136,205,789,990</u>	<u>P 5,859,552,165</u>	<u>P 391,728,301,149</u>
Segment liabilities	<u>P 112,314,538,777</u>	<u>P 48,232,117,701</u>	<u>P 1,569,242,763</u>	<u>P 162,115,899,242</u>
	2021			
	Sale of Goods –	Sale of Services		Total
	Real estate	Rental	Hotel Operations	
TOTAL REVENUES				
Sales to external customers	P 31,129,417,724	P 13,319,580,244	P 1,928,944,451	P 46,377,942,419
Interest income on real estate sales	641,593,186	-	-	641,593,185
Intersegment sales	-	501,620,089	-	501,620,089
	<u>31,771,010,910</u>	<u>13,821,200,333</u>	<u>1,928,944,451</u>	<u>47,521,155,694</u>
COSTS AND OTHER				
OPERATING EXPENSES				
Costs of sales and services	22,143,407,538	1,718,745,957	1,654,286,432	25,516,439,927
Depreciation and amortization	305,468,041	2,815,266,472	148,945,316	3,269,679,829
	<u>22,448,875,579</u>	<u>4,534,012,429</u>	<u>1,803,231,748</u>	<u>28,786,119,756</u>
SEGMENT OPERATING PROFITS	<u>P 9,322,135,330</u>	<u>P 9,287,187,904</u>	<u>P 125,712,703</u>	<u>P 18,735,035,937</u>
ASSETS AND LIABILITIES				
Segment assets	<u>P 246,748,867,643</u>	<u>P 127,778,100,601</u>	<u>P 4,800,909,509</u>	<u>P 379,327,877,753</u>
Segment liabilities	<u>P 110,574,147,992</u>	<u>P 47,869,814,875</u>	<u>P 1,185,567,816</u>	<u>P 159,629,530,683</u>
	2020			
	Sale of Goods –	Sale of Services		Total
	Real estate	Rental	Hotel Operations	
TOTAL REVENUES				
Sales to external customers	P 24,858,537,303	P 12,932,770,278	P 1,482,160,976	P 39,273,468,557
Interest income from real estate sales	408,339,844	-	-	408,339,844
Intersegment sales	-	467,049,014	-	467,049,014
	<u>25,266,877,147</u>	<u>13,399,819,292</u>	<u>1,482,160,976</u>	<u>40,148,857,415</u>
COSTS AND OTHER				
OPERATING EXPENSES				
Costs of sales and services	19,252,024,183	1,745,331,616	1,438,867,811	22,436,223,610
Depreciation and amortization	306,863,866	2,485,169,230	133,495,376	2,925,528,472
	<u>19,558,888,049</u>	<u>4,230,500,846</u>	<u>1,572,363,187</u>	<u>25,361,752,082</u>
SEGMENT OPERATING PROFITS	<u>P 5,707,989,098</u>	<u>P 9,169,318,446</u>	<u>(P 90,202,211)</u>	<u>P 14,787,105,333</u>

Total project and capital expenditures amounted to P45.9 billion, P38.2 billion and P27.9 billion in 2022, 2021 and 2020, respectively.

4.6 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Total segment revenues	P 56,438,815,086	P 47,521,155,694	P 40,148,857,415
Unallocated interest and other income	3,620,769,383	3,734,755,126	3,859,069,451
Elimination of intersegment sales	(532,327,818)	(501,620,089)	(467,049,014)
Revenues as reported in profit or loss	<u>P 59,527,256,651</u>	<u>P 50,754,290,731</u>	<u>P 43,540,877,852</u>
Profit or loss			
Segment operating profit	P 23,634,042,278	P 18,735,035,938	P 14,787,105,333
Unallocated interest and other income	3,620,769,383	3,734,755,126	3,859,069,451
Unallocated interest and other charges	(5,628,116,793)	(4,808,537,325)	(2,930,637,292)
Equity share in net losses	(155,429,591)	(176,548,383)	(69,879,672)
Other unallocated expenses	(2,329,420,992)	(2,541,395,012)	(1,709,186,268)
Profit before tax as reported in profit or loss	<u>P 19,141,844,285</u>	<u>P 14,943,310,344</u>	<u>P 13,936,471,552</u>
		<u>2022</u>	<u>2021</u>
Assets			
Segment assets		P 391,728,301,149	P 379,327,877,753
Investments in associates		3,138,183,202	3,287,474,516
Financial assets at fair value through other comprehensive income		5,253,799,848	5,760,368,447
Advances to other related parties		6,378,875,057	4,551,587,462
Other unallocated assets		<u>2,712,378,045</u>	<u>5,049,942,930</u>
Total assets reported in the consolidated statements of financial position		<u>P 409,211,537,300</u>	<u>P 397,977,251,108</u>
Liabilities			
Segment liabilities		P 162,115,899,242	P 159,629,530,683
Advances from associates and other related parties		2,126,611,006	3,243,336,539
Other unallocated liabilities		<u>3,948,504,100</u>	<u>5,400,392,939</u>
Total liabilities reported in the consolidated statements of financial position		<u>P 168,191,014,348</u>	<u>P 168,273,260,161</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	P 13,217,086,693	P 10,751,423,572
Short-term placements	<u>14,537,481,753</u>	<u>33,043,182,347</u>
	<u>P 27,754,568,446</u>	<u>P 43,794,605,919</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 60 days and earn effective interest ranging from 0.50% to 5.70% in 2022, 0.05% to 4.50% in 2021, and 0.10% to 4.00% in 2020 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current:			
Trade	15.3(h), 27.1	P25,129,843,967	P 25,298,080,162
Allowance for impairment		<u>(749,340,938)</u>	<u>(761,550,836)</u>
		24,380,503,029	24,536,529,326
Advances to associates and other related parties	27.2	6,378,875,057	4,551,587,462
Others	27.4	<u>5,146,909,136</u>	<u>5,394,539,719</u>
		<u>35,906,287,222</u>	<u>34,482,656,507</u>
Non-current:			
Trade	15.3(h)	16,458,299,794	7,878,577,198
Allowance for impairment		<u>(12,224,936)</u>	<u>(12,224,936)</u>
		16,446,074,858	7,866,352,262
Others	27.1	<u>4,589,496,313</u>	<u>4,623,646,313</u>
		<u>21,035,571,171</u>	<u>12,489,998,575</u>
		<u>P56,941,858,393</u>	<u>P 46,972,655,082</u>

Trade receivables mainly pertain to receivables from real estate sales and rental transactions.

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables from real estate sales with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. Interest income recognized amounted to P799.0 million, P641.6 million and P408.3 million in 2022, 2021 and 2020, respectively. These amounts are presented as part of Interest income from trade receivables under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

Others include finance lease receivables arising from sublease transaction entered by the Group [see Note 31.1(b)]. As of December 31, 2022 and 2021, the current portion of the finance lease receivables amounted to P140.2 million and P49.7 million, respectively, while non-current portion amounted to P408.6 million and P523.3 million, respectively.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade receivables from real estate sales as the amounts recognized consist of a large number of receivables from various customers. The Group considers the market value of properties sold held as collateral in assessing the expected credit loss on trade receivables and contract assets from real estate sales [see Note 32.3(b)].

A reconciliation of the allowance for impairment losses on trade receivables at the beginning and end of 2022 and 2021 is shown below.

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
December 31, 2022:			
Balance at beginning of year	P 761,550,836	P 12,224,936	P 773,775,772
Reversal of impairment	(12,147,563)	-	(12,147,563)
Write off	(62,335)	-	(62,335)
Balance at end of year	<u>P 749,340,938</u>	<u>P 12,224,936</u>	<u>P 761,565,874</u>
December 31, 2021:			
Balance at beginning of year	P 839,881,663	P 12,224,936	P 852,106,599
Reversal of impairment	(77,349,260)	-	(77,349,260)
Write off	(981,567)	-	(981,567)
Balance at end of year	<u>P 761,550,836</u>	<u>P 12,224,936</u>	<u>P 773,775,772</u>

In 2022 and 2021, based on management's reassessment of recoverability of receivables, the Group reversed a portion of allowance for impairment amounting to P12.1 million and P77.3 million, respectively. The resulting gain on reversal is presented as part of Miscellaneous – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

7. INVENTORIES

The composition of this account as at December 31 is shown below.

	<u>2022</u>	<u>2021</u>
Residential and condominium units	P 99,244,736,147	P 87,357,060,915
Raw land inventory	11,823,319,249	12,718,498,816
Property development costs	9,509,115,059	12,770,169,977
Golf and resort shares	<u>2,874,136,306</u>	<u>2,895,779,113</u>
	<u>P 123,451,306,761</u>	<u>P 115,741,508,821</u>

Residential and condominium units mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Residential and condominium units.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares pertain to proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

Borrowing costs capitalized as part of inventories amounted to P727.2 million and P655.0 million in 2022 and 2021, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund its construction projects (see Notes 15 and 16).

None of the Group's inventories are used as collateral for its interest-bearing loans and borrowings.

Based on management's assessment, no allowance for inventory write-down is required to be recognized in 2022, 2021 and 2020; hence, inventories are recorded at cost as at December 31, 2022 and 2021.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Input VAT		P 3,620,500,726	P 3,472,235,583
Prepaid rent and other prepayments		2,151,545,978	1,371,970,679
Deferred commission	20.3	1,962,421,561	1,552,396,393
Creditable withholding taxes		1,949,539,045	2,654,752,614
Derivative asset	30	197,431,085	-
Deposits		72,579,834	175,938,357
Others		411,015,871	384,684,730
		<u>P 10,365,034,100</u>	<u>P 9,611,978,356</u>

Others include supplies and food and beverage inventories.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, financial assets at FVOCI is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Equity securities:			
Quoted		P 3,102,154,694	P 3,098,501,606
Unquoted		<u>2,151,645,154</u>	<u>2,661,866,841</u>
	27.4	<u>P 5,253,799,848</u>	<u>P 5,760,368,447</u>

The Group's securities are investments from local entities.

The reconciliation of the carrying amount of financial assets at FVOCI is as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 5,760,368,447	P 4,174,886,430
Additions and translation adjustments	73,214,483	238,089,875
Fair value gains (losses)	(579,783,082)	<u>1,347,392,142</u>
Balance at end of year	<u>P 5,253,799,848</u>	<u>P 5,760,368,447</u>

The quoted equity securities pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE.

Other information about the fair value measurement and disclosures related to the investments in financial assets are presented in Note 34.2.

In 2022, 2021 and 2020, the Group received cash dividends amounting to P21.4 million, P24.5 million and P8.2 million, respectively. The amount of dividends received is presented as Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various projects. These are treated as jointly-controlled operations. The joint arrangements stipulate that the Group's co-operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Note 2.7).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

The total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2022 and 2021, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	<u>2022</u>	<u>2021</u>
Total commitment for construction expenditures	P 54,990,686,120	P 43,260,563,281
Total expenditures incurred	(<u>36,794,191,122</u>)	(<u>28,723,107,507</u>)
Net commitment	<u>P 18,196,494,998</u>	<u>P 14,537,455,774</u>

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2022 and 2021. The listing of the Group's jointly-controlled projects are as follows:

Parent Company:

- McKinley West
- Manhattan Garden City
- Uptown Bonifacio
- Northhill Gateway
- The Maple Grove
- Vion Tower
- Arden Botanical
- Arden West Park

GERI:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse District

EELHI:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon Projects

SPI:

- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Genti Heights
- Fountain Grove
- Palm City
- The Mist Residence

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities as at December 31, 2022 and 2021, and income and expenses for each of the three years in the period ended December 31, 2022 related to the Group's interests in joint arrangements are not presented or disclosed in the consolidated financial statements as the joint arrangements in which the Group is involved are not joint ventures (see Note 2.3).

As at December 31, 2022 and 2021, the Group either has no other contingent liabilities with regard to these joint operations or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint arrangements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2022 and 2021 amounted to P348.0 million and P333.2 million, respectively, is presented as part of Advances from Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

11. INVESTMENTS IN ASSOCIATES

11.1 Breakdown of Carrying Values

The details of investments in associates, accounted for using the equity method, are as follows:

	<u>2022</u>	<u>2021</u>
Acquisition costs:		
SUN	P 2,619,800,008	P 2,619,800,008
NPI	734,396,528	734,396,528
BWDC	199,212,026	199,212,026
PTHDC	<u>64,665,000</u>	<u>64,665,000</u>
	<u>3,618,073,562</u>	<u>3,618,073,562</u>
Accumulated equity in net losses:		
Balance at beginning of year	(399,719,957)	(223,171,574)
Equity share in net losses of associates for the year	(<u>155,429,591</u>)	(<u>176,548,383</u>)
Balance at end of year	(<u>555,149,548</u>)	(<u>399,719,957</u>)
Accumulated equity in other comprehensive income:		
Balance at beginning of year	69,120,911	48,194,714
Share in other comprehensive income of associates	<u>6,138,277</u>	<u>20,926,197</u>
Balance at end of year	<u>75,259,188</u>	<u>69,120,911</u>
	<u>P 3,138,183,202</u>	<u>P 3,287,474,516</u>

The shares of stock of SUN are listed in the PSE which closed at P0.99 and P1.12 per share as of December 31, 2022 and 2021, respectively. The fair values of all other investments in associates are not available as at December 31, 2022 and 2021. The related book values of the Group's holdings in all of the associates exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, equity, revenues, net profit (loss), other comprehensive income (loss) of the associates are as follows:

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Equity</u>
December 31, 2022					
SUN	P 2,398,121,447	P 29,009,661,526	P 1,205,652,756	P 21,687,136,439	P 8,514,993,778
NPI	255,482,161	5,411,008,680	1,317,011,624	-	4,349,479,217
BWDC	1,164,689,219	1,561,088,561	882,400,998	49,000,000	1,794,376,782
PTHDC	<u>1,134,973,333</u>	<u>107,914</u>	<u>1,010,203,132</u>	<u>-</u>	<u>124,878,115</u>
	<u>P 4,953,266,160</u>	<u>P 35,981,866,681</u>	<u>P 4,415,268,510</u>	<u>P 21,736,136,439</u>	<u>P 14,783,727,892</u>
December 31, 2021					
SUN	P 6,828,835,591	P 23,851,491,561	P 7,459,884,544	P 15,336,700,444	P 7,883,742,164
NPI	255,482,161	5,411,008,680	1,317,011,624	-	4,349,479,217
BWDC	941,814,221	1,664,189,610	882,306,335	31,659,593	1,692,037,903
PTHDC	<u>1,134,958,743</u>	<u>146,281</u>	<u>1,010,048,029</u>	<u>-</u>	<u>125,056,995</u>
	<u>P 9,161,090,716</u>	<u>P 30,926,836,132</u>	<u>P 10,669,250,532</u>	<u>P 15,368,360,037</u>	<u>P 14,050,316,279</u>
				Other Comprehensive Income	
		Revenues	Net Loss		
2022					
SUN		P 13,196	(P 557,052,537)		24,071,676
NPI		-	-		-
BWDC		150,838,321	73,823,084		-
PTHDC		<u>5,978</u>	<u>(178,880)</u>		<u>-</u>
		<u>P 150,857,495</u>	<u>(P 483,408,333)</u>		<u>P 24,071,676</u>
2021					
SUN		P 358,988	(P 504,878,084)		61,547,638
NPI		-	-		-
BWDC		75,876,205	(10,380,773)		-
PTHDC		<u>1,354</u>	<u>(258,146)</u>		<u>-</u>
		<u>P 76,236,547</u>	<u>(P 515,517,003)</u>		<u>P 61,547,638</u>
2020					
SUN		P 15,197,042	(P 211,545,268)		P 4,336,876
NPI		-	-		-
BWDC		66,586,695	5,048,071		-
PTHDC		<u>4,633</u>	<u>(704,866)</u>		<u>-</u>
		<u>P 81,788,370</u>	<u>(P 207,202,063)</u>		<u>P 4,336,876</u>

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
December 31, 2022			
Cost	P 29,987,225,960	P 118,552,303,984	P 148,539,529,944
Accumulated depreciation	<u>-</u>	<u>(20,437,685,406)</u>	<u>(20,437,685,406)</u>
Net carrying amount	<u>P 29,987,225,960</u>	<u>P 98,114,618,578</u>	<u>P 128,101,844,538</u>
December 31, 2021			
Cost	P 27,587,597,724	P 109,340,437,817	P 136,928,035,541
Accumulated depreciation	<u>-</u>	<u>(17,705,786,594)</u>	<u>(17,705,786,594)</u>
Net carrying amount	<u>P 27,587,597,724</u>	<u>P 91,634,651,223</u>	<u>P 119,222,248,947</u>
January 1, 2021			
Cost	P 27,000,062,823	P 102,872,946,728	P 129,873,009,551
Accumulated depreciation	<u>-</u>	<u>(14,890,520,122)</u>	<u>(14,890,520,122)</u>
Net carrying amount	<u>P 27,000,062,823</u>	<u>P 87,982,426,606</u>	<u>P 114,982,489,429</u>

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020 of investment properties is shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation	P 27,587,597,724	P 91,634,651,223	P 119,222,248,947
Additions	2,400,461,041	9,714,938,191	12,115,399,232
Transfer to PPE		(503,072,024)	(503,072,024)
Disposal	(832,805)	-	(832,805)
Depreciation charges for the year	<u>-</u>	<u>(2,731,898,812)</u>	<u>(2,731,898,812)</u>
Balance at December 31, 2022, net of accumulated depreciation	<u>P 29,987,225,960</u>	<u>P 98,114,618,578</u>	<u>P 128,101,844,538</u>
Balance at January 1, 2021, net of accumulated depreciation	P 27,000,062,823	P 87,982,426,606	P 114,982,489,429
Additions	587,935,371	6,467,491,089	7,055,426,460
Disposal	(400,470)	-	(400,470)
Depreciation charges for the year	<u>-</u>	<u>(2,815,266,472)</u>	<u>(2,815,266,472)</u>
Balance at December 31, 2021, net of accumulated depreciation	<u>P 27,587,597,724</u>	<u>P 91,634,651,223</u>	<u>P 119,222,248,947</u>
Balance at January 1, 2020, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P 110,890,939,193
Transfer to property and equipment	-	(169,332,500)	(169,332,500)
Transfer from inventories	34,421	14,402,577	14,436,998
Additions	161,427,843	6,570,187,125	6,731,614,968
Depreciation charges for the year	<u>-</u>	<u>(2,485,169,230)</u>	<u>(2,485,169,230)</u>
Balance at December 31, 2020, net of accumulated depreciation	<u>P 27,000,062,823</u>	<u>P 87,982,426,606</u>	<u>P 114,982,489,429</u>

Rental income earned from these properties amounted to P15.7 billion, P13.3 billion and P12.9 billion in 2022, 2021 and 2020, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P937 million in 2022, P802.7 million in 2021, and P882.7 million in 2020. On the other hand, the direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2022, 2021 and 2020 amounted to P32.6 million, P29.6 million, and P37.2 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2021, the Group sold certain parcels of land with a total carrying value of P0.4 million for a total consideration of P136.6 million to a related party under common ownership (see Note 27.9). The related gain on disposal amounting to P136.2 million is presented as Gain on sale of properties under Interest and Other Income – net in the 2021 consolidated statement of income (see Note 23).

Borrowing costs that are capitalized as part of investment properties amounted to P1,383.3 million and P1,607.2 million in 2022 and 2021, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund their construction projects (see Notes 15 and 16).

Depreciation of investment properties is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The fair market values of the properties that generated rental income in 2022 and 2021 are P464.8 billion and P464.5 billion as at December 31, 2022 and 2021, respectively, while the fair market value of idle land as of December 31, 2022 and 2021 is P55.5 billion. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

As of December 31, 2022 and 2021, the Group does not have any contractual commitments for acquisition of investment properties.

None of the Group's investment properties are used as collateral for its interest-bearing loans and borrowings.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below and in the succeeding page.

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2022							
Cost	P 8,124,859,537	P 2,102,841,166	P 550,897,630	P 625,069,481	P 245,672,573	P 486,793,141	P 12,136,133,528
Accumulated depreciation and amortization	(2,081,008,650)	(1,580,869,769)	(405,958,248)	(570,229,582)	-	(301,156,695)	(4,939,222,944)
Net carrying amount	<u>P 6,043,850,887</u>	<u>P 521,971,397</u>	<u>P 144,939,382</u>	<u>P 54,839,899</u>	<u>P 245,672,573</u>	<u>P 185,636,446</u>	<u>P 7,196,910,584</u>
December 31, 2021							
Cost	P 7,382,669,895	P 1,772,495,392	P 465,326,962	P 576,330,596	P 245,672,575	P 286,374,169	P 10,728,869,587
Accumulated depreciation and amortization	(1,830,502,734)	(1,404,967,191)	(358,856,827)	(529,501,166)	-	(74,153,873)	(4,197,981,791)
Net carrying amount	<u>P 5,552,167,161</u>	<u>P 367,528,201</u>	<u>P 106,470,135</u>	<u>P 46,829,430</u>	<u>P 245,672,575</u>	<u>P 212,220,296</u>	<u>P 6,530,887,796</u>

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
January 1, 2021							
Cost	P 7,071,037,859	P 1,700,048,652	P 432,875,962	P 562,606,119	P 245,672,575	P 310,518,800	P 10,322,759,965
Accumulated depreciation and amortization	(1,509,924,901)	(1,238,333,340)	(310,435,212)	(485,892,991)	-	(58,573,516)	(3,603,159,960)
Net carrying amount	<u>P 5,561,112,958</u>	<u>P 461,715,312</u>	<u>P 122,440,750</u>	<u>P 76,713,128</u>	<u>P 245,672,575</u>	<u>P 251,945,284</u>	<u>P 6,719,600,005</u>

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020, of property and equipment is shown below.

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 5,552,167,161	P 367,528,201	P 106,470,135	P 46,829,430	P 245,672,573	P 212,220,296	P 6,530,887,796
Additions	239,117,618	351,338,233	86,571,155	56,054,796	-	-	733,081,802
Transfer from Investment Property	503,072,024	-	-	-	-	-	503,072,025
Disposals	-	(20,992,459)	(1,000,487)	(7,315,911)	-	-	(29,308,857)
Depreciation charges for the year	(250,505,916)	(175,902,578)	(47,101,421)	(40,728,416)	-	(26,583,850)	(540,822,182)
Balance at December 31, 2022, net of accumulated depreciation	<u>P 6,043,850,887</u>	<u>P 521,971,397</u>	<u>P 144,939,382</u>	<u>P 54,839,899</u>	<u>P 245,672,573</u>	<u>P 185,636,446</u>	<u>P 7,196,910,584</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 5,561,112,958	P 461,715,312	P 122,440,750	P 76,713,128	P 245,672,573	P 251,945,284	P 6,719,600,005
Additions	311,632,036	153,516,424	32,451,000	21,499,502	-	3,560,977	522,659,939
Derecognition	-	(47,388,166)	-	-	-	(14,776,324)	(62,164,490)
Disposals	-	(2,551,136)	-	(963,179)	-	-	(3,514,315)
Depreciation charges for the year	(320,577,833)	(197,764,233)	(48,421,615)	(50,420,021)	-	(28,509,641)	(645,693,343)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 5,552,167,161</u>	<u>P 367,528,201</u>	<u>P 106,470,135</u>	<u>P 46,829,430</u>	<u>P 245,672,573</u>	<u>P 212,220,296</u>	<u>P 6,530,887,796</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,575	P 257,918,425	P 6,702,251,003
Additions	214,062,002	133,827,341	42,650,409	40,169,319	-	35,626,357	466,335,428
Transfer from investment properties	169,332,500	-	-	-	-	-	169,332,500
Disposals	-	(5,438,966)	-	(353,175)	-	-	(5,792,141)
Depreciation charges for the year	(275,604,633)	(189,128,100)	(43,051,772)	(63,142,782)	-	(41,599,498)	(612,526,785)
Balance at December 31, 2020, net of accumulated depreciation	<u>P 5,561,112,958</u>	<u>P 461,715,312</u>	<u>P 122,440,750</u>	<u>P 76,713,128</u>	<u>P 245,672,575</u>	<u>P 251,945,284</u>	<u>P 6,719,600,005</u>

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
2022					
Offices	6	1 – 12 years	4 years	3	1
Commercial lot	4	1 – 25 years	16 years	2	1
2021					
Offices	4	1 – 12 years	7 years	2	1
Commercial lot	3	1 – 26 years	14 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2022 and 2021 and the movements during the years are shown below.

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
Balance at			
January 1, 2022	P 11,501,347	P 200,718,949	P 212,220,296
Depreciation and amortization	(3,522,160)	(23,061,690)	(26,583,850)
Balance at			
December 31, 2022	<u>P 7,979,187</u>	<u>P 177,657,259</u>	<u>P 185,636,446</u>
Balance at			
January 1, 2021	P 28,163,734	P 223,781,550	P 251,945,284
Additions	3,560,977	-	3,560,977
Derecognition	(14,776,324)	-	(14,776,324)
Depreciation and amortization	(5,447,040)	(23,062,601)	(28,509,641)
Balance at			
December 31, 2021	<u>P 11,501,347</u>	<u>P 200,718,949</u>	<u>P 212,220,296</u>

As of December 31, 2022 and 2021, the Group does not have any contractual commitments for acquisition of property and equipment.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Goodwill		P 1,385,124,597	P1,385,124,597
Guarantee and other deposits		1,050,101,840	877,329,410
Deferred commission	20.3	1,034,827,696	2,022,525,348
Leasehold rights – net		83,582,600	90,547,817
Miscellaneous		<u>206,053,383</u>	<u>205,005,800</u>
		<u>P 3,759,690,116</u>	<u>P4,580,532,972</u>

Goodwill primarily relates to growth expectations arising from operational efficiencies that will be achieved by combining the resources, skills and expertise of the Parent Company and its subsidiaries. Significant portion of the total goodwill is allocated to GERI, MLI, and STLI amounting to P947.1 million, P255.1 million and P94.9 million, respectively. The remaining P88.0 million is allocated to other subsidiaries.

The recoverable amounts of the cash generating units assigned to GERI, MLI and STLI are P76.6 billion, P445.5 million and P2.9 billion, respectively, at end of 2022 and P57.2 billion, P473.2 million and P4.6 billion, respectively, at end of 2021. These were computed using cash flows projections covering a five-year period and extrapolating cash flows using a conservative steady growth rate of 2.6% in 2022 and 3.6% in 2021. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P96.6 million and P93.3 million in 2022 and 2021, respectively, while the average growth rate used in extrapolating cash flows covering five-year projections is 5%. The average discount rates applied in determining the present value of future cash flows is 8.2% in 2022 and 7.3% in 2021.

The discount rates and growth rates are the key assumptions used by management in determining the value in use of the cash generating units. Based on management's analysis, no impairment is required to be recognized on goodwill. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying value of the cash generating units to exceed their respective value in use.

Goodwill is subject to annual impairment testing while leasehold rights is subject to testing whenever there is an indication of impairment. No impairment losses were recognized in 2022, 2021 and 2020 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

On December 23, 2020, a wholly-owned subsidiary advanced an amount of P1,200.9 million for the purchase of the Parent Company's perpetual securities. As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities. In 2021, the perpetual securities were redeemed in full (see Note 28.7).

Leasehold rights represent separately identifiable asset recognized from the acquisition of GPARC and is amortized over a period of 20 years. Leasehold rights amortization amounted to P7.0 million each in 2022, 2021 and 2020, and is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	<u>2022</u>	<u>2021</u>
Parent Company:		
Php-denominated	P 31,382,744,047	P 28,909,550,457
U.S. dollar-denominated	<u>2,341,894,555</u>	<u>4,580,587,013</u>
	33,724,638,602	33,490,137,470
Subsidiaries –		
Php-denominated	<u>15,933,857,618</u>	<u>18,159,567,128</u>
	<u>P 49,658,496,220</u>	<u>P 51,649,704,598</u>

The current and non-current classification of the Group's Interest-bearing Loans and Borrowings is shown below.

	<u>2022</u>	<u>2021</u>
Current	P 12,691,010,973	P 12,685,534,491
Non-current	<u>36,967,485,247</u>	<u>38,964,170,107</u>
	<u>P 49,658,496,220</u>	<u>P 51,649,704,598</u>

The Group is required to maintain certain financial ratios to comply with its debt covenants with local banks. These include maintaining a minimum debt to equity ratio, current ratio and debt service coverage ratio.

Finance costs arising from interest-bearing loans that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Inventories and Investment Properties accounts. The remaining interest costs are expensed outright.

The total finance costs attributable to all the loans of the Group amounted to P2,104.2 million, P2,251.7 million and P2,726.2 million in 2022, 2021 and 2020, respectively. Of these amounts, portion charged as expense amounted to P833.9 million, P788.9 million and P666.9 million in 2022, 2021 and 2020, respectively, and are presented as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income (see Note 24). Interest capitalized in 2022, 2021 and 2020 amounted to P1,270.3 million, P1,462.8 million and P2,059.3 million, respectively. The outstanding interest payable as of December 31, 2022 and 2021 is presented as part of Accrued Interests under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.11%, 3.01% and 4.25% in 2022, 2021 and 2020, respectively.

The reconciliation of the unamortized loans issue costs is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 151,754,133	P 106,676,331	P 136,794,038
Additions	75,000,000	120,000,000	37,500,000
Amortization	(73,429,132)	(74,922,198)	(67,617,707)
Balance at end of year	<u>P 153,325,001</u>	<u>P 151,754,133</u>	<u>P 106,676,331</u>

The amortization of loans issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income.

15.1 Parent Company

(a) U.S. Dollar, five-year loan due 2022

In December 2017, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. \$98.87 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2019 and a floating interest is paid quarterly based on a three-month London interbank offered rate (LIBOR) plus a certain spread. The Parent Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30). In 2022, the Parent Company has paid in full its outstanding loan balance.

(b) *Philippine Peso, seven-year loan due 2022*

In November 2015, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable semi-annually for a term of seven years. The principal repayments on this loan commenced in November 2016 and interest is paid semi-annually based on a fixed 5.25% annual interest rate. In 2022, the Parent Company has paid in full its outstanding loan balance.

(c) *Philippine Peso, seven-year loan due 2022*

In March 2015, the Parent Company signed a financing deal with a local bank in which the latter may avail of a P10.0 billion unsecured loan, divided equally into two tranches which the Parent Company fully availed in 2015. The proceeds of the loan were used to fund the development of the Parent Company's various real estate projects and retire currently maturing obligations. The loan is payable quarterly for a term of seven years. The principal repayments on this loan commenced in June 2016 and interest is paid quarterly based on a fixed 5.63% annual interest rate, which was further negotiated to 4.00% effective July 1, 2021. In 2022, the Parent Company has paid in full its outstanding loan balance.

(d) *Philippine Peso, five-year loan due 2023*

In December 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment of the loan commenced in March 2021 and interest is paid quarterly based on a fixed 7.85% annual interest rate which was further negotiated to 6.30% effective September 2, 2020.

(e) *U.S. Dollar, five-year loan due 2024*

In September 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. \$95.62 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and a floating interest is paid quarterly based on a three-month LIBOR plus a certain spread. The Parent Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30).

(f) *Philippine Peso, five-year loan due 2024*

In December 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and interest is paid quarterly based on the higher of 4.75% fixed rate and floating rate plus certain spread. The interest rate is subject for review beginning the fourth year.

(g) *Philippine Peso, five-year loan due 2025*

In March 2020, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in June 2022 and a floating interest is paid quarterly based on a five-day average reference rate plus a certain spread.

(h) *Philippine Peso, five-year loan due 2026*

In March 2021, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commenced in March 2022. Interest on the loan is fixed at 4.00% payable quarterly.

(i) *Philippine Peso, five-year loan due 2026*

In August 2021, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with the first principal payment due in November 2022. Interest is payable quarterly at a floating rate based on a reference rate plus a certain spread.

(j) *Philippine Peso, five-year loan due 2026*

In May 2021, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P6.0 billion. The loan is payable quarterly beginning August 2022. The interest is payable quarterly at a floating rate.

(k) *Philippine Peso, five year loan due 2027*

In September 2022, the Parent Company obtained an unsecured P10.0 billion loan from a local bank. Principal is payable in quarterly installments at the end of the 5th quarter from the drawdown date. The loan is payable quarterly beginning December 2023. The interest is payable quarterly at a floating rate.

15.2 EELHI

(a) *Philippine Peso, seven-year loan due 2022*

In 2015, EELHI obtained a P2.0 billion unsecured loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.4% for the first and second tranches, and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. In 2022, EELHI has paid in full its outstanding loan balance.

(b) *Philippine Peso, seven-year loan due in 2028*

In 2021, EELHI obtained an unsecured interest-bearing, seven-year, P1.0 billion loan from a local bank. The loan was released in full in February 2021 and bears a floating interest rate of 3.5% per annum. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting in May 2023 with a two-year grace period and interest is payable quarterly in arrears.

15.3 SPI

(a) *Philippine Peso, five-year loan due in 2025*

In 2018, SPI obtained an unsecured long-term loan from a local bank amounting to P2.2 billion. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loan bears 4.50% floating interest subject to repricing every 30 to 180 days and will mature in 2025. The proceeds of the loan were used to fund the acquisition of STLI in 2018.

(b) *Philippine peso, seven-year loan due in 2027*

In 2020, SPI obtained an unsecured long-term loan from a local bank amounting to P300.0 million. The loan bears fixed interest of 4.50%. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment.

(c) *Philippine peso, six-month loan*

In 2021, SPI obtained an unsecured loan from a local bank amounting to P500.0 million. The loan bears fixed interest of 4.0%. The principal amount is payable at maturity date.

(d) *Philippine Peso, various six-year loans due in 2027*

In 2021, SPI obtained an unsecured long-term loan from a local bank amounting to P400.0 million and P200.0 million. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loans bear fixed interest rates of 4.38% and 4.50%, respectively.

(e) *Philippine Peso, six-year loan due in 2027*

In 2021, SPI obtained an unsecured long-term loan from a local bank amounting to P100.0 million. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loans bears floating interest rate of 4.38% subject to quarterly repricing.

(f) *Philippine Peso, seven-year loan due in 2029*

In 2022, SPI obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The principal amount is payable monthly after a grace period of three years from the date of availment. The loan bears fixed interest rate of 5%.

(g) *Philippine Peso, various short-term loans*

SPI obtained various unsecured short-term loans from different local banks. The loans bear fixed and floating interest ranging from 4.0% to 6.25%. The outstanding balances of the loans as of December 31, 2022 and 2021 amounted to P500.0 million in both years.

(b) *Philippine Peso, liability on assigned receivables*

In 2022 and prior years, SPI obtained various loans from a local bank through assignment of trade receivables with recourse (see Note 6). The local bank is given the right to collect the assigned receivables and apply the collections to the corresponding loan balances. The loans bear floating interests ranging from 5.50% to 15.00%. The loans and interests are being paid as the receivables are collected. The outstanding balance pertaining to these loans as of December 31, 2022 and 2021 amounted to P0.9 billion and P1.4 billion, respectively.

The assigned trade receivables have an average term between 10 to 15 years and bear interests between 10% to 15%. The carrying value of assigned receivables is equal to the outstanding balance of the loan as of December 31, 2022 and 2021 and none were found to be impaired.

15.4 GERI

(a) *Philippine Peso, five-year loan due 2024*

In 2019, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion, payable quarterly for a term of five years. The loan bears a floating interest rate and is payable quarterly in arrears.

(b) *Philippine Peso, five-year loan due 2022*

In December 2017, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. The loan bears a floating interest rate and is payable quarterly in arrears.

(c) *Philippine Peso, five-year loan due 2025*

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P1.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate of 5.26% and is payable quarterly in arrears.

(d) *Philippine Peso, seven-year loan due 2027*

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion. The loan is payable quarterly for a term of seven years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly in arrears.

(e) *Philippine Peso, seven-year loan due 2027*

In March 2021, GERI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion. The loan is payable quarterly for a term of seven years with a grace period of two years upon availment. The loan bears a floating interest rate and is payable quarterly in arrears.

(f) *Philippine Peso, four-year loan due 2025*

In July 2021, GERI obtained an unsecured long-term loan from a local bank amounting to P1.0 billion. The loan is payable quarterly for a term of four years commencing on the beginning of the fifth quarter from the date of availment. The loan bears a fixed interest rate of 5.37% and is payable quarterly in arrears.

15.5 TLC

Philippine Peso, five-year loan due 2024

In August and November 2019, TLC obtained an unsecured and interest-bearing loans from a local commercial bank amounting to P300.0 million and P200.0 million, respectively, for funding requirements of the construction of a project. The loans bear floating interest rates and are payable in quarterly installments commencing in November 2020 until the loans are fully-settled. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loans bear floating interest rates ranging from 5.0% to 5.3% subject to 30 to 180 days repricing. Quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024 for all interest-bearing loans.

15.6 MREIT

Philippine Peso, ten-year loan due 2031

In December 2021, MREIT obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties from the Parent Company. The principal is payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing in December 2024.

16. BONDS AND NOTES PAYABLE

This account is composed of the following:

	<u>2022</u>	<u>2021</u>
Philippine peso	P 11,989,962,729	P 11,981,932,912
U.S. dollar	<u>33,249,112,781</u>	<u>30,000,109,334</u>
	<u>P 45,239,075,510</u>	<u>P 41,982,042,246</u>

The current and non-current classification of the Group's Bonds and Notes Payable is shown below.

	<u>2022</u>	<u>2021</u>
Current	P 14,026,453,110	P -
Non-current	<u>31,212,622,400</u>	<u>41,982,042,246</u>
	<u>P 45,239,075,510</u>	<u>P 41,982,042,246</u>

(a) *U.S. Dollar, seven-year senior unsecured notes due 2027*

On July 30, 2020, the Parent Company issued seven-year senior unsecured notes totaling to U.S. \$350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes shall mature on July 30, 2027. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).

(b) *Philippine Peso, seven-year bonds due 2024*

On March 28, 2017, the Parent Company issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.35% payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024. The bonds are listed Philippine Dealing & Exchange Corp. (PDEX).

(c) *U.S. Dollar, ten-year bonds due 2023*

On April 17, 2013, the Parent Company issued ten-year term bonds totaling U.S. \$250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually in arrears every April 17 and October 17. The proceeds of the bond issuance are being used by the Parent Company for general corporate purposes. The bonds are listed in the SGX-ST.

The Parent Company has complied with bond covenants including maintaining certain financial ratios at the end of the reporting periods.

The total interest incurred on these bonds amounted to P2,139.4 million, P1,983.9 million and P1,496.5 million in 2022, 2021 and 2020, respectively. Of these amounts, the portion charged as expense amounted to P1,209.5 million, P1,103.1 million and P872.2 million in 2022, 2021 and 2020, respectively, and are presented as part of Interest expense under Interest and Other Charges account in the consolidated statements of income (see Note 24). The outstanding interest payable as at December 31, 2022 and 2021 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

Interest capitalized amounted to P840.2 million, P799.4 million and P581.2 million in 2022, 2021 and 2020, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.89% in 2022, 3.87% in 2021 and 2.89% in 2020.

The reconciliation of the unamortized bonds issue costs is presented below.

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Balance at beginning of year	P 457,320,770	P	538,744,014	P	48,903,571
Additions	-		-		533,014,807
Amortization	(89,717,567)	(	81,423,244)	(	43,174,364)
Balance at end of year	<u>P 367,603,203</u>	P	<u>457,320,770</u>	P	<u>538,744,014</u>

The amortization of bonds issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income.

17. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables		P 14,927,714,758	P 14,438,713,317
Retention payable		5,198,564,149	5,092,856,605
Refund liability		1,495,318,078	1,598,037,403
Accrued interest	15, 16	765,943,568	673,948,706
Miscellaneous		<u>1,771,225,658</u>	<u>1,072,411,109</u>
		<u>P 24,158,766,211</u>	<u>P 22,875,967,140</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors. The non-current portion of Retention payable is presented as under Other Non-Current Liabilities in the statements of financial position (see Note 19).

Refund liability pertains to amounts payable to customers due to sales cancellation in respect of installment sales contracts as covered by the R.A. No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

Miscellaneous payables include withholding taxes payable and accrual of salaries, wages and utilities.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through the exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P0.5 million as at December 31, 2021 (nil in 2022) are presented as part of Other payables under Other Non-current Liabilities account in the 2021 consolidated statement of financial position (see Note 19). The related interest expense recognized amounting to P11.1 million and P16.9 million in 2022 and 2021, respectively, (nil in 2022) is presented as part of Interest expense under the Interest and Other Charges – Net account in the consolidated statements of income (see Note 24). The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance. The par value of the redeemable preferred shares on the date of issuance approximate their fair value.

All preferred shares were redeemed in full in 2022.

19. OTHER LIABILITIES

This account consists of:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current:			
Unearned income		P 3,242,781,577	P 2,928,397,465
Commission payable		2,077,980,412	2,632,525,561
Advances from customers		1,912,385,149	1,558,113,579
Subscription payable	11.1(a), 27	1,114,665,008	1,114,665,008
Lease liabilities		104,635,874	72,195,557
Derivative liability	30	-	147,793,407
Other payables		<u>923,333,571</u>	<u>1,022,705,897</u>
		<u>9,375,781,591</u>	<u>9,476,396,474</u>
Non-current:			
Deferred rent - net		3,160,203,687	3,950,438,046
Retention payable	17	1,676,303,061	2,144,942,479
Lease liabilities		506,110,406	517,377,243
Other payables	18	<u>687,380,443</u>	<u>479,905,536</u>
		<u>6,029,997,597</u>	<u>7,092,663,304</u>
		<u>P 15,405,779,188</u>	<u>P16,569,059,778</u>

Unearned income includes the current portion of deferred rent and advance payment for other services.

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Other current payables as of December 31, 2021 mainly pertain to the outstanding balance on the purchase of PCMI shares (see Note 27.6).

The total cash outflows relating to lease liabilities for the years ended December 31, 2022 and 2021 are as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Principal of lease liability		P 18,840,748	P -
Interest on lease liability	24	<u>38,577,068</u>	<u>29,570,421</u>
		<u>P 57,417,816</u>	<u>P 29,570,421</u>

The maturity analysis of lease liabilities as at December 31 is presented as follows:

	<u>Lease Payment</u>	<u>Finance Charges</u>	<u>Net Present Value</u>
2022			
Within one year	P 142,501,798	(P 37,865,924)	P 104,635,874
After one year but not more than two years	63,285,257	(36,173,595)	27,111,662
After two years but not more than three years	62,139,250	(34,454,513)	27,684,737
After three years but not more than four years	63,142,885	(32,679,378)	30,463,507
After four years but not more than five years	63,380,461	(30,872,412)	32,508,049
More than five years	<u>750,707,596</u>	<u>(362,365,145)</u>	<u>388,342,451</u>
	<u>P 1,145,157,247</u>	<u>(P 534,410,967)</u>	<u>P 610,746,280</u>
2021			
Within one year	P 110,776,861	(P 38,581,304)	P 72,195,557
After one year but not more than two years	59,622,870	(37,208,976)	22,413,894
After two years but not more than three years	60,085,188	(35,567,044)	24,518,144
After three years but not more than four years	59,560,155	(33,951,583)	25,608,572
After four years but not more than five years	60,370,357	(32,294,017)	28,076,340
More than five years	<u>810,937,480</u>	<u>(394,177,187)</u>	<u>416,760,293</u>
	<u>P 1,161,352,911</u>	<u>(P 571,780,111)</u>	<u>P 589,572,800</u>

The Group has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short term leases amounting to P114.8 million, P77.0 million and P181.1 million in 2022, 2021 and 2020, respectively, presented as Rent under Operating Expenses under Cost and Expenses in the statements of income (see Note 22).

20. REVENUES

20.1 Disaggregation of Revenues

The Group derives revenues from sale of real properties and hotel operations. An analysis of the Group's major sources of revenues and the types of products and services is presented below and in the succeeding page.

	<u>Segments</u>		
	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Total</u>
2022			
Residential and office units	P 31,476,429,945	P -	P 31,476,429,945
Lots only	5,373,562,660	-	5,373,562,660
Room accommodation	-	1,697,907,158	1,697,907,158
Food and beverages	-	828,253,238	828,253,238
Other hotel services	<u>-</u>	<u>77,549,482</u>	<u>77,549,482</u>
	<u>P 36,849,992,605</u>	<u>P 2,603,709,878</u>	<u>P 39,453,702,483</u>

	Segments		
	Real Estate	Hotel Operations	Total
2021			
Residential and office units	P 27,349,657,783	P -	P 27,349,657,783
Lots only	3,779,759,941	-	3,779,759,941
Room accommodation	-	1,427,615,363	1,427,615,363
Food and beverages	-	471,620,410	471,620,410
Other hotel services	-	29,627,308	29,627,308
	<u>P 31,129,417,724</u>	<u>P 1,928,863,081</u>	<u>P 33,058,280,805</u>
2020			
Residential and office units	P 21,667,844,909	P -	P 21,667,844,909
Lots only	3,190,692,394	-	3,190,692,394
Room accommodation	-	1,129,655,569	1,129,655,569
Food and beverages	-	327,418,219	327,418,219
Other hotel services	-	25,087,188	25,087,188
	<u>P 24,858,537,303</u>	<u>P 1,482,160,976</u>	<u>P 26,340,698,279</u>

20.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2022		2021	
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Balance at beginning of year	P19,922,247,362	P7,403,695,808	P19,380,726,313	P 5,843,629,303
Transfers from contract assets recognized at the beginning of year to trade receivables	(8,200,052,415)	-	(6,331,845,183)	-
Increase due to satisfaction of performance obligation over time, net of cash collections	7,897,72,826	-	6,873,366,232	-
Revenue recognized that was included in contract liability at the beginning of year	-	(3,679,150,615)	-	(1,704,149,276)
Increase due to cash received in excess of performance to date	<u>-</u>	<u>4,521,876,337</u>	<u>-</u>	<u>3,264,215,781</u>
Balance at end of year	<u>P19,619,923,773</u>	<u>P 8,246,421,530</u>	<u>P19,922,247,362</u>	<u>P 7,403,695,808</u>

The current and non-current classification of the Group's Contract Assets account as presented in the statements of financial position is shown below.

	2022	2021
Current	P 13,613,227,726	P 11,970,852,843
Non-current	<u>6,006,696,047</u>	<u>7,951,394,519</u>
	<u>P 19,619,923,773</u>	<u>P 19,922,247,362</u>

The current and non-current classification of the Group's Contract Liabilities account as presented in the statements of financial position is shown below.

	<u>2022</u>	<u>2021</u>
Current	P 3,392,947,567	P 2,447,089,883
Non-current	<u>4,853,473,963</u>	<u>4,956,605,925</u>
	<u>P 8,246,421,530</u>	<u>P 7,403,695,808</u>

The outstanding balance of trade receivables arising from real estate sales and hotel operations presented as part of Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position, amounted to P31.8 billion and P27.5 billion as of December 31, 2022 and 2021, respectively (see Note 6).

20.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Prepayments and Other Current Assets, and Other Non-current Asset accounts in the consolidated statements of financial position (see Notes 8 and 14). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commission under Operating Expenses (see Note 22).

The movements in the balances of deferred commission in 2022 and 2021 is presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 3,574,921,741	P 3,360,073,323
Additional capitalized costs net of sales cancellations	743,317,115	1,035,710,361
Amortization for the year	(1,320,989,599)	(820,861,943)
Balance at end of year	<u>P 2,997,249,257</u>	<u>P 3,574,921,741</u>

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P43.7 billion and P47.1 billion as of December 31, 2022 and 2021, respectively, which the Group expects to recognize as follows:

	<u>2022</u>	<u>2021</u>
Within a year	P23,100,331,580	P21,139,283,515
More than one year to three years	16,480,982,363	19,761,215,172
More than three to five years	<u>4,155,242,262</u>	<u>6,225,643,643</u>
	<u>P43,736,556,205</u>	<u>P47,126,142,330</u>

21. DIRECT COSTS

21.1 Cost of Real Estate Sales

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contracted services	P 15,157,644,269	P 13,921,991,148	P 11,219,299,981
Land cost	2,423,993,776	1,870,060,652	1,884,946,036
Borrowing cost	722,695,142	792,405,811	462,338,695
Other costs	<u>250,422,205</u>	<u>289,825,668</u>	<u>223,941,120</u>
	<u>P18,554,755,392</u>	<u>P16,874,283,279</u>	<u>P 13,790,525,832</u>

21.2 Cost of Hotel Operations

The nature of the cost of hotel operations for the years ended December 31 are as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and employee benefits	25.1	P 401,131,662	P 272,425,884	P 294,423,195
Food and beverage		320,804,080	191,503,125	113,744,576
Rent		271,757,384	251,186,534	174,698,043
Utilities		199,361,040	246,934,596	145,490,772
Hotel operating supplies		172,987,985	74,716,451	46,365,836
Outside services		47,380,779	7,071,957	143,269,354
Miscellaneous		<u>49,028,505</u>	<u>43,140,012</u>	<u>45,112,756</u>
		<u>P 1,462,451,435</u>	<u>P 1,086,978,559</u>	<u>P 963,104,532</u>

22. OPERATING EXPENSES

Presented below are the details of this account.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and employee benefits	25.1	P 3,462,970,100	P 2,878,758,053	P 2,774,714,292
Depreciation and amortization	12, 13, 14	3,279,686,210	3,467,925,032	3,104,661,233
Commission	20.3	1,782,224,386	1,220,192,387	1,211,294,878
Taxes and licenses		1,078,623,548	1,192,439,947	1,058,641,173
Advertising and promotions		959,749,002	764,372,156	551,242,571
Outside services		894,576,529	826,990,607	553,576,807
Utilities and supplies		808,326,783	494,027,066	470,914,537
Professional fees		616,959,535	594,801,585	511,233,774
Association dues		402,711,876	365,873,255	435,179,281
Transportation		294,644,206	194,751,215	154,786,603
Rent	19	177,257,360	76,988,707	181,081,217
Donation		100,524,798	149,743,170	252,789,709
Miscellaneous	11.2	<u>726,404,823</u>	<u>637,769,661</u>	<u>590,142,897</u>
		<u>P 14,584,659,156</u>	<u>P 12,864,632,841</u>	<u>P 11,850,258,972</u>

Miscellaneous operating expenses include repairs and maintenance, insurance expense, and training and development expense.

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2022	2021	2020
Interest income	5, 6, 27.1	P 2,942,288,364	P 2,104,896,268	P 2,003,787,163
Property management, commission and construction income		1,049,617,328	1,617,611,176	1,269,150,213
Dividend income	9, 27.4	21,420,750	24,456,757	8,193,611
Gain on sale of property	12	-	136,206,674	-
Foreign currency gains – net	5, 15, 16	-	-	788,594,465
Miscellaneous – net	6	406,499,756	493,258,807	197,683,843
		<u>P 4,419,826,198</u>	<u>P 4,376,429,682</u>	<u>P 4,267,409,295</u>

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2022	2021	2020
Interest expense	10.2 15, 16 18, 25.3	P 2,258,100,909	P 1,941,630,481	P 1,641,304,190
Other charges:				
Foreign currency losses – net	15, 16	1,738,714,911	1,265,498,741	-
Impairment and other losses	6	777,544,878	682,473,797	659,918,645
Day one loss	6	543,289,914	483,265,727	269,781,190
Miscellaneous – net		310,466,180	435,668,579	359,633,267
		<u>P 5,628,116,792</u>	<u>P 4,808,537,325</u>	<u>P 2,930,637,292</u>

Impairment and other losses include net losses from backout sales and impairment losses from trade receivables.

Miscellaneous charges pertain to amortization of discounts on security deposits, bank charges and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term benefits		P 3,764,816,906	P 3,010,286,233	P 2,975,240,661
Employee share option benefit	25.2, 28.6	16,372,411	10,204,332	21,381,914
Post-employment benefits	25.3	82,912,445	130,693,372	72,514,912
	21, 22	<u>P 3,864,101,762</u>	<u>P 3,151,183,937</u>	<u>P 3,069,137,487</u>

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Parent Company and GERI over the vesting period granted by them. As at December 31, 2022 and 2021, all 400.0 million shares of GERI's options were fully vested, but none of these have been exercised by any of the option holders.

As at December 31, 2022, 2021, and 2020, 60.0 million, 50.0 million, and 40.0 million, respectively, of the Parent Company's shares options were fully vested.

Employee option benefits expense, included as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income, amounted to P16.4 million, P10.2 million and P21.4 million in 2022, 2021 and 2020, respectively (see Note 25.1).

25.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by trustee banks. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under R.A. 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2022 and 2021.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are as follows:

	<u>2022</u>	<u>2021</u>
Present value of the obligation	P 972,939,970	P1,121,810,503
Fair value of plan assets	(623,365,103)	(575,007,802)
Net defined benefit liability	<u>P 349,574,867</u>	<u>P 546,802,701</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 1,121,810,503	P 1,345,331,303
Current service costs	82,912,445	130,693,372
Interest costs	53,408,462	49,827,794
Remeasurements –		
Actuarial gains		
arising from changes in:		
Financial assumptions	(139,502,189)	(134,104,864)
Experience adjustments	(98,910,242)	(202,235,817)
Benefits paid	(46,779,009)	(67,701,285)
Balance at end of year	<u>P 972,939,970</u>	<u>P 1,121,810,503</u>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 575,007,802	P 525,575,607
Contributions received	74,967,204	82,108,139
Benefits paid	(20,260,104)	(42,322,863)
Interest income	12,696,272	20,862,500
Loss on plan assets		
(excluding amount included		
in net interest cost)	(18,776,071)	(11,215,581)
Balance at end of year	<u>P 623,365,103</u>	<u>P 575,007,802</u>

The fair value of plan assets is composed of the following (in millions):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 283.7	P 184.4
Investment in marketable securities		
Equity securities	51.0	242.5
Debt securities	289.7	148.1
	<u>P 623.4</u>	<u>P 575.0</u>

Debt securities pertain to corporate and government securities while equity securities consist of investments in publicly listed corporations.

As of December 31, 2022 and 2021, the funds include investments in securities of its related parties (see Note 27).

The carrying amount and fair value of investments in debt securities of entities within the Group as of December 31, 2022 amounted to P99.1 million and P98.7 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P101.4 million and P101.4 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 amounted to P0.3 million.

The carrying amount and fair value of investments in equity securities of entities within the Group as of December 31, 2022 amounted to P40.0 million and P36.0 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P48.9 million and P36.0 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 and December 31, 2021 amounted to P4.0 million and P 13.0 million, respectively.

The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P34.6 million, P9.6 million and P23.7 million in 2022, 2021 and 2020, respectively.

The components of amounts recognized in the consolidated statements of income and consolidated statements other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in consolidated statements of income:</i>				
Current service costs	25.1	P 82,912,445	P 130,693,372	P 72,514,912
Net interest costs	24	<u>24,843,870</u>	<u>28,965,294</u>	<u>59,037,029</u>
		<u>P107,756,315</u>	<u>P159,658,666</u>	<u>P 131,551,941</u>
<i>Reported in consolidated statements of comprehensive income:</i>				
Actuarial gains (losses) arising from changes in:				
Experience adjustments		P 98,910,242	P 202,235,817	P 100,470,130
Financial assumptions		139,502,189	134,104,864	(267,188,298)
Loss on plan assets (excluding amounts included in net interest expense)		(<u>18,776,071</u>)	<u>(11,215,581)</u>	<u>(13,525,074)</u>
		219,636,360	325,125,100	(354,133,354)
Tax expense	26	(<u>55,553,033</u>)	<u>(62,880,238)</u>	<u>(106,240,006)</u>
		<u>P164,083,327</u>	<u>P262,244,862</u>	<u>(P 247,893,348)</u>

Current service costs are presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.1). The net interest costs are included as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income (see Note 24).

Amounts recognized in consolidated other comprehensive income were included within items that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of the retirement benefit obligation, the following significant actuarial assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rates	3.60% - 7.54%	3.58% - 5.20%	3.70% - 5.09%
Expected rate of salary increases	1.00% - 4.00%	3.00% - 7.00%	3.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategies, and the timing and uncertainty of future cash flows related to the retirement plan are in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as at December 31, 2022 and 2021:

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2022</u>			
Discount rate	0.50% - 1.00%	(P 179,345,797)	P 194,947,571
Salary increase rate	1.00%	262,581,405	(207,885,450)
<u>December 31, 2021</u>			
Discount rate	0.50% - 1.00%	(P 134,872,845)	P 154,277,589
Salary increase rate	1.00%	192,679,302	(147,803,409)

The sensitivity analysis presented in the previous page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategies to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Group's objective is to maintain a level of funding sufficient to cover the projected retirement benefit obligation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 25 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P112.3 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2022</u>	<u>2021</u>
Within one year	P 188,858,699	P 183,023,171
More than one year to 5 years	125,565,313	169,124,514
More than 5 years to 10 years	236,059,745	426,063,067
More than 10 years to 15 years	399,266,717	375,319,675
More than 15 years to 20 years	777,949,467	642,769,942
More than 20 years	<u>3,716,837,078</u>	<u>3,238,493,721</u>
	<u>P 5,444,537,019</u>	<u>P 5,034,794,090</u>

The weighted average duration of the DBO at the end of the reporting period range from 6 to 17 years.

26. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- regular corporate income tax (RCIT) rate was reduced from 30% to 20% or 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%, 20% and 10% in 2022 and 2021, and 30% and 10% in 2020	P 2,543,749,490	P 847,820,456	P 2,707,466,693
Adjustment in 2020 income taxes due to change in income tax rate	-	(188,097,109)	-
Final tax at 15% and 7.5%	92,864,680	38,763,811	58,700,066
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021 and, 2% in 2020	7,855,985	275,179	33,058,126
Application of MCIT	(6,637,583)	-	-
Preferential tax rate	<u>4,080,128</u>	<u>-</u>	<u>-</u>
	2,641,912,700	698,762,337	2,799,224,885
Deferred tax expense relating to:			
Effect of the change in income tax rate	-	(1,893,077,651)	-
Origination and reversal of temporary differences	<u>1,125,645,191</u>	<u>1,759,232,643</u>	<u>548,681,373</u>
	<u>P 3,767,557,891</u>	<u>P 564,917,329</u>	<u>P 3,347,906,258</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	P 90,455,063	P 93,038,135	(P 101,774,635)
Effect of the change in income tax rate	<u>-</u>	<u>(18,401,038)</u>	<u>-</u>
	<u>P 90,455,063</u>	<u>P 74,637,097</u>	<u>(P 101,774,635)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% in 2022, and 2021, and 30% in 2020	P4,580,423,997	P 3,735,827,587	P 4,180,941,466
Effect of change in income tax rate	-	(2,081,174,760)	-
Adjustment for income subjected to lower income tax rates	(36,561,436)	(185,194,162)	(135,250,737)
Tax effects of:			
Non-taxable income	(1,487,155,854)	(1,156,058,029)	(1,062,695,429)
Non-deductible expenses	348,829,998	203,836,087	229,869,981
Unrecognized deferred tax assets (liabilities) on temporary differences	(11,501,508)	64,569,571	31,518,283
Miscellaneous	<u>373,522,694</u>	<u>(16,888,965)</u>	<u>103,522,694</u>
	<u>P 3,767,557,891</u>	<u>P 564,917,329</u>	<u>P 3,347,906,258</u>

The deferred tax assets and liabilities relate to the following as of December 31:

	<u>2022</u>	<u>2021</u>
Deferred tax assets – net:		
NOLCO	P 212,416,830	P 51,712,686
Difference between the fair value and carrying value of net assets acquired	114,104,045	141,225,062
MCIT	33,950,887	43,703,007
Retirement benefit obligation	24,540,446	48,881,410
Allowance for impairment of receivables	11,923,309	92,800,723
Allowance for property development costs	7,689,776	7,689,776
Others	<u>(10,479,728)</u>	<u>(8,565,089)</u>
	<u>P 394,145,565</u>	<u>P 377,447,575</u>

	<u>2022</u>	<u>2021</u>
Deferred tax liabilities – net:		
Uncollected gross profit	P 7,635,045,037	P 7,095,801,281
Capitalized interest	4,739,118,374	3,873,011,389
Unrealized foreign currency losses – net	(1,906,553,539)	(715,939,540)
Difference between the tax reporting base and financial reporting base of rental income	1,280,542,497	1,037,372,316
Bond issuance costs	124,819,699	140,644,041
Uncollected rental income	79,275,569	65,973,836
Share options	(54,993,884)	(122,086,372)
Retirement benefit obligation	(16,976,614)	(155,553,920)
Others	<u>383,830,555</u>	<u>322,565,856</u>
	<u>P 12,264,107,694</u>	<u>P 11,541,788,887</u>

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Some of the entities within the Group are subject to MCIT which is computed at 1% of gross income, net of allowable deductions as defined under the tax regulations.

Pursuant to Section 4(bbbb) of Bayanihan 1 Act for taxable years 2021 and 2022 NOLCO can be claimed as deduction within five consecutive years immediately following the year of such loss.

The details of the Group's MCIT that are valid and deductible from future taxable income are as follows:

<u>Year</u>	<u>Original Amount</u>	<u>Valid Until</u>
2022	P 14,584,217	2025
2021	17,464,096	2026
2020	<u>26,458,789</u>	2023
	<u>P 58,507,102</u>	

The details of the Group's NOLCO that are valid and deductible from future taxable income are as follows:

<u>Year</u>	<u>Original Amount</u>	<u>Valid Until</u>
2022	P 241,844,778	2025
2021	156,313,788	2026
2020	<u>80,505,896</u>	2025
	<u>P 478,644,462</u>	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2022, 2021 and 2020, the Group opted to continue claiming itemized deductions, except for MDC, MREIT and LFI which opted to use OSD in computing for income tax dues.

MREIT is registered as a real estate investment trust entity under R.A. 9846 which enjoys certain income tax-free incentives, including deductibility of dividend distribution (subject to certain conditions) and exemption from MCIT.

ECOC and SEDI are registered with the Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

SPI's The Regal Homes project has qualified in the definition of socialized housing under Section 3(r) of R.A. 7279, *Urban Development and Housing Act of 1992*. Under Section 20 of R.A. 7279, private sector participating in socialized housing shall be exempted from the payment of project-related income taxes, capital gains tax on raw lands use for the project, VAT for the project concerned, transfer tax for both raw and completed projects, and donor's tax for both lands certified by the local government units to have been donated for socialized housing purposes.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Ultimate Parent Company, associates, the Group's key management and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 are as follows:

Related Party Category	Notes	Amount of Transactions			Outstanding Investment/ Receivable (Payable)	
		2022	2021	2020	2022	2021
Ultimate Parent Company:						
Dividends paid	27.5	(P 887,481,897)	(P 609,361,023)	(P 535,472,192)	P -	P -
Investments in equity securities	27.4	15,786,980	563,303,640	(129,956,000)	1,878,650,620	1,862,863,640
Dividend income	27.4	21,413,262	10,127,290	6,130,000	-	10,127,290
Advances granted	27.2	-	-	-	930,000,000	930,000,000
Acquisition of PCMI shares	27.6	-	2,000,000,250	-	-	(1,000,000,250)
Associates:						
Advances granted (collected)	27.2	155,104	(89,575,460)	2,252,794	1,009,892,937	1,009,737,833
Subscription payable	19	-	-	-	(1,114,655,008)	(1,114,655,008)

Related Party Category	Notes	Amount of Transactions			Outstanding Investment/ Receivable (Payable)	
		2022	2021	2020	2022	2021
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	P -	P -	P -	P 3,056,180,769	P 3,056,180,769
Advances availed (paid)	27.3	(1,116,725,533)	739,639,479	(230,932,687)	(2,126,611,006)	(3,243,336,539)
Rendering of services	27.1	261,499,284	137,222,809	111,141,371	127,460,076	150,993,738
Advances granted	27.2	1,827,132,491	413,989,151	222,908,412	4,438,982,120	2,611,849,629
Dividend income	27.4	-	13,538,826	2,061,115	-	-
Investments in equity securities	27.4	(494,554,541)	992,357,068	(163,041,128)	3,364,753,554	3,859,308,095
Sale of investment properties	27.9	-	136,607,414	-	-	-
Key Management Personnel –						
Compensation	27.7	377,635,099	316,686,607	307,865,292	-	-
Retirement plan						
Investments in equity and debt securities	25.3(b)	-	-	-	134,696,111	137,411,428

None of the companies within the Group is a joint venture. The Group is not subject to joint control and none of its related parties exercise significant influence over it.

27.1 Real Estate Sales and Rendering of Services to Related Parties

The Group renders services to its related parties on a cost-plus basis, allowing a certain margin agreed upon by the parties at arm's length.

The Group leases some of its investment properties to its associates and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from one to 25 years, with renewal options, and include annual escalation rates of 3% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income (see Note 12). The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Parent Company and a related party under common ownership are parties to a management agreement whereby the former provides management services for the overall administration of the latter's leasing operations for a fee, which is based on certain rates of collections plus commission. Further, there are other management services provided to related parties under common ownership related to management of construction and development activities.

Occasionally, the Parent Company sells real properties to its related parties in the normal course of business.

Unless otherwise indicated, the Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and collectible in cash under normal credit terms or through offsetting arrangements.

There were no impairment losses recognized on the Group's receivables from related parties in 2022, 2021 and 2020.

In 2018, the Parent Company agreed with a related party under common ownership to turn over a certain property under terms that the related party will reimburse the construction cost incurred by the Parent Company amounting to P4.0 billion (see Note 12). The outstanding balance, which is collectible on demand, interest-bearing and unsecured, amounted to P3.1 billion as of both December 31, 2022 and 2021, and is presented under non-current Other Trade Receivables in the consolidated statements of financial position (see Note 6).

27.2 Advances to Ultimate Parent, Associates and Other Related Parties

The ultimate parent Company, associates and other related parties under common ownership are granted noninterest-bearing, unsecured and collectible on demand advances by the Parent Company and other entities within the Group with no definite repayment terms for working capital purposes. These are generally collectible in cash or through offsetting arrangements with the related parties.

The outstanding balances of Advances to associates and other related parties shown as part of Trade and Other Receivables account under Current Assets section in the consolidated statements of financial position are below (see Note 6).

	<u>2022</u>	<u>2021</u>
Advances to ultimate parent	P 930,000,000	P 930,000,000
Advances to associates	1,009,892,937	1,009,737,833
Advances to other related parties	<u>4,438,982,120</u>	<u>2,611,849,629</u>
	<u>P6,378,875,057</u>	<u>P4,551,587,462</u>

The movements in advances to associates are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P1,009,737,833	P1,099,313,293
Advances granted	155,104	-
Advances collected	<u>-</u>	<u>(89,575,460)</u>
Balance at end of year	<u>P1,009,892,937</u>	<u>P1,009,737,833</u>

The movements in advances to other related parties under common ownership are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P2,611,849,629	P2,197,860,478
Advances granted	<u>1,827,132,491</u>	<u>413,989,152</u>
Balance at end of year	<u>P4,438,982,120</u>	<u>P2,611,849,629</u>

Advances to other related parties pertain to advances granted to entities under common ownership of the Parent Company. No impairment losses on the advances to ultimate parent Company, associates and other related parties were recognized in 2022, 2021 and 2020 based on management's assessment.

27.3 Advances from Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The Group also received cash advances from a certain related party under common ownership, for the development of a certain entertainment site which is an integrated tourism project planned by the Philippine Amusement and Gaming Corporation. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash upon demand or through offsetting arrangements with the related parties.

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Advances from Other Related Parties under Current Liabilities Section account in the consolidated statements of financial position.

The movements in advances from other related parties are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P3,243,336,539	P2,683,950,114
Advances availed	1,317,261,209	608,170,119
Advances paid	(2,433,986,742)	(48,783,694)
Balance at end of year	<u>P2,126,611,006</u>	<u>P3,243,336,539</u>

27.4 Investments in Equity Securities

The Group's equity securities include investment in shares of the Ultimate Parent Company and related parties under common ownership. The fair values of these securities have been determined directly by reference to published prices in an active market, except for the investment in shares of a related party under common ownership which was delisted in the stock exchange in 2019 and was subsequently measured using the discounted cash flows valuation technique [see Note 34.2(a)]. Movements and the related fair value gains or losses on these investments are shown and discussed in Note 9. Also, the Group received dividend income from these investments, presented as part of Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23). Outstanding receivable from this transaction is presented as part of Others under the current portion of Trade and Other Receivables account in the 2021 statement of financial position, nil in 2022 (see Note 6).

27.5 Dividends Paid to the Ultimate Parent Company

The Ultimate Parent Company received dividends from the Parent Company amounting to P0.9 billion, P0.6 billion and P0.5 billion in 2022, 2021 and 2020, respectively. There were no outstanding liabilities relating to this transaction as of December 31, 2022 and 2021 (see Note 28.4).

27.6 Acquisition of PCMI shares

In 2021, the Parent Company acquired 968,932,750 shares of PCMI from AGI for a total price of P2.0 billion. The Parent Company paid P1.0 billion of the total consideration upon execution of the deed of sale. The unpaid portion is payable on demand and is presented as part of Other Current Liabilities in the consolidated statements of financial position (see Note 19).

27.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Short-term benefits	P 276,491,249	P	258,281,464	P	222,375,207
Post-employment benefits	84,771,439		48,200,811		64,108,171
Employee share option benefit	<u>16,372,411</u>		<u>10,204,332</u>		<u>21,381,914</u>
	<u>P 377,635,099</u>	P	<u>316,686,607</u>	P	<u>307,865,292</u>

27.8 Post-employment Plan

The Group has formal retirement plans established separately for the Parent Company and each of the significant subsidiaries, particularly GERI, EELHI and PHRI. The Group's retirement funds for its post-employment defined benefit plan are administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2022 and 2021 are presented in Note 25.3.

The Group's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement funds neither provide any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The retirement funds do not include investments in equity nor debt securities of the Group.

27.9 Sale of Investment Properties

In 2021, the Group sold certain parcels of land classified as investment properties for a total consideration of P136.6 million to a related party under common ownership. The consideration was fully paid in 2021. No similar transaction occurred in 2022 and 2020.

28. EQUITY

Capital stock of the Parent Company consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Preferred shares Series "A"- P0.01 par value						
Authorized	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Issued and outstanding	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	<u>40,140,000,000</u>	<u>40,140,000,000</u>	<u>40,140,000,000</u>	P 40,140,000,000	P 40,140,000,000	P 40,140,000,000
Issued	<u>32,370,865,872</u>	<u>32,370,865,872</u>	<u>32,370,865,872</u>	P 32,370,865,872	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year (	513,795,000)	(471,552,000)	(130,920,000)	(1,268,862,277)	(1,111,874,917)	(118,104,398)
Acquisitions during the year (	372,831,000)	(42,243,000)	(341,632,000)	(916,099,229)	(156,987,360)	(994,672,630)
Issuances during the year	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>902,111</u>	<u>-</u>	<u>902,111</u>
Balance at end of year	(885,626,000)	(513,795,000)	(471,552,000)	(2,184,059,395)	(1,268,862,277)	(1,111,874,917)
Issued and outstanding	<u>31,485,239,872</u>	<u>31,857,070,872</u>	<u>31,899,313,872</u>	P 30,186,806,477	P 31,102,003,595	P 31,258,990,955
Total issued and outstanding shares	<u>31,485,239,872</u>	<u>31,857,070,872</u>	<u>31,899,313,872</u>	P 30,246,806,477	P 31,162,003,595	P 31,318,990,955

On June 15, 1994, the SEC approved the listing of the Parent Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.80 per common share. As of December 31, 2022, there are 2,395 holders of the listed shares, which closed at P2.0 per share as of that date.

The following also illustrates the additional listings made by the Parent Company (in shares): May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 5.5 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion and 2012 – 3.1 billion. The Parent Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014, and 8.0 million shares in 2015. There were no additional issuance of shares in the succeeding years.

As of December 31, 2022, 2021 and 2020, RHGI holds certain number of common shares with costs of P515.2 million, which are treated as treasury shares on the Group's consolidated financial statements (see Note 28.5).

28.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2022, 2021 and 2020 (see Note 28.4).

28.2 Common Shares

On May 23, 2013, the Parent Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10.0 billion shares with par value of P1.00 per share. On November 20, 2013, the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by the Parent Company at a price of P4.29 per share for a total subscription price of P10.7 billion.

In 2009, 5,127,556,725 common shares were subscribed and issued through pre-emptive share rights offering. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1.00 per share.

Relative to the share subscription, 4,102,045,364 share warrants were issued of which 4,101,662,246 warrants were exercised while the remaining 383,118 have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Parent Company's shareholders over the total par value of the common shares. There were no movements in the Parent Company's APIC accounts in 2021. In 2022 and 2020, APIC amounting to P1.9 million, was recognized by the Parent Company from the exercise of 1,000,000 stock options.

28.4 Cash Dividends

The details of the Group's cash dividend declarations, both for preferred and common shares, are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Declaration date/date of approval by BOD	October 17, 2022	November 10, 2021	December 4, 2020
Date of record	October 31, 2022	November 24, 2021	December 18, 2020
Date of payment	November 14, 2022	December 10, 2021	January 8, 2021
Amounts declared			
Common	P 1,910,507,946	P 1,337,220,837	P 1,177,196,572
Preferred	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
	<u>P 1,911,107,946</u>	<u>P 1,337,820,837</u>	<u>P 1,177,796,572</u>
Dividends per share:			
Common	<u>P 0.06</u>	<u>P 0.04</u>	<u>P 0.04</u>
Preferred	<u>P 0.01</u>	<u>P 0.01</u>	<u>P 0.01</u>

28.5 Treasury Shares

This account also includes the Parent Company's common shares held and acquired by RHGI. The amount of treasury common shares aggregated to P2,699.2 million as at December 31, 2022.

The changes in market values of these shares held by RHGI, recognized as fair value gains or losses by the subsidiary, were eliminated in full and not recognized in the consolidated financial statements.

In 2022 and 2020, the Company has reissued 1,000,000 treasury shares as a result of exercise of the same number of stock options (see Note 28.6). There was no similar transaction in 2021.

A portion of the Parent Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

28.6 ESOP

A total of P16.4 million, P10.2 million and P21.4 million share option benefits expense in 2022, 2021 and 2020, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.2).

(a) Parent Company

In 2012, the Parent Company's BOD approved and the shareholders adopted an ESOP for the Parent Company's key executive officers.

The options shall generally vest on the 60th birthday of the option holder and may be exercised up to five years from the date of vesting of the option. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Parent Company granted share options to certain key executives to subscribe to 235.0 million common shares of the Parent Company, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20 million common shares of the Parent Company at an exercise price of P2.33 per share. Additional 40 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2022, 2021 and 2020.

In 2021, 15.0 million share options were forfeited due to resignation of certain key executive officers, respectively. There was no forfeiture due to resignation in 2022 and 2020.

A total of 10.0 million, 10.0 million and 5.0 million share options have vested in 2022, 2021 and 2020, respectively.

A total of 1.0 million share options were exercised at a price of P1.77 per share both in 2022 and 2020. There was no similar transaction in 2021.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P 2.54 to P 4.52
Exercise price at grant date	P 1.77 to P 3.23
Fair value at grant date	P 0.98 to P 2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of the Parent Company's shares over a period of time consistent with the option life.

The Parent Company recognized a total of P16.4 million, P10.2 million and P21.4 million share-based executive compensation in 2022, 2021 and 2020, respectively, as part of Salaries and employee benefits and a corresponding credit in Retained Earnings (see Note 25.2).

(b) *GERI*

In 2011, the BOD of GERI approved and the stockholders adopted an ESOP for its key executive officers.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant.

As of December 31, 2022, pursuant to this ESOP, GERI has granted the option to its key company executives to subscribe to 400.0 million shares of GERI. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019. However, none of these have been exercised yet by any of the option holders as of December 31, 2022.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.00 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

There was no share-based compensation recognized in 2022, 2021 and 2020 since all the options fully vested as of December 31, 2019.

28.7 Perpetual Capital Securities

On April 11, 2018, the Group issued bonds amounting \$200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the SGX-ST. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by the Parent Company on April 11, 2023 or on any distribution date thereafter [see Note 3.1(h)].

In 2021, the Group fully redeemed its perpetual capital securities for P9.8 billion resulting in a gain on redemption amounting to P484.3 million. The gain was directly credited to the consolidated retained earnings as presented in the 2021 consolidated statement of changes in equity.

28.8 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below and in the succeeding page.

	Financial Assets at FVOCI (Note 9)	Retirement Benefit Obligation (Note 25.3)	Translation Reserves (Note 2)	Cross Currency Swaps (Note 30)	Equity Reserves (Note 1)	Total
Balance as of January 1, 2022	(P 1,144,152,392)	P 536,021,236	(P 337,051,379)	(P 53,542,477)	P 8,626,592,277	P 7,627,867,265
Other comprehensive income (loss):						
Remeasurements of retirement benefit post-employment obligation	-	219,636,360	-	-	-	219,636,360
Fair value losses on financial assets at FVOCI	(579,783,082)	-	-	-	-	(579,783,082)
Fair value gain on cash flow hedge	-	-	-	91,147,190	-	91,147,190
Share of non-controlling interest	(2,057,533)	(10,010,223)	-	-	-	(12,067,756)
Share in OCI of associates	-	-	-	-	-	-
Exchange difference on translating foreign operations	-	-	114,460,580	-	-	114,460,580
Other comprehensive income (loss) before tax	(581,840,615)	209,626,137	114,460,580	91,147,190	-	(166,606,708)
Tax income (expense)	-	(55,553,033)	(36,948,122)	-	-	(92,501,155)
Other comprehensive income (loss) after tax	(581,840,615)	154,073,104	77,512,458	91,147,190	-	(259,107,863)
Balance as of December 31, 2022	(P 1,725,993,007)	P 690,094,340	(P 259,538,921)	P 37,604,713	P 8,626,592,277	P 7,368,759,402
Balance as of January 1, 2021	(P 2,466,854,141)	P 272,676,077	(P 393,248,156)	(P 253,255,979)	(P 861,828,431)	(P 3,702,510,630)
Other comprehensive income (loss):						
Remeasurements of retirement benefit post-employment obligation	-	325,125,100	-	-	-	325,125,100
Fair value losses on financial assets at FVOCI	1,347,392,142	-	-	-	-	1,347,392,142
Fair value losses on cash flow hedge	-	-	-	199,713,502	-	199,713,502
Share of non-controlling interest	(24,690,393)	1,100,297	-	-	-	(23,590,096)
Share in OCI of associates	-	-	20,926,197	-	-	20,926,197
Exchange difference on translating foreign operations	-	-	47,027,439	-	-	47,027,439
Other comprehensive income (loss) before tax	1,322,701,749	326,225,397	67,953,636	199,713,502	-	1,916,594,284
Tax income (expense)	-	(62,880,238)	(11,756,859)	-	-	(74,637,097)
Other comprehensive income (loss) after tax	1,332,701,749	263,345,159	56,196,777	199,713,502	-	1,841,957,187
Effect of change in percentage of ownership	-	-	-	-	9,488,420,708	9,488,420,708
Balance as of December 31, 2021	(P 1,144,152,392)	P 536,021,236	(P 337,051,379)	(P 53,542,477)	P 8,626,592,277	P 7,627,867,265
Balance as of January 1, 2020	(P 2,165,438,907)	P 17,362,375	(P 382,828,958)	(P 108,506,018)	(P 861,828,431)	(P 3,501,239,939)
Other comprehensive income (loss):						
Remeasurements of retirement benefit post-employment obligation	-	354,133,354	-	-	-	354,133,354
Fair value losses on financial assets at FVOCI	(323,225,082)	-	-	-	-	(323,225,082)
Fair value losses on cash flow hedge	-	-	-	(144,749,961)	-	(144,749,961)
Share of non-controlling interest	21,809,848	5,945,816	-	-	-	27,755,664
Share in OCI of associates	-	1,474,538	-	-	-	1,474,538
Exchange difference on translating foreign operations	-	-	(14,884,569)	-	-	(14,884,569)
Other comprehensive income (loss) before tax	(301,415,234)	361,553,708	(14,884,569)	(144,749,961)	-	(99,496,056)
Tax income (expense)	-	(106,240,006)	4,465,371	-	-	(101,774,635)
Other comprehensive income (loss) after tax	(301,415,234)	255,313,702	(10,419,198)	(144,749,961)	-	(201,270,691)
Balance as of December 31, 2020	(P 2,466,854,141)	P 272,676,077	(P 393,248,156)	(P 253,255,979)	(P 861,828,431)	(P 3,702,510,630)

In 2021, MREIT offered and sold 949,837,500 shares or 37.51% ownership interest held by the Parent Company, through an initial public offering for P16.10 per share or P14.7 billion. The sale of shares did not result in Parent Company's loss of control over MREIT. The difference between the proportionate net book value and the consideration received amounting to P10.5 billion is credited to Equity reserves under Revaluation Reserves in the 2021 consolidated statement of changes in equity.

Also in 2021, the Parent Company acquired additional shares of PCMI and STLI for P2.0 billion and P1.8 million, respectively. The difference between the proportionate net book value and the consideration received of PCMI and STLI resulted in P1.1 billion debit and P29.6 million credit, respectively, to Equity reserves under Revaluation Reserves in the 2021 consolidated statement of changes in equity.

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net profit attributable to the Parent Company's shareholders	P13,455,475,825	P 13,434,466,763	P 9,885,989,490
Dividends on cumulative preferred shares Series "A"	(600,000)	(600,000)	(600,000)
Distribution to holders of perpetual securities	<u>-</u>	<u>(151,963,438)</u>	<u>(535,258,625)</u>
Profit available to the Parent Company's common shareholders	<u>P13,454,875,825</u>	<u>P 13,281,903,325</u>	<u>P 9,350,130,865</u>
Divided by weighted average number of outstanding common shares	<u>P 31,241,230,149</u>	<u>P 31,447,978,960</u>	<u>P 31,662,256,883</u>
Basic EPS	<u>P 0.431</u>	<u>P 0.422</u>	<u>P 0.295</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>P31,297,654,542</u>	<u>P 31,544,782,959</u>	<u>P 31,762,511,001</u>
Diluted EPS	<u>P 0.430</u>	<u>P 0.421</u>	<u>P 0.294</u>

Unexercised share warrants have already expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling P232.5 million in 2022, 233.5 million in 2021, and 248.5 million in 2020 were also considered in the computations (see Note 28.6).

30. CROSS CURRENCY SWAPS

In 2017, the Parent Company entered into a cross currency swap agreement with a local bank. Under the agreement, the Parent Company will receive a total of \$98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on three-month LIBOR plus a certain spread. In exchange, the Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.91%. As of December 31, 2022, the Parent Company fully paid the cross currency swap agreement.

In 2019, another cross currency swap was also agreed upon with the same bank. The Parent Company shall receive \$95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on three-month LIBOR plus a certain spread. The Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.82%.

The Parent Company has designated the cross currency swaps as hedging instruments to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Notes 15.1(a) and 15.1(k)].

The table below sets out information about the Group's hedging instruments and the related carrying amounts as of December 31:

	<u>USD Notional Amount</u>	<u>Derivative Assets (Liabilities)</u>
2022		
Cash flow hedge –		
Cross currency swaps	<u>\$ 41,834,003</u>	<u>P 197,431,085</u>
2021		
Cash flow hedge –		
Cross currency swaps	<u>\$ 90,457,359</u>	<u>(P 147,793,407)</u>

The hedging instruments have a positive fair value of P197.4 million in 2022 and a negative fair value of P147.8 million in 2021. These are presented as Derivative assets under Other Current Assets in the 2022 consolidated statement of financial position (see Note 8) and as Derivative liabilities under Other Current Liabilities in the 2021 and 2020 consolidated statements of financial position (see Note 19). The Parent Company recognized a total of P91.1 million and P199.7 million unrealized gain on cash flow hedges in 2022 and 2021, respectively, and P144.7 million unrealized loss on cash flow hedges in 2020. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2022, the Parent Company has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Parent Company expects to continuously use hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans.

31. COMMITMENTS AND CONTINGENCIES

31.1 Lease Commitments – Group as Lessor

The Group is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Group's revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, tenants pay security deposits and advance rent equal to three to six months' rent, which are forfeited in case a tenant pre-terminates without prior notice or before the expiry of lease term without cause. In addition, tenants are usually required to pay the monthly rent in advance on a monthly basis, without need of further demand. Security deposits and advance rent are presented as part of Unearned income under Other Current Liabilities and Deferred rent under Other Non-current Liabilities in the consolidated statements of financial position (see Note 19).

(a) *Operating Leases*

The Group is a lessor under several non-cancellable operating leases covering office, commercial and properties for a period of two to ten years with annual escalation rates of 5% to 10% (see Note 12).

Future minimum lease receivables under these agreements are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Within one year	P 16,954,000,233	P 15,346,826,374	P 12,632,761,053
After one year but not more than two years	18,969,350,475	19,794,874,132	20,521,928,927
After two years but not more than three years	20,073,548,227	20,409,706,265	21,458,334,550
After three years but not more than four years	20,902,530,811	22,140,397,894	23,144,750,760
After four years but not more than five years	22,417,321,069	22,902,976,810	25,236,915,271
More than five years	<u>28,155,620,943</u>	<u>28,951,568,529</u>	<u>29,407,145,172</u>
	<u>P127,472,371,758</u>	<u>P 129,546,350,004</u>	<u>P132,401,835,733</u>

(b) *Finance Lease*

In 2019, the Group, through GERI, subleased its development rights over the undivided portions of a land co-terminus with the term of its head lease. Finance lease receivable arising from the transaction is presented as part Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). Interest income on the finance lease amounted to P38.4 million, P42.1 million and P45.5 million in 2022, 2021 and 2020, respectively, and is presented as part of Interest and Other Income account in the consolidated statements of income.

The maturity analysis of finance lease receivable at December 31 is as follows:

	<u>Lease Collection</u>	<u>Interest Income</u>	<u>Net Present Value</u>
2022			
Within one year	P 146,533,703	(P 34,355,508)	P 112,178,195
After one year but not more than two years	89,346,871	(29,909,018)	59,437,853
After two years but not more than three years	90,014,054	(25,047,216)	64,966,838
After three years but not more than four years	26,281,499	(24,407,402)	1,874,097
After four years but not more than five years	24,301,659	(24,373,209)	(71,550)
More than five years	<u>654,848,489</u>	<u>(344,409,554)</u>	<u>310,438,935</u>
	<u>P 1,031,326,275</u>	<u>(P 482,501,907)</u>	<u>P 548,824,368</u>

	<u>Lease Collection</u>	<u>Interest Income</u>	<u>Present Value</u>
2021			
Within one year	P 88,070,235	(P 38,419,379)	P 49,650,856
After one year but not more than two years	88,699,119	(34,355,507)	54,343,612
After two years but not more than three years	89,346,871	(29,909,018)	59,437,853
After three years but not more than four years	90,014,054	(25,047,216)	64,966,838
After four years but not more than five years	58,545,847	(24,407,402)	34,138,445
More than five years	<u>679,150,148</u>	<u>(368,782,763)</u>	<u>310,367,385</u>
	<u>P 1,093,826,274</u>	<u>(P 520,921,285)</u>	<u>P 572,904,989</u>

31.2 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic began to spread in the Philippines in early March 2020, and its impact has continued until the date of the approval of these financial statements. In 2022, the country's economic condition improved because of resumption of local and international travels as well as the easing of health restrictions brought about by the pandemic. Demand and supply have gradually returned to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Group has been lessened, and the Group's operations are already nearing the pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management expects that the Group will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Moreover, management is taking an optimistic stance in the Group's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

31.3 Others

As at December 31, 2022 and 2021, the Group has unused long-term credit facilities amounting to P30.0 billion and P16.8 billion, respectively. In addition, the Group is committed to certain project and capital expenditures as disclosed in Note 4.4. There are other commitments and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVOCI, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures. The Group does not actively engage in the trading of financial assets for speculative purposes.

32.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents, loans and bonds payable, which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

As of December 31, 2022 and 2021, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P27.9 billion and P29.1 billion, respectively.

Management assessed that the reasonably possible change in exchange rates of Philippine Peso to U.S. dollar, based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at 68% confidence level is 6.29% and 4.11% in 2022 and 2021, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2022 and 2021 would have changed by P1,609.0 million and P1,006.7 million, respectively.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

32.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. Most long-term borrowings are subject to fixed interest rate while other financial assets subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 1.44:1.00 and 1.68:1.00 as of December 31, 2022 and 2021, respectively.

The sensitivity of the consolidated net results in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P364.8 million and P303.1 million, respectively. The sensitivity of the consolidated equity in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P273.6 million and P227.3 million, respectively. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

32.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of rentals, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets and contract assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements), as summarized below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	5	P 27,754,568,446	P 43,794,605,919
Trade receivables	6	35,581,092,269	25,554,518,598
Rent receivables	6	5,245,485,618	6,848,362,991
Other receivables	6	9,736,405,449	10,018,186,032
Advances to associates and other related parties	6	6,378,875,057	4,551,587,462
Contract assets	20.2	19,619,923,773	19,922,247,362
Guarantee and other deposits	14	<u>1,050,101,840</u>	<u>877,329,410</u>
		<u>P105,366,452,452</u>	<u>P111,566,837,774</u>

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Parent Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Parent Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2022, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix is P761.6 million and P773.8 million as of December 31, 2022 and 2021, respectively.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are typically required to issue post-dated checks, which provide additional credit enhancement. The estimated fair value of collateral and other security enhancements held against trade receivables are presented in the succeeding page.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<u>2022</u>			
Real estate sales receivables	P 35,581,092,269	P 54,507,205,178	P -
Contract assets	19,619,923,773	34,329,119,184	-
Rental receivables	<u>5,245,485,618</u>	<u>26,120,508,183</u>	<u>-</u>
	<u>P 60,446,501,660</u>	<u>P 114,956,832,545</u>	<u>P -</u>
<u>2021</u>			
Real estate sales receivables	P 25,554,518,598	P 47,366,699,973	P -
Contract assets	19,922,247,362	39,245,568,476	-
Rental receivables	<u>6,848,362,991</u>	<u>6,868,267,197</u>	<u>-</u>
	<u>P 52,325,128,951</u>	<u>P 93,480,535,646</u>	<u>P -</u>

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period and are presented below.

	<u>2022</u>	<u>2021</u>
Current (not past due)	P 53,887,281,080	P 43,932,107,669
Past due but not impaired:		
More than one month but not more than 3 months	954,754,703	974,190,192
More than 3 months but not more than 6 months	586,514,889	548,006,308
More than 6 months but not more than one year	880,683,667	819,948,803
More than one year	<u>632,624,054</u>	<u>698,402,110</u>
	<u>P 56,941,858,393</u>	<u>P 46,972,655,082</u>

(c) *Advances to Associates and Other Related Parties*

ECL for advances to associates, and other related parties, and other trade receivables from related parties, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Parent Company does not consider any significant risks in the advances to related parties as these are entities whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of December 31, 2022 and 2021, impairment allowance is not material.

(d) *Guarantee and Other Deposits*

The credit risk for guarantee and other deposits is considered negligible as the Group has ongoing transactions with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

32.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2022 and 2021, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2022:				
Interest-bearing loans and borrowings*	15	P 13,998,449,902	P 31,701,384,571	P 10,023,845,002
Trade and other payables	17	23,874,659,281	-	-
Bonds and notes payable*	16	15,524,839,931	35,204,540,481	-
Advances from other related parties	27.3	2,126,611,006	-	-
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	2,077,980,412	1,676,303,061	-
		P 58,717,205,540	P 68,582,228,113	P 10,023,845,002
2021:				
Interest-bearing loans and borrowings*	15	P 13,774,904,323	P 32,538,000,744	P 10,235,411,126
Trade and other payables	17	22,593,431,337	-	-
Bonds and notes payable*	16	1,846,322,250	28,001,900,250	17,506,119,750
Redeemable preferred shares*	18	251,597,580	-	-
Advances from other related parties	27.3	3,243,336,539	-	-
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	2,632,525,561	2,144,942,479	-
		P 45,456,782,590	P 62,684,843,473	P 27,741,530,876

*Inclusive of future interest costs

The contractual maturities in the above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

32.5 Other Price Risk Sensitivity

The Group's market price risk arises from its financial assets carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2022 and 2021 are summarized in the succeeding page.

	Observed Volatility Rates	Impact on Equity	
		Increase	Decrease
2022			
Investment in equity securities:			
Holding company	+/-6.41%	P 90,320,305	(P 90,320,305)
Manufacturing	+/-7.55%	68,653,600	(68,653,600)
2021			
Investment in equity securities:			
Holding company	+/-5.98%	P 64,836,746	(P 64,836,746)
Manufacturing	+/-6.96%	63,977,136	(63,977,136)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward, and interest rate changes. These financial instruments will continue to be measured at fair value based on net present value computation.

33. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Amounts and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2022		2021	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	P 27,754,568,446	P 27,754,568,446	P 43,794,605,919	P 43,794,605,919
Trade and other receivables – net	6, 27.2	56,941,858,393	56,478,631,731	46,972,655,082	47,357,915,588
Guarantee and other deposits	14	1,050,101,840	1,050,101,840	877,329,410	877,329,410
		P 85,746,528,679	P 85,283,302,017	P 91,644,590,411	P 92,029,850,917
Financial assets at FVTPL – Derivative assets	9	P 197,431,085	P 197,431,085	P -	P -
Financial assets at FVOCI – Equity securities	9	P 5,253,799,848	P 5,253,799,848	P 5,760,368,447	P 5,760,368,447
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	P 49,658,496,220	P 48,867,760,656	P 51,649,704,598	P 51,056,234,787
Bonds and notes payable	16	45,239,075,510	44,796,324,832	41,982,042,246	42,567,948,736
Trade and other payables	17	24,158,766,211	23,874,659,281	22,593,431,337	22,593,431,337
Advances from other related parties	27.3	2,126,611,006	2,126,611,006	3,243,336,539	3,243,336,539
Subscription payable	19	1,114,665,008	1,114,665,008	1,114,665,008	1,114,665,008
Redeemable preferred shares	18	-	-	251,597,580	251,597,580
Other liabilities	19	3,754,283,473	3,754,283,473	4,777,468,040	4,777,468,040
		P 126,051,897,428	P 124,534,304,256	P 125,612,245,348	P 125,604,682,027
Financial liabilities at FVTPL – Derivative liabilities	19, 30	P -	P -	P 147,793,407	P 147,793,407

See Notes 2.5, 2.6 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables with carrying amount of P0.9 billion and P1.4 billion as of December 31, 2022 and 2021, respectively, were assigned on a with-recourse basis which may be offset against the related outstanding borrowings from local banks of the same amounts [see Note 15.3(h)].

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: 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); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2022 and 2021 (see Notes 9 and 30).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2022				
<i>Financial assets –</i>				
Equity securities	P 3,102,154,694	P -	P2,151,645,154	P 5,253,799,848
Derivatives	<u>-</u>	<u>197,431,085</u>	<u>-</u>	<u>197,431,085</u>
	<u>P 3,102,154,694</u>	<u>P 197,431,085</u>	<u>P 2,151,645,154</u>	<u>P 5,451,230,933</u>
2021				
<i>Financial assets –</i>				
Equity securities	<u>P 3,098,501,606</u>	<u>P -</u>	<u>P2,661,866,841</u>	<u>P 5,760,368,447</u>
<i>Financial liability –</i>				
Derivatives	<u>P -</u>	<u>P 147,793,407</u>	<u>P -</u>	<u>P 147,793,407</u>

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As at December 31, 2022 and 2021, instruments included in Level 1 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

In 2022 and 2021, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 8.9% and 6.9% in 2022 and 2021, respectively, and growth rate of 3.0% and 3.6% in 2022 and 2021, respectively. The forecasted annual net cash flows were also derived by taking into consideration the market conditions, economic factors, and historical performance and future projects of the investee company.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 2,661,866,841	P 2,272,177,173
Fair value gains (losses)	(505,694,707)	<u>389,689,668</u>
Balance at end of year	<u>P 2,156,172,134</u>	<u>P 2,661,866,841</u>

The Group recognized P258.5 million fair value losses and P957.7 million fair value gains in 2022 and 2021, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P505.7 million fair value losses and P389.7 million fair value gains in 2022 and 2021, respectively (see Notes 9 and 28.8).

(b) Derivatives

The fair value of derivative financial instruments, related to the cross currency swaps, is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2 (see Note 30). The fair value is determined through valuation techniques using the net present value computation. The future principal and interest receipts and payments are discounted using readily observable reference rates at the date of valuation. The resulting net present value is translated into Philippine peso using the U.S. dollar exchange rate at the date of valuation to arrive at the fair value of the derivative financial instruments.

34.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Group's financial assets which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables – net, and guarantee and other deposits which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain bonds payable, which are categorized as Level 1, and interest-bearing loans and borrowings, redeemable preferred shares, trade and other payables and advances from their related parties which are categorized as Level 3.

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

34.4 Fair Value of Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumption that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

As at December 31, 2022 and 2021, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

There were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021. The reconciliation of the carrying amount of investment properties included in Level 3 is presented in Note 12.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio using amounts of contracted borrowings versus total equity. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest-bearing loans and borrowings	P 49,658,496,220	P 51,649,704,598
Bonds and notes payable	<u>45,239,075,510</u>	<u>41,982,042,246</u>
	<u>P 94,897,571,730</u>	<u>P 93,631,746,844</u>
Total equity	<u>P 241,020,522,952</u>	<u>P229,703,990,947</u>
Debt-to-equity ratio	<u>0.39 : 1.00</u>	<u>0.41 : 1.00</u>

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings <small>(See Note 15)</small>	Bonds and Notes Payable <small>(See Note 16)</small>	Lease Liabilities <small>(See Note 19)</small>	Advances from Associates and Other Related Parties <small>(See Note 27)</small>	Total
Balance as of January 1, 2022	P51,649,704,598	P41,982,042,246	P 589,572,800	P 3,243,336,539	P97,464,656,183
Net cash flows:					
Proceeds	10,522,520,857	-	-	1,317,261,209	11,839,772,065
Repayments	(12,451,825,598)	-	(23,479,830)	(2,433,986,742)	(14,845,900,050)
Non-cash financing activities:					
Foreign currency exchange	(140,784,867)	3,167,315,697	15,330,995	-	3,032,828,736
Amortization of debt issue cost	78,881,230	89,717,567	-	-	104,202,756
Additional lease liabilities	-	-	-	-	-
Interest amortization on lease liabilities	-	-	29,322,315	-	30,965,903
Balance as of December 31, 2022	<u>P49,658,496,220</u>	<u>P45,239,075,510</u>	<u>P 610,746,280</u>	<u>P 2,126,611,006</u>	<u>P97,634,929,016</u>
Balance as of January 1, 2021	P45,578,166,417	P40,282,855,986	P 587,616,971	P 2,683,950,114	P89,132,589,488
Net cash flows:					
Proceeds	26,643,083,897	-	-	608,170,119	27,251,254,016
Repayments	(20,982,065,248)	-	(29,570,421)	(48,783,694)	(21,060,419,363)
Non-cash financing activities:					
Foreign currency exchange	410,519,532	1,617,763,016	7,570,126	-	2,035,852,674
Amortization of debt issue cost	-	81,423,244	-	-	81,423,244
Additional lease liabilities	-	-	3,560,977	-	3,560,977
Interest amortization on lease liabilities	-	-	38,956,553	-	38,956,553
Derecognition	-	-	(18,561,406)	-	(18,561,406)
Balance as of December 31, 2021	<u>P51,649,704,598</u>	<u>P41,982,042,246</u>	<u>P 589,572,800</u>	<u>P 3,243,336,539</u>	<u>P97,464,656,183</u>
Balance as of January 1, 2020	P51,256,475,989	P24,623,883,690	P 653,588,108	P 2,914,882,801	P79,448,830,588
Net cash flows:					
Proceeds	7,800,000,000	16,692,935,192	-	24,157,233	24,517,092,425
Repayments	(13,107,450,229)	-	(40,815,130)	(255,089,920)	(13,403,355,279)
Non-cash financing activities:					
Foreign currency exchange	(370,859,343)	(1,077,137,260)	(8,923,035)	-	(1,456,919,638)
Amortization of debt issue cost	-	43,174,364	-	-	43,174,364
Offset from finance lease receivables	-	-	(93,931,898)	-	(93,931,898)
Additional lease liabilities	-	-	36,791,892	-	36,791,892
Interest amortization on lease liabilities	-	-	40,907,034	-	40,907,034
Balance as of December 31, 2020	<u>P45,578,166,417</u>	<u>P40,282,855,986</u>	<u>P 587,616,971</u>	<u>P 2,683,950,114</u>	<u>P89,132,589,488</u>

37. OTHER MATTER

The Parent Company was awarded a certificate of registration under ISO 9001:1994 on November 26, 1999 by Certification International Philippines, Inc. which was upgraded to ISO 9001:2000 and ISO 9001:2008 series on November 21, 2002 and November 25, 2011, respectively.

Effective December 18, 2017, the Parent Company has upgraded its Certification to ISO 9001:2015 for its quality management system. The scope of the certification covers all areas of the Parent Company's real estate development and marketing. Among others, the Parent Company is required to undergo surveillance audits every six months and a re-assessment audit every 3 years.