C01045-2024

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)

   Feb 28, 2024

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, Philippines
   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	31,183,251,872
Preferred	6,000,000,000

11. Indicate the item numbers reported herein

   Item 9(b)

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 2023
Background/Description of the Disclosure
In line with corporate governance best practices and applicable disclosure rules and regulations, Megaworld Corporation hereby releases its 2023 Audited Consolidated Financial Statements within sixty (60) days from the financial year end.
Other Relevant Information
None.

Filed on behalf by:

Name	Anna Michelle Llovido
Designation	Corporate Secretary

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. **February 28, 2024**
   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

Title of Each Class	Number of Shares of Stock Outstanding
Common	**31,183,251,872**
Preferred	**6,000,000,000**
Total	**37,183,251,872**

10. **Item 9(b)**

Please see the attached Audited Consolidated Financial Statements of Megaworld Corporation for the year ended 31 December 2023, 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
February 28, 2024

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, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative 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 26th day of February 2024

FEB 26 2024

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at Quezon City ____, 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. 133;
Page No. 27;
Book No. 29;
Series of 2024

AT[illegible]. OB[illegible] S. DAHA[illegible] JR.
NO[illegible]ARY PUBLI[illegible]
ADM NO[illegible]NP-011 (20[illegible]024)
Unit 10[illegible] Casman [illegible]ldg. [illegible] [illegible]e. Quezon City
IBP No. 39[illegible]85 Q.C. [illegible]/2024
PTR No. 5[illegible]5398D [illegible]. 1/4/2024
[illegible] No. [illegible]6677
MCLE Compliance VII-0012229
Until April 14, 2025

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2023, 2022 and 2021

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

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, 2023 and 2022, 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, 2023 and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements are prepared in all material respects, 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 qualitative 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 P42.7 billion or 60.9% of consolidated Revenues and Income and P21.6 billion or 42.6% of consolidated Costs and Expenses, respectively, for the year ended December 31, 2023. 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, 2023, 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, 2023 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 John Endel S. Mata.

PUNONGBAYAN & ARAULLO

By: **John Endel S. Mata**
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 10076144, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 26, 2024

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 25,115,017,234**	P 27,754,568,446
Trade and other receivables - net	6	**35,926,522,343**	35,906,287,222
Contract assets	20	**16,725,717,102**	13,613,227,726
Inventories	7	**134,493,092,091**	123,451,306,761
Advances to contractors and suppliers		**12,796,034,554**	13,224,995,447
Prepayments and other current assets	8	**13,580,396,977**	10,365,034,100
Total Current Assets		**238,636,780,301**	224,315,419,702
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**28,758,158,409**	21,035,571,171
Contract assets	20	**8,995,733,228**	6,006,696,047
Advances to contractors and suppliers		**1,796,688,120**	2,112,862,719
Advances to landowners and joint operators	10	**8,160,417,609**	7,896,413,808
Financial assets at fair value through other comprehensive income	9	**5,390,622,368**	5,253,799,848
Investments in associates - net	11	**3,069,422,324**	3,138,183,202
Investment properties - net	12	**135,155,548,880**	128,101,844,538
Property and equipment - net	13	**7,273,195,298**	7,196,910,584
Deferred tax assets - net	26	**412,824,612**	394,145,565
Other non-current assets - net	14	**2,923,327,024**	3,759,690,116
Total Non-current Assets		**201,935,937,872**	184,896,117,598
TOTAL ASSETS		**P 440,572,718,173**	P 409,211,537,300

	Notes	2023	2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**P 16,625,470,088**	P 12,691,010,973
Bonds and notes payable	16	**11,997,992,546**	14,026,453,110
Trade and other payables	17	**26,394,004,577**	24,158,766,211
Contract liabilities	20	**1,763,382,934**	3,392,947,567
Customers' deposits	2	**9,440,841,699**	9,421,120,175
Advances from other related parties	27	**1,247,044,914**	2,126,611,006
Income tax payable		**69,133,848**	61,272,502
Other current liabilities - net	19	**8,837,345,891**	9,375,781,591
Total Current Liabilities		**76,375,216,497**	75,253,963,135
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**55,154,846,130**	36,967,485,247
Bonds and notes payable	16	**19,116,598,705**	31,212,622,400
Contract liabilities	20	**5,693,360,461**	4,853,473,963
Customers' deposits	2	**2,383,982,004**	1,259,789,445
Deferred tax liabilities - net	26	**14,587,512,527**	12,264,107,694
Retirement benefit obligation - net	25	**618,205,997**	349,574,867
Other non-current liabilities - net	19	**5,975,149,880**	6,029,997,597
Total Non-current Liabilities		**103,529,655,704**	92,937,051,213
Total Liabilities		**179,904,872,201**	168,191,014,348
EQUITY	28		
Total equity attributable to the Company's shareholders		**227,821,868,243**	209,226,173,725
Non-controlling interests		**32,845,977,729**	31,794,349,227
Total Equity		**260,667,845,972**	241,020,522,952
TOTAL LIABILITIES AND EQUITY		**P 440,572,718,173**	P 409,211,537,300

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, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
REVENUES AND INCOME				
Real estate sales	20	**P 42,721,115,222**	P 36,849,992,605	P 31,129,417,724
Rental income	12	**17,854,466,048**	15,653,727,970	13,319,580,244
Hotel operations	20	**3,807,063,945**	2,603,709,878	1,928,863,081
Interest and other income - net	23	**5,345,510,276**	4,419,826,198	4,376,429,682
		69,728,155,491	59,527,256,651	50,754,290,731
COSTS AND EXPENSES				
Cost of real estate sales	21	**21,604,685,140**	18,554,755,392	16,874,283,279
Cost of hotel operations	21	**2,185,776,633**	1,462,451,435	1,086,978,559
Operating expenses	22	**16,959,260,295**	14,584,659,156	12,864,632,841
Equity share in net losses of associates	11	**65,412,001**	155,429,591	176,548,383
Interest and other charges - net	24	**5,056,713,055**	5,628,116,792	4,808,537,325
Tax expense	26	**4,455,738,864**	3,767,557,891	564,917,329
		50,327,585,988	44,152,970,257	36,375,897,716
NET PROFIT FOR THE YEAR		**P 19,400,569,503**	P 15,374,286,394	P 14,378,393,015
Net profit attributable to:				
Company's shareholders		**P 17,345,401,623**	P 13,455,475,825	P 13,434,466,763
Non-controlling interests		**2,055,167,880**	1,918,810,569	943,926,252
		P 19,400,569,503	P 15,374,286,394	P 14,378,393,015
Earnings Per Share:	29			
Basic		**P 0.560**	P 0.431	P 0.422
Diluted		**P 0.560**	P 0.430	P 0.421

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, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
NET PROFIT FOR THE YEAR		**P 19,400,569,503**	P 15,374,286,394	P 14,378,393,015
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to consolidated profit or loss:				
Actuarial gains (losses) on retirement benefit obligation	25	**(268,851,445)**	219,636,360	325,125,100
Fair value gains (losses) on financial assets at fair value through other comprehesive income	9	**101,480,862**	(579,783,082)	1,347,392,142
Tax income (expense)	25, 26	**65,908,044**	(55,553,033)	(62,880,238)
		(101,462,539)	(415,699,755)	1,609,637,004
Items that will be reclassified subsequently to consolidated profit or loss:				
Exchange difference on translating foreign operations	2	**44,115,901**	106,276,210	47,027,439
Unrealized gains (losses) on cash flow hedge	30	**(34,246,151)**	91,147,189	199,713,502
Share in other comprehensive income (losses) of associates	11	**(3,348,877)**	6,138,277	20,926,197
Tax expense	26	**(20,768,304)**	(34,902,030)	(11,756,858)
		(14,247,431)	168,659,647	255,910,280
Total Other Comprehensive Income (Loss)		**(115,709,970)**	(247,040,108)	1,865,547,284
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 19,284,859,532**	P 15,127,246,286	P 16,243,940,299
Total comprehensive income attributable to:				
Company's shareholders		**P 17,244,878,432**	P 13,196,367,962	P 15,276,423,950
Non-controlling interests		**2,039,981,100**	1,930,878,324	967,516,349
		P 19,284,859,532	P 15,127,246,286	P 16,243,940,299

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, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	**Additional Paid-in Capital** (See Note 28)	**Treasury Shares - At Cost** (See Note 28)	**Revaluation Reserves** (See Note 28)	**Perpetual Securities** (See Note 28)	**Retained Earnings** (See Note 28)	**Total**	**Non-controlling Interests**	**Total Equity**
Balance at January 1, 2023	P 32,430,865,872	P 16,662,746,970	(P 2,699,225,572)	P 7,368,759,402	P -	P 155,463,027,054	P 209,226,173,725	P 31,794,349,227	P 241,020,522,952
Reissuance of treasury shares	-	333,233,823	515,166,177	-	-	-	848,400,000	-	848,400,000
Changes in percentage of ownership	-	-	-	3,225,985,331	-	-	3,225,985,331	363,803,525	3,589,788,856
Cash dividends	-	-	-	-	-	(2,058,559,594)	(2,058,559,594)	(1,352,156,123)	(3,410,715,717)
Acquisition of treasury shares	-	-	(668,595,880)	-	-	-	(668,595,880)	-	(668,595,880)
Share-based employee compensation	-	-	-	-	-	3,586,229	3,586,229	-	3,586,229
Total comprehensive income (loss) for the year	-	-	-	(100,523,191)	-	17,345,401,623	17,244,878,432	2,039,981,100	19,284,859,532
Balance at December 31, 2023	**P 32,430,865,872**	**P 16,995,980,793**	**(P 2,852,655,275)**	**P 10,494,221,542**	**P -**	**P 170,753,455,312**	**P 227,821,868,243**	**P 32,845,977,729**	**P 260,667,845,972**
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 229,703,990,947
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)
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	P 32,430,865,872	P 16,662,746,970	(P 2,699,225,572)	P 7,368,759,402	P -	P 155,463,027,054	P 209,226,173,725	P 31,794,349,227	P 241,020,522,952
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)
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	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 229,703,990,947

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, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 23,856,308,367**	P 19,141,844,285	P 14,943,310,344
Adjustments for:				
Depreciation and amortization	12, 13, 14	**3,480,324,608**	3,279,686,211	3,467,925,032
Interest expense	24	**2,635,396,341**	2,258,100,909	1,941,630,481
Interest income	23	**(2,540,479,012)**	(2,143,200,870)	(1,566,929,419)
Unrealized foreign currency losses (gains) - net		**(362,380,482)**	2,366,023,638	1,625,333,145
Equity share in net losses of associates	11	**65,412,001**	155,429,591	176,548,383
Dividend income	23, 27	**(36,495,750)**	(21,420,750)	(24,456,757)
Employee share options	25	**3,586,229**	16,372,411	10,204,332
Loss (gain) on sale of property and equipment	13	**302,916**	(66,002)	(1,225,627)
Loss (gain) on sale of investment property	12	**-**	832,805	(136,206,674)
Loss on derecognition of property and equipment	13	**-**	-	43,603,084
Operating profit before working capital changes		**27,101,975,218**	25,053,602,228	20,479,736,324
Increase in trade and other receivables		**(5,401,855,155)**	(6,012,370,613)	(1,835,285,029)
Decrease (increase) in contract assets		**(6,101,526,557)**	302,323,589	(541,521,049)
Increase in inventories		**(9,543,970,288)**	(6,982,569,520)	(8,951,566,293)
Decrease (increase) in advances to contractors and suppliers		**745,135,492**	(321,139,074)	514,205,832
Increase in prepayments and other current assets		**(3,850,451,340)**	(742,381,075)	(1,740,765,114)
Decrease (increase) in advances to landowners and joint operators		**(264,003,801)**	(737,837,585)	354,803,949
Decrease (increase) in other non-current assets		**838,172,118**	846,939,366	(142,656,451)
Increase in trade and other payables		**2,123,214,966**	1,239,593,735	606,265,488
Increase (decrease) in contract liabilities		**(789,678,135)**	842,725,722	1,560,066,505
Increase (decrease) in customers' deposits		**1,143,914,083**	(1,472,950,409)	(2,534,471,445)
Decrease in other liabilities		**(173,959,904)**	(1,649,159,285)	(1,327,724,229)
Cash generated from operations		**5,826,966,697**	10,366,777,079	6,441,088,488
Cash paid for income taxes		**(1,625,121,992)**	(2,636,045,057)	(813,914,179)
Net Cash From Operating Activities		**4,201,844,705**	7,730,732,022	5,627,174,309
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	**(10,857,268,275)**	(12,115,399,233)	(7,055,426,460)
Property and equipment	13	**(734,877,887)**	(733,081,802)	(522,659,939)
Interest received		**2,227,691,648**	2,198,139,764	2,052,061,538
Advances to associates and other related parties:	27			
Collected		**112,550,636**	-	89,575,462
Granted		**-**	(1,827,132,491)	(413,989,152)
Dividends received	24	**12,815,280**	21,420,750	24,456,757
Proceeds from sale of property and equipment	13	**32,061,133**	29,374,859	4,739,942
Acquisition and subscription of shares of stock of subsidiaries and associates		**(659,964)**	-	(1,001,843,366)
Additions to financial assets at fair value through other comprehensive income	9	**-**	-	(238,089,875)
Proceeds from sale of investment property	12	**-**	-	136,607,144
Net Cash Used in Investing Activities		**(9,207,687,429)**	(12,426,678,153)	(6,924,567,949)
Balance carried forward		**(P 5,005,842,724)**	(P 4,695,946,131)	(P 1,297,393,640)

	Notes	2023	2022	2021
Balance brought forward		**(P 5,005,842,724)**	(P 4,695,946,131)	(P 1,297,393,640)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 36	**35,645,523,000**	10,522,520,857	26,643,083,897
Repayments of long and short-term liabilities	36	**(13,836,564,027)**	(12,451,825,598)	(20,982,065,248)
Repayments of bonds payable	36	**(13,607,000,000)**	-	-
Interest paid		**(5,269,232,098)**	(4,200,536,048)	(3,977,876,007)
Proceeds from sale of investment in subsidiary	28	**3,565,448,820**	-	-
Cash dividends paid	28	**(2,058,559,594)**	(1,911,107,946)	(2,515,617,409)
Advances from other related parties:	27, 36			
Paid		**(1,597,199,347)**	(2,433,986,742)	(48,783,694)
Obtained		**717,633,255**	1,317,261,209	608,170,119
Cash dividends declared and paid to non-controlling interest	1	**(1,352,156,123)**	(1,001,652,570)	(263,692,340)
Proceeds from reissuance of treasury shares	28	**848,400,000**	-	-
Acquisition of treasury shares	28	**(668,595,880)**	(916,099,229)	(156,987,360)
Repayments of lease liabilities	19, 36	**(21,406,494)**	(18,840,748)	-
Proceeds from issuance of shares	28	**-**	1,773,053	-
Redemption of preferred shares	18	**-**	(251,597,580)	(251,597,580)
Proceeds from secondary offering of subsidiary's shares	28	**-**	-	14,717,312,432
Payments for redemption of perpetual capital securities		**-**	-	(8,552,741,141)
Distribution to holders of perpetual securities	28	**-**	-	(151,963,438)
Payments for return of capital to non-controlling interest		**-**	-	(141,998,580)
Net Cash From (Used in) Financing Activities		**2,366,291,512**	(11,344,091,342)	4,925,243,651
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,639,551,212)**	(16,040,037,473)	3,627,850,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**27,754,568,446**	43,794,605,919	40,166,755,908
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 25,115,017,234**	P 27,754,568,446	P 43,794,605,919

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 and lease liabilities amounting to P3.6 million (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, 2023, 2022 AND 2021
(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:

	Effective Percentage of Ownership		
Subsidiaries	**2023**	2022	2021
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%
Megaworld Oceantown Properties, Inc. (formerly: Oceantown Properties, Inc.) (MOPI)	**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 2023	2022	2021
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(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%
Megaworld San Vicente Coast, Inc. (formerly: San Vicente Coast, Inc.) (MSVCI)		**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)	(g)	**100%**	100%	100%
Agile Digital Ventures, Inc. (ADVI)		**100%**	100%	100%
MREIT Fund Managers, Inc. (MFMI)	(f)	**100%**	100%	100%
MREIT Property Managers, Inc. (MPMI)	(f)	**100%**	100%	100%
MREIT, Inc. (MREIT)	(f)	**55.63%**	62.09%	62.09%
Belmont Hotel Mactan Inc. (BHMI)		**100%**	100%	-
Grand Westside Hotel, Inc. (GWHI)	(k)	**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)	(i)	**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)	**100%**	100%	-

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2023	2022	2021
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)	(h)	**98.41%**	98.41%	98.31%
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%
Elite Club & Leisure Inc. (ECLI)	(k)	**82.32%**	-	-
Integrated Resorts Property Management Inc. (IRPMI)	(k)	**82.32%**	-	-
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%
Global-Estate Properties, Inc. (GEPI)		**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 Compaña 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%
Global-Estate Golf and Development, Inc. (GEGDI)		**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%
20th Century Nylon Shirt, Inc. (20th Century)	(a)	**81.73%**	81.73%	81.73%
Laguna BelAir Science School, Inc. (LBASSI)	(l)	**59.67%**	59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	**49.04%**	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMI)	(j)	**58.53%**	58.53%	58.53%
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 2023	2022	2021
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)		**34%**	34%	34%
SWC Project Management Limited (SWCPML)		**34%**	34%	34%
WC Project Management Limited (WCPML)		**34%**	34%	34%
Suncity WC Hotel Inc. (Suncity WC)		**34%**	34%	34%
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, 2023.

(b) As at December 31, 2023, 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, 2023, 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, 2023, 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. The Parent Company acquired additional common shares of MREIT through property share swap effective January 2023 resulting to 65.67% ownership. In May and July 2023, the Parent Company disposed certain number of shares resulting to a decrease in ownership to 55.63%.

(g) KHMI was incorporated in 2020 and also engaged in hotel operations.

(h) In 2021, the Parent Company acquired additional common shares of STLI from previous stockholders representing 1.44% direct ownership. As at December 31, 2023, the effective ownership of Parent Company over STLI is 98.41%, consisting of 18.94% direct ownership and 79.47% indirect ownership through SPI.

(i) 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%.

(j) PCMI is a subsidiary through EELHI. In 2021, certain number of shares owned by the Ultimate Parent Company were transferred to the Parent Company, increasing the effective ownership of the Parent Company to 58.53%, which consists of 25.84% direct ownership and 32.69% indirect ownership from EELHI.

(k) Newly incorporated subsidiaries in 2023.

(l) LBASSI is a subsidiary through EELHI primarily engaged in operating a school for primary and secondary education. In 2022, the subsidiary ceased its operations.

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, 2023, 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).

	Interest and Voting Accumulated Rights Held by NCI			Subsidiary's Consolidated Profit (Loss) Allocated to NCI			Accumulated Equity of NCI		
Name	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
GERI	**17.68%**	17.68%	17.68%	**P 444,108**	P 504,135	P 273,591	**P6,836,602**	P 6,465,556	P 5,924,064
EELHI	**18.27%**	18.27%	18.27%	**119,520**	132,014	131,173	**11,199,106**	11,079,586	10,947,572
MCTI	**23.72%**	23.72%	23.72%	**119,873**	61,367	42,215	**1,564,420**	1,540,324	1,478,957
MREIT	**44.37%**	37.91%	37.91%	**942,175**	847,186	218,295	**4,329,357**	4,106,038	4,193,831
MBPHI	**31.97%**	31.97%	31.97%	**241,170**	358,251	134,394	**3,979,512**	3,738,342	3,380,091
LFI	**33.33%**	33.33%	33.33%	**70,067**	50,573	103,742	**1,285,466**	1,315,389	1,331,477
NWPI	**40.00%**	40.00%	40.00%	**(118,125)**	768	(1,040)	**2,423,019**	2,304,894	2,304,126

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

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2023					
GERI	**P 40,459,590,601**	**P 21,107,842,595**	**P 8,530,655,854**	**P 13,068,472,896**	**P 39,968,304,446**
EELHI	**43,263,011,730**	**6,276,393,402**	**15,120,472,622**	**3,025,040,329**	**31,394,308,990**
MCTI	**6,426,075,428**	**958,427,061**	**632,829,665**	**156,311,163**	**6,595,361,660**
MREIT	**2,261,749,722**	**59,189,370,284**	**1,187,901,989**	**8,124,659,098**	**52,138,558,919**
MBPHI	**21,064,534,374**	**1,795,986,214**	**8,122,965,525**	**4,169,846,245**	**10,567,708,818**
LFI	**480,394,071**	**835,814,337**	**329,085,827**	**66,508,985**	**920,613,596**
NWPI	**5,024,990,012**	**44,333,466**	**273,773,758**	**306,243,335**	**4,489,306,385**
December 31, 2022					
GERI	P 38,958,385,938	P 18,348,102,791	P 8,984,280,250	P 10,125,839,695	P 38,196,368,784
EELHI	42,058,117,920	5,222,214,799	13,511,828,029	3,008,819,453	30,759,685,237
MCTI	6,346,828,725	692,319,537	481,153,103	68,691,537	6,489,303,622
MREIT	1,912,786,391	56,577,530,430	760,062,625	8,212,025,103	49,518,229,093
MBPHI	14,690,371,429	3,066,716,686	6,673,669,427	1,294,732,541	9,788,686,147
LFI	540,692,704	886,754,795	305,593,115	123,987,816	997,866,568
NWPI	3,778,762,779	15,407,016	131,543,651	251,638,417	3,410,987,727

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

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2023			
GERI	**P 8,389,466,594**	**P 2,113,325,233**	**(P 8,416,676)**
EELHI	**5,203,131,447**	**788,653,304**	**(154,029,551)**
MCTI	**989,243,868**	**509,841,059**	**-**
MREIT	**4,156,504,467**	**168,343,855**	**-**
MBPHI	**5,176,390,657**	**779,022,671**	**-**
LFI	**428,024,009**	**223,264,780**	**(517,752)**
NWPI	**430,737,444**	**293,266,702**	**-**
2022			
GERI	P 7,330,290,215	P 2,086,560,251	P 38,918,313
EELHI	4,707,066,845	715,376,123	51,178,999
MCTI	581,200,403	254,239,433	-
MREIT	3,648,767,258	176,553,547	-
MBPHI	5,040,895,626	1,036,189,706	-
LFI	304,715,933	149,752,329	(356,140)
NWPI	17,899,291	(1,920,049)	-
2021			
GERI	P 4,986,114,413	P 1,494,693,044	P 24,957,294
EELHI	4,534,838,703	797,089,070	175,090,394
MCTI	422,618,465	173,678,947	-
MREIT	1,460,713,648	2,014,216,186	-
MBPHI	2,431,858,083	420,365,816	-
LFI	554,170,309	311,257,955	2,376,412
NWPI	8,202	(2,599,043)	-

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

	Net Cash From (Used in)		
	Operating Activities	Investing Activities	Financing Activities
2023			
GERI	**P 243,620,711**	**(P 1,749,326,023)**	**(P 87,887,407)**
EELHI	**440,922,303**	**67,140,204**	**(228,380,011)**
MCTI	**(995,779,391)**	**187,254,202**	**-**
MREIT	**3,387,700,668**	**-**	**(3,089,314,682)**
MBPHI	**(4,606,227,279)**	**19,576,963**	**4,712,660,638**
LFI	**319,759,454**	**(5,906,351)**	**(299,784,772)**
NWPI	**(110,930,687)**	**(24,955)**	**785,051,956**
2022			
GERI	P 243,620,711	(P 1,749,326,023)	(P 87,887,407)
EELHI	390,373,664	26,523,351	(368,526,330)
MCTI	(927,266,336)	81,454,652	1,051,104,773
MREIT	2,780,620,961	-	(2,733,900,508)
MBPHI	(2,700,064,579)	(244,043,362)	(367,097,567)
LFI	249,164,549	(153,471)	(199,512,547)
NWPI	285,260,510	(976,240)	1,575,478,709
2021			
GERI	P 296,711,694	(P 23,628,604)	P 1,434,041,992
EELHI	1,294,993,446	5,700,022	(40,997,901)
MCTI	(139,930,008)	(29,105,188)	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

The summarized dividend declarations of MREIT, LFI, GERI and MCTI paid to NCI are shown below.

	2023	2022
MREIT	**P 1,083,319,430**	P 934,992,570
LFI	**99,990,000**	66,660,000
MCTI	**95,777,333**	-
OPI	**51,056,000**	-
GERI	**22,006,572**	-
ECOC	**6,788**	-
	P 1,352,156,123	P 1,001,652,570

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2023 (including the comparative consolidated financial statements as at December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Group's BOD on February 26, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These 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 and Sustainability Reporting Standards Council (FSRSC) 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*

SEC MC No. 08-2021, A*mendment 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 estimated 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 (deferred 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* (deferred 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. Furthermore, these would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. 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 2023 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, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

(b) Effective in 2023 that is not Relevant to the Group

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

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.

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.

Acquired subsidiaries are subject to either of the following relevant policies:

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

(b) 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.

Acquired investment in associate is subject to the purchase method.

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.

(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.

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 Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, i.e., interest includes only consideration for the time value of money, credit risk, or other basic lending risks and a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangements, the related financial asset is classified and measured at FVTPL.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at Fair Value Through Other Comprehensive Income

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 Fair Value Through Profit or Loss

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.

(ii) Impairment of Financial Assets

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.

(b) Financial Liabilities

Financial liabilities of the Group include interest-bearing loans and borrowings, bonds and notes payable, trade and other payables (except tax-related liabilities), derivative liabilities, redeemable preferred shares, advances from 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).

2.6 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.

Costs of inventories are assigned using specific identification of their individual costs.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

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.

2.7 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.

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 2.10(a).

2.8 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.

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.

2.9 Revenue and Expense Recognition

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

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 on pre-completed real estate properties 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 on pre-completed real estate properties 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 on completed real estate properties 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 on completed real estate properties 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, MBPHI, SEDI, OPI, NWPI, MGLI, SVCI, 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 and estimated costs to complete the project, determined based on estimates made by the project engineers.

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(a)(ii)].

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.

2.10 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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 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.

(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.

2.11 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.

2.12 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits.

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 defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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, 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. Conversely, the Group's performance obligation for sale of completed real estate properties is satisfied at a point in time.

(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., product type, projects and customer type).

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 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 Note 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 in 2022 (nil in 2023).

(n) 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.

(o) Recognition of 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.

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 financial statements. Similarly, possible 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 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.

Judgment is exercised by management to distinguish between provisions and contingencies. 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 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 2023, 2022 and 2021 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 using the observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning and accessibility.

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, management applies valuation techniques to determine the fair value of financial instruments. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. When such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arms' length transaction at the end of the reporting period. 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.

(h) 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, 2023 and 2022 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2023 and 2022 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. 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 amount 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 2023, 2022 and 2021 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 amount 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

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.

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. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market 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.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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.

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

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 Analysis of Segment Information

The tables presented below and in the succeeding page present revenue and profit information regarding industry segments for the years ended December 31, 2023, 2022 and 2021 and certain assets and liabilities information regarding segments as at December 31, 2023 and 2022.

	2023			
	Sale of Goods – Real estate	**Sale of Services – Rental**	**Sale of Services – Hotel Operations**	**Total**
TOTAL REVENUES				
Sales to external customers	P 42,721,115,222	P 17,854,466,048	P 3,807,063,945	P 64,382,645,215
Interest income on real estate sales	1,129,913,991	-	-	1,129,913,991
Intersegment sales	-	688,393,835	-	688,393,835
	43,851,029,213	18,542,859,883	3,807,063,945	66,200,953,041
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services and operating expenses excluding depreciation and amortization	29,797,634,218	2,174,351,445	3,179,787,694	35,151,773,357
Depreciation and amortization	299,788,932	2,847,130,267	183,412,704	3,330,331,903
	30,097,423,150	5,021,481,712	3,363,200,398	38,482,105,260
SEGMENT OPERATING PROFITS	**P 13,753,606,063**	**P 13,521,378,171**	**P 443,863,547**	**P 27,718,847,781**
ASSETS AND LIABILITIES				
Segment assets	**P 270,084,403,031**	**P 145,952,507,542**	**P 6,129,045,419**	**P 422,165,955,992**
Segment liabilities	**P 120,821,155,240**	**P 52,311,008,997**	**P 2,202,470,050**	**P 175,334,634,287**

	2022			
	Sale of Goods – Real estate	Sale of Services – Rental	Sale of Services – Hotel Operations	Total
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
	37,649,049,420	16,186,055,788	2,603,709,878	56,438,815,086
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services and operating expenses excluding depreciation and amortization	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
	25,970,678,334	4,588,662,710	2,245,431,763	32,804,772,808
SEGMENT OPERATING PROFITS	P 11,678,371,086	P 11,597,393,078	P 358,278,115	P 23,634,042,279
ASSETS AND LIABILITIES				
Segment assets	P 249,662,958,994	P 136,205,789,990	P 5,859,552,165	P 391,728,301,149
Segment liabilities	P 112,314,538,777	P 48,232,117,701	P 1,569,242,763	P 162,115,899,242

	2021			
	Sale of Goods – Real estate	Sale of Services – Rental	Sale of Services – Hotel Operations	Total
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	-	-	641,593,186
Intersegment sales	-	501,620,089	-	501,620,089
	31,771,010,910	13,821,200,333	1,928,944,451	47,521,155,694
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services and operating expenses excluding depreciation and amortization	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
	22,448,875,579	4,534,012,429	1,803,231,748	28,786,119,756
SEGMENT OPERATING PROFITS	P 9,322,135,331	P 9,287,187,904	P 125,712,703	P 18,735,035,938
ASSETS AND LIABILITIES				
Segment assets	P 246,748,867,643	P 127,778,100,601	P 4,800,909,509	P 379,327,877,753
Segment liabilities	P 110,574,147,992	P 47,869,814,875	P 1,185,567,816	P 159,629,530,683

The total project and capital expenditures amounted to P50.0 billion, P45.9 billion and P38.2 billion in 2023, 2022 and 2021, respectively.

4.5 Reconciliations

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

	2023	2022	2021
Revenues			
Total segment revenues	**P 66,200,953,041**	P 56,438,815,086	P 47,521,155,694
Unallocated interest and other income	**4,215,596,285**	3,620,769,383	3,734,755,126
Elimination of intersegment sales	**(688,393,835)**	(532,327,818)	(501,620,089)
Revenues as reported in profit or loss	**P 69,728,155,491**	P 59,527,256,651	P 50,754,290,731
Profit or loss			
Segment operating profit	**P 27,718,847,781**	P 23,634,042,279	P 18,735,035,938
Unallocated interest and other income	**4,215,596,285**	3,620,769,383	3,734,755,126
Unallocated interest and other charges	**(5,056,713,054)**	(5,628,116,793)	(4,808,537,325)
Equity share in net losses	**(65,412,001)**	(155,429,591)	(176,548,383)
Other unallocated expenses	**(2,956,010,644)**	(2,329,420,993)	(2,541,395,012)
Profit before tax as reported in profit or loss	**P 23,856,308,367**	P 19,141,844,285	P 14,943,310,344

	2023	2022
Assets		
Segment assets	**P 422,165,955,992**	P 391,728,301,149
Investments in associates	**3,069,422,324**	3,138,183,202
Financial assets at fair value through other comprehensive income	**5,390,622,368**	5,253,799,848
Advances to other related parties	**6,266,708,060**	6,378,875,057
Other unallocated assets	**3,680,009,429**	2,712,378,044
Total assets reported in the consolidated statements of financial position	**P 440,572,718,173**	P 409,211,537,300
Liabilities		
Segment liabilities	**P 175,334,634,287**	P 162,115,899,242
Advances from other related parties	**1,247,044,914**	2,126,611,006
Other unallocated liabilities	**3,323,193,000**	3,948,504,100
Total liabilities reported in the consolidated statements of financial position	**P 179,904,872,201**	P 168,191,014,348

5. CASH AND CASH EQUIVALENTS

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

	2023	2022
Cash on hand and in banks	**P 9,386,227,441**	P 13,217,086,693
Short-term placements	**15,728,789,793**	14,537,481,753
	P 25,115,017,234	P 27,754,568,446

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 6.25% in 2023, 0.50% to 5.70% in 2022, and 0.05% to 4.50% in 2021 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2023	2022
Current:			
Trade	15.3(h), 27.1	**P 24,672,722,893**	P 25,129,843,967
Allowance for impairment		**(708,270,478)**	(749,340,938)
		23,964,452,415	24,380,503,029
Advances to associates and other related parties	27.2	**6,266,708,060**	6,378,875,057
Others		**5,695,361,868**	5,146,909,136
Balance carried forward		**P 35,926,522,343**	P 35,906,287,222

	Notes	2023	2022
Balance brought forward		**P 35,926,522,343**	P 35,906,287,222
Non-current:			
Trade	15.3(h)	**23,640,010,441**	16,458,299,794
Allowance for impairment		**(12,224,936)**	(12,224,936)
		23,627,785,505	16,446,074,858
Others	27.1	**5,130,372,904**	4,589,496,313
		28,758,158,409	21,035,571,171
		P 64,684,680,752	P 56,941,858,393

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 P1,129.9 million, P799.0 million and P641.6 million in 2023, 2022 and 2021, 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, 2023 and 2022, the current portion of the finance lease receivables amounted to P2.0 million and P112.2 million, respectively, while non-current portion amounted to P315.1 million and P408.6 million, respectively. Other current receivables include certain advances to condominium associations and other counterparties within the ordinary course of business, which are expected to be realized within 12 months from the end of the reporting periods.

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 2023 and 2022 is shown below.

	Current	Non-current	Total
December 31, 2023:			
Balance at beginning of year	**P 749,340,938**	**P 12,224,936**	**P 761,565,874**
Reversal of impairment	**(41,070,460)**	**-**	**(41,070,460)**
Balance at end of year	**P 708,270,478**	**P 12,224,936**	**P 720,495,414**
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	P 749,340,938	P 12,224,936	P 761,565,874

In 2023 and 2022, based on management's reassessment of recoverability of receivables, the Group reversed a portion of allowance for impairment amounting to P41.1 million and P12.1 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.

	2023	2022
Residential and condominium units	**P 109,694,023,497**	P 99,244,736,147
Raw land inventory	**12,396,943,363**	11,823,319,249
Property development costs	**9,480,158,869**	9,509,115,059
Golf and resort shares	**2,921,966,362**	2,874,136,306
	P 134,493,092,091	P 123,451,306,761

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 P541.4 million and P727.2 million in 2023 and 2022, 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, there is no allowance for inventory write-down is required to be recognized in 2023, 2022 and 2021; hence, inventories are recorded at cost as at December 31, 2023 and 2022.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Notes	2023	2022
Creditable withholding taxes		**P 4,277,169,503**	P 1,949,539,045
Input VAT		**4,248,890,893**	3,620,500,726
Deferred commission	20.3	**2,086,771,425**	1,962,421,561
Prepaid rent and other prepayments		**1,934,512,986**	2,151,545,978
Deposits		**446,777,052**	72,579,834
Derivative asset	30	**62,038,593**	197,431,085
Others		**524,236,525**	411,015,871
		P 13,580,396,977	P10,365,034,100

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:

	Notes	2023	2022
Equity securities:	34.2		
Quoted		**P 3,123,647,415**	P 3,102,154,694
Unquoted		**2,266,974,953**	2,151,645,154
	27.4	**P 5,390,622,368**	P 5,253,799,848

The Group's securities are investments from local entities.

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

	2023	2022
Balance at beginning of year	**P 5,253,799,848**	P 5,760,368,447
Additions and translation adjustments	**35,341,658**	73,214,483
Fair value gains (losses)	**101,480,862**	(579,783,082)
Balance at end of year	**P 5,390,622,368**	P 5,253,799,848

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 2023, 2022 and 2021, the Group received cash dividends amounting to P36.5 million, P21.4 million and P24.5 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 2.6).

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, 2023 and 2022, 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:

	2023	2022
Total commitment for construction expenditures	**P 63,640,179,854**	P 54,990,686,120
Total expenditures incurred	**(33,633,489,683)**	(36,794,191,122)
Net commitment	**P 30,006,690,171**	P 18,196,494,998

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2023 and 2022. The listing of the Group's jointly-controlled projects are as follows:

Parent Company:
- McKinley West
- Manhattan Garden City
- Uptown Bonifacio
- 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
- Gentri 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, 2023 and 2022, and income and expenses for years ended December 31, 2023, 2022 and 2021 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.

As at December 31, 2023 and 2022, 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 2023 and 2022 amounted to P250.5 million and P348.0 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:

	2023	2022
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	**64,665,000**	64,665,000
	3,618,073,562	3,618,073,562
Accumulated equity in net losses:		
Balance at beginning of year	**(555,149,548)**	(399,719,957)
Equity share in net losses of associates for the year	**(65,412,001)**	(155,429,591)
Balance at end of year	**(620,561,549)**	(555,149,548)
Accumulated equity in other comprehensive income:		
Balance at beginning of year	**75,259,188**	69,120,911
Share in other comprehensive income (loss) of associates	**(3,348,877)**	6,138,277
Balance at end of year	**71,910,311**	75,259,188
	P 3,069,422,324	P 3,138,183,202

The shares of stock of SUN are listed in the PSE which closed at P0.85 and P0.99 per share as of December 31, 2023 and 2022, respectively. The fair values of all other investments in associates are not available as at December 31, 2023 and 2022. 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.

Investment in SUN

In October 2019, the Parent Company acquired additional 115.0 million shares of SUN at market price, totaling P100.1 million. Subsequently, the Group disposed of a certain number of shares. In December 2019, the Parent Company subscribed to additional 2,177 million shares from SUN at P1.00 par value. The Parent Company paid P1.25 billion out of the P2.20 billion additional subscribed capital, the unpaid portion is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 19). In 2023, the Parent Company paid its subscription payable to SUN in full.

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:

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2023					
SUN	P 7,642,889,468	P 37,572,386,482	P 2,037,311,231	P 33,636,653,715	P 9,541,310,355
NPI	2,605,644	5,597,191,487	1,243,127,835	-	4,355,062,207
BWDC	777,488,167	2,116,168,144	834,439,227	64,984,224	1,994,232,860
PTHDC	1,135,127,795	60,591	1,010,586,772	-	124,601,614
	P 9,558,111,074	**P 45,285,806,704**	**P 5,029,397,037**	**P 33,701,637,939**	**P 16,015,207,036**
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	-	4,349,490,845
BWDC	1,164,689,219	1,561,088,561	882,400,998	49,000,000	1,794,376,782
PTHDC	1,134,973,333	107,914	1,010,203,132	-	124,878,115
	P 4,953,266,160	P 35,981,866,681	P 4,415,268,510	P 21,736,136,439	P 14,783,739,520

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2023			
SUN	P 99,759	(P 348,051,058)	(P 13,132,855)
NPI	473	(3,263,442)	-
BWDC	211,774,598	116,865,673	-
PTHDC	16,461	(168,602)	-
	P 211,891,291	**(P 234,617,429)**	**(P 13,132,855)**
2022			
SUN	P 13,196	(P 557,052,537)	P 24,071,676
NPI	-	-	-
BWDC	150,838,321	73,823,084	-
PTHDC	5,978	(178,880)	-
	P 150,857,495	(P 483,408,333)	P 24,071,676
2021			
SUN	P 358,988	(P 504,878,084)	P 61,547,638
NPI	-	-	-
BWDC	75,876,205	(10,380,773)	-
PTHDC	1,354	(258,146)	-
	P 76,236,547	(P 515,517,003)	P 61,547,638

The reconciliation of the above summarized financial information to the carrying amount of the interest in associates are as follows:

	SUN	BWDC	NPI	PTHDC	Total
2023					
Net assets at end of year	P 9,541,310,355	P 1,994,232,860	P 4,355,062,207	P 124,601,614	P 16,014,208,481
Equity ownership interest	34%	46%	12%	40%	
	3,244,045,521	919,540,772	501,703,166	49,840,645	4,822,955,849
Notional goodwill	140,685,524	12,865,193	230,379,167	14,642,20	290,706341
Share in bond option reserves	(1,905,493,167)	(87,305,678)	-	-	(1,994,232,860)
Dilution of shares due to change in percentage ownership	458,892,180	-	-	-	458,892,180
Other reconciling items	(472,126,368)	38,266,834	-	-	(510,393,202)
Total carrying amount	**P 1,466,023,690**	**P 806,833,453**	**P 732,082,333**	**P 64,482,848**	**P 3,069,422,324**

	SUN	BWDC	NPI	PTHDC	Total
2022					
Net assets at end of year	P 8,514,994,278	P 1,794,376,782	P 4,349,490,845	P 124,878,115	P 14,783,728,392
Equity ownership interest	34%	46%	12%	40%	
	2,895,098,055	827,387,134	501,061,345	49,951,246	4,381,363,525
Notional goodwill	140,685,524	12,865,193	230,379,167	14,642,202	290,706,341
Share in bond option reserves	(1,905,473,167)	(87,305,678)	-	-	(1,994,232,860)
Dilution of shares due to change in percentage ownership	458,892,180	-	-	-	458,892,180
Other reconciling items	-	-	-	-	-
Total carrying amount	P 1,589,202,592	P 752,946,649	P 731,440,512	P 64,593,448	P 3,138,183,202

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2023 and 2022 are shown below.

	Land	**Buildings**	**Total**
December 31, 2023			
Cost	P 29,983,203,130	P 128,457,161,423	P 158,440,364,553
Accumulated depreciation	-	(23,284,815,673)	(23,284,815,673)
Net carrying amount	**P 29,983,203,130**	**P 105,172,345,750**	**P 135,155,548,880**
December 31, 2022			
Cost	P 29,987,225,960	P 118,552,303,984	P 148,539,529,944
Accumulated depreciation	-	(20,437,685,406)	(20,437,685,406)
Net carrying amount	P 29,987,225,960	P 98,114,618,578	P 128,101,844,538
January 1, 2022			
Cost	P 27,587,597,724	P 109,340,437,817	P 136,928,035,541
Accumulated depreciation	-	(17,705,786,594)	(17,705,786,594)
Net carrying amount	P 27,587,597,724	P 91,634,651,223	P 119,222,248,947

A reconciliation of the carrying amounts at the beginning and end of 2023, 2022 and 2021 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2023, net of accumulated depreciation	P 29,987,225,960	P 98,114,618,578	P 128,101,844,538
Additions	497,371,630	10,359,896,645	10,857,268,275
Transfer to inventories	(501,394,460)	(455,039,206)	(956,433,666)
Depreciation charges for the year	-	(2,847,130,267)	(2,847,130,267)
Balance at December 31, 2023, net of accumulated depreciation	**P 29,983,203,130**	**P 105,172,345,750**	**P 135,155,548,880**
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 property and equipment	-	(503,072,024)	(503,072,024)
Disposal	(832,805)	-	(832,805)
Depreciation charges for the year	-	(2,731,898,812)	(2,731,898,812)
Balance at December 31, 2022, net of accumulated depreciation	P 29,987,225,960	P 98,114,618,578	P 128,101,844,538
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	-	(2,815,266,472)	(2,815,266,472)
Balance at December 31, 2021, net of accumulated depreciation	P 27,587,597,724	P 91,634,651,223	P 119,222,248,947

Rental income earned from these properties arising from the Group's operating leases amounted to P17,854.5 million, P15,653.7 million and P13,319.6 million in 2023, 2022 and 2021, respectively, and is shown as Rental Income in the consolidated statements of income. There is no rental income arising from finance lease in 2023, 2022 and 2021. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P1,016.2 million in 2023, P937.0 million in 2022, and P802.7 million in 2021. 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 2023, 2022 and 2021 amounted to P28.2 million, P32.6 million, and P29.6 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

The rental income from the operating leases of the Group is composed of the following:

	2023	2022	2021
Fixed	**P17,025,278,807**	P 15,183,208,932	P 12,872,766,092
Variable	**829,187,241**	470,519,038	446,814,152
	P17,854,466,048	P 15,653,727,970	P 13,319,580,244

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 P2,421.6 million and P1,383.3 million in 2023 and 2022, 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 2023 and 2022 are P481.5 billion and P464.8 billion as at December 31, 2023 and 2022, respectively, while the fair market value of idle land is P55.5 billion both as of December 31, 2023 and 2022. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

As of December 31, 2023 and 2022, 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 2023 and 2022 are shown below.

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2023							
Cost	P8,511,950,486	P 2,352,636,135	P 574,301,053	P 667,293,977	P 245,672,573	P 486,793,141	P 12,838,647,365
Accumulated depreciation and amortization	(2,390,453,076)	(1,775,114,346)	(472,681,812)	(599,479,075)	-	(327,723,758)	(5,565,452,067)
Net carrying amount	**P 6,121,497,410**	**P 577,521,789**	**P 101,619,241**	**P 67,814,902**	**P 245,672,573**	**P 159,069,383**	**P 7,273,195,298**
December 31, 2022							
Cost	P8,124,859,537	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	P6,043,850,887	P 521,971,397	P 144,939,382	P 54,839,899	P 245,672,573	P 185,636,446	P 7,196,910,584
January 1, 2022							
Cost	P7,382,669,895	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	P 5,552,167,161	P 367,528,201	P 106,470,135	P 46,829,430	P 245,672,575	P 212,220,296	P 6,530,887,796

A reconciliation of the carrying amounts at the beginning and end of 2023, 2022 and 2021, 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, 2023, net of accumulated depreciation and amortization	P6,043,850,887	P 521,971,397	P 144,939,382	P 54,839,899	P 245,672,573	P 185,636,446	P 7,196,910,584
Additions	387,090,949	278,118,891	27,064,086	42,603,961	-	-	734,877,887
Disposals	-	(28,323,922)	(3,660,663)	(379,464)	-	-	(32,364,049)
Depreciation charges For the year	(309,444,426)	(194,244,577)	(66,723,564)	(29,249,494)	-	(26,567,063)	(626,229,124)
Balance at December 31, 2023, net of accumulated depreciation	**P6,121,497,410**	**P 577,521,789**	**P 101,619,241**	**P 67,814,902**	**P 245,672,573**	**P 159,069,383**	**P 7,273,195,298**
Balance at January 1, 2022, net of accumulated depreciation and amortization	P5,552,167,161	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	-	-	-	-	-	503,072,024
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	P6,043,850,887	P 521,971,397	P 144,939,382	P 54,839,899	P 245,672,573	P 185,636,446	P 7,196,910,584
Balance at January 1, 2021, net of accumulated depreciation and amortization	P5,561,112,958	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	P5,552,167,161	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

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
2023					
Offices	**6**	**1 – 12 years**	**3 years**	**3**	**1**
Commercial lot	**4**	**1 – 24 years**	**15 years**	**2**	**1**
2022					
Offices	6	1 – 12 years	4 years	3	1
Commercial lot	4	1 – 25 years	16 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2023 and 2022 and the movements during the years are shown below.

	Offices	Commercial Lot	Total
Balance at January 1, 2023	P 7,979,187	P 177,657,259	P 185,636,446
Depreciation and amortization	(3,504,461)	(23,062,602)	(26,567,063)
Balance at December 31, 2023	**P 4,474,726**	**P 154,594,657**	**P 159,069,383**
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	P 7,979,187	P 177,657,259	P 185,636,446
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	P 11,501,347	P 200,718,949	P 212,220,296

As of December 31, 2023 and 2022, 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:

	Note	**2023**	2022
Goodwill		**P 1,385,124,597**	P 1,385,124,597
Guarantee and other deposits		**890,420,128**	1,050,101,840
Deferred commission	20.3	**310,502,008**	1,034,827,696
Leasehold rights – net		**76,617,383**	83,582,600
Miscellaneous		**260,662,908**	206,053,383
		P 2,923,327,024	P3,759,690,116

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 P83.9 billion, P565.6 million and P5.6 billion, respectively, at end of 2023 and P76.6 billion, P445.5 million and P2.9 billion, respectively, respectively, at end of 2022. These were computed using cash flows projections covering a five-year period and extrapolating cash flows using a conservative steady growth rate of 3.0% in 2023 and 2.6% in 2022. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P100.3 million and P96.6 million in 2023 and 2022, 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 6.8% in 2023 and 8.2% in 2022.

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 2023, 2022 and 2021 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

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 2023, 2022 and 2021, 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.

Miscellaneous assets include certain intangible and other assets, which are expected to be realized for more than 12 months from the end of the reporting periods.

15. INTEREST-BEARING LOANS AND BORROWINGS

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

	2023	2022
Parent Company:		
Php-denominated	**P 37,290,817,319**	P 31,382,744,047
U.S. dollar-denominated	**12,043,982,455**	2,341,894,555
	49,334,799,774	33,724,638,602
Subsidiaries –		
Php-denominated	**22,445,516,444**	15,933,857,618
	P 71,780,316,218	P 49,658,496,220

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

	2023	2022
Current	**P 16,625,470,088**	P 12,691,010,973
Non-current	**55,154,846,130**	36,967,485,247
	P 71,780,316,218	P 49,658,496,220

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. The Group is compliant with its debt covenants.

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 P3,774.9 million, P2,104.2 million and P2,251.7 million in 2023, 2022 and 2021, respectively. Of these amounts, portion charged as expense amounted to P1,454.1 million, P833.9 million and P788.9 million in 2023, 2022 and 2021, 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 2023, 2022 and 2021 amounted to P2,320.7 million, P1,270.3 million and P1,462.8 million, respectively. The outstanding interest payable as of December 31, 2023 and 2022 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 3.23%, 3.11% and 3.01% in 2023, 2022 and 2021, respectively.

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

	2023	2022	2021
Balance at beginning of year	**P 153,325,001**	P 151,754,133	P 106,676,331
Additions	**242,727,000**	75,000,000	120,000,000
Amortization	**(83,128,993)**	(73,429,132)	(74,922,198)
Balance at end of year	**P 312,923,008**	P 153,325,001	P 151,754,133

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) 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 on 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 6.3% effective September 4, 2020. In 2023, the Parent Company has paid in full its outstanding loan balance.

(b) 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 3-month LIBOR plus a certain spread. The Parent Company entered into across-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 27).

(c) 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 on the fourth year.

(d) 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 commenced in June 2022 and a floating interest is paid quarterly based on a 5-day average reference rate plus a certain spread.

(e) *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 commenced in March 2022. Interest on the loan is fixed at 4.00% payable quarterly.

(f) *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.

(g) *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.

(h) *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.

(i) *Philippine Peso, five-year loan due 2028*

In March 2023, the Parent Company obtained a loan of P5.0 billion from a local bank. Principal of the loan is payable quarterly starting from the drawdown date for a period of five years. Interest on the loan is payable semi-annually for the first 184 days with 6.35% per annum inclusive of gross receipt tax which is subject to semi-annual repricing interest rate. The loan is payable quarterly for a term of five years with the first principal payment due in June 2024. The interest is payable semi-annually at a floating rate.

(j) *Philippine Peso, five-year loan due 2028*

In June 2023, the Parent Company obtained a P10.0 billion loan from a local bank. The loan is payable quarterly for a term of five years with twelve month grace period. Interest of the loan is payable quarterly on a floating rate.

(k) *U.S Dollar, five-year loan due 2028*

In April 2023, the Parent Company obtained a loan from a local bank amounting to $200.0 million. The loan shall be paid in sixteen equal or nearly equal consecutive installments commencing at the end of the fifth quarter from the date of borrowing on a repayment date. Each installment shall be paid on a repayment date with floating interest rate.

15.2 EELHI

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 six-year loan due in 2029

In 2023, SPI obtained two unsecured long-term loans from a local bank amounting to P1.0 billion and P0.5 billion. 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 7.13% for both loans.

(h) 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%. There are no outstanding balance as of December 31, 2023 due to the repayments made by the Company.

(i) Philippine Peso, liability on assigned receivables

In 2023 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, 2023 and 2022 amounted to P0.3 billion and P0.4 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, 2023 and 2022 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 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.

(c) *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.

(d) *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 at 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.

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

In September 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 commencing on the beginning of the ninth quarter from the date of availment. The loan bears a fixed interest rate of 5.26% and is payable quarterly in arrears.

(f) *Philippine Peso, five-year loan due 2028*

In May 2023, 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. The loan bears a floating interest rate and is payable quarterly in arrears.

(g) *Philippine Peso, five-year loan due 2028*

In October 2023, 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. The loan bears a floating interest rate and is payable quarterly in arrears.

(h) *Philippine Peso, five-year loan due 2028*

In December 2023, GERI obtained an unsecured long-term loan facility from a local bank amounting to P2.0 billion, in which P1.5 billion have already been availed as of period date. The loan is payable quarterly for a term of five years, bears a floating interest rate and is payable quarterly in arrears.

15.5 TLC

(a) *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.

(b) Philippine Peso, five-year loan due 2028

In June 2023, TLC obtained unsecured interest-bearing loans from a local commercial bank amounting to P1.5 billion to finance capital expenditure related to various on-going real estate development projects. The loan bears a floating interest rates with a floor rate of 6.75%. Quarterly installments commencing at the 5th quarter from the date of the initial drawdown.

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 on December 2024.

15.7 MBPHI

Philippine Peso, five-year loan due 2028

In 2023, MBPHI obtained an unsecured long-term peso loan from a local commercial bank to support its funding requirements of the construction of various projects, which amounted to P 3.0 billion. The principal amount is payable equal quarterly amortization over the next four years after a grace period of one year. The loan is subject to a fixed interest rate of 7.15%.

16. BONDS AND NOTES PAYABLE

This account is composed of the following:

	2023	2022
Philippine peso	**P 11,997,992,546**	P 11,989,962,729
U.S. dollar	**19,116,598,705**	33,249,112,781
	P 31,114,591,251	P 45,239,075,510

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

	2023	2022
Current	**P 11,997,992,546**	P 14,026,453,110
Non-current	**19,116,598,705**	31,212,622,400
	P 31,114,591,251	P 45,239,075,510

(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. In 2023, the Parent Company has paid in full its outstanding balance.

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 P1,692.7 million, P2,139.4 million and P1,983.9 million in 2023, 2022 and 2021, respectively. Of these amounts, the portion charged as expense amounted to P954.7 million, P1,209.5 million and P1,103.1 million in 2023, 2022 and 2021, 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, 2023 and 2022 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 P642.3 million, P840.2 million and P799.4 million in 2023, 2022 and 2021, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.98% in 2023, 3.89% in 2022 and 3.87% in 2021.

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

	2023	2022	2021
Balance at beginning of year	**P 367,603,203**	P 457,320,770	P 538,744,014
Amortization	**(95,763,174)**	(89,717,567)	(81,423,244)
Balance at end of year	**P 271,840,029**	P 367,603,203	P 457,320,770

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:

	Notes	2023	2022
Trade payables		**P 16,702,654,130**	P 14,927,714,758
Retention payable		**5,787,205,813**	5,198,564,149
Refund liability		**1,798,517,011**	1,495,318,078
Accrued interest	15, 16	**877,966,708**	765,943,568
Miscellaneous		**1,227,660,915**	1,771,225,658
		P 26,394,004,577	P 24,158,766,211

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 consolidated 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 2023) 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:

	Notes	**2023**	2022
Current:			
Unearned income		**P 3,514,353,439**	P 3,242,781,577
Advances from customer		**2,305,827,573**	1,912,385,149
Commission payable		**1,807,973,948**	2,077,980,412
Lease liabilities		**38,638,823**	104,635,874
Subscription payable	11.1	**-**	1,114,665,008
Other payables		**1,170,552,108**	923,333,571
		8,837,345,891	9,375,781,591
Non-current:			
Deferred rent - net		**2,715,015,663**	3,160,203,687
Retention payable	17	**1,917,882,592**	1,676,303,061
Lease liabilities		**453,412,304**	506,110,406
Other payables		**888,839,321**	687,380,443
		5,975,149,880	6,029,997,597
		P 14,812,495,771	P 15,405,779,188

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 mainly pertain to guest deposits from hotels and due to unit owners. Other non-current payables include certain liabilities to various counterparties within the ordinary course of business, which are expected to be settled beyond 12 months from the end of the reporting periods.

The total cash outflows relating to lease liabilities for the years ended December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Principal of lease liability		P 21,406,494	P 18,840,748
Interest on lease liability	24	37,792,646	38,577,068
		P 59,199,140	P 57,417,816

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

	Lease Payment	Finance Charges	Net Present Value
2023			
Within one year	P 77,555,288	(P 38,916,465)	P 38,638,823
After one year but not more than two years	53,384,598	(36,681,883)	16,702,715
After two years but not more than three years	54,566,197	(34,882,487)	19,683,710
After three years but not more than four years	54,665,429	(32,964,810)	21,700,619
After four years but not more than five years	60,304,272	(31,722,948)	28,581,324
More than five years	710,613,250	(343,869,314)	366,743,936
	P 1,011,089,034	**(P 519,037,907)**	**P 492,051,127**
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	750,707,596	(362,365,145)	388,342,451
	P 1,145,157,247	(P 534,410,967)	P 610,746,280

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 P134.2 million, P177.3 million and P77.0 million in 2023, 2022 and 2021, 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.

	Segments		
	Real Estate	Hotel Operations	Total
2023			
Residential and office units	P 35,284,062,846	P -	P 35,284,062,846
Lots only	7,437,052,376	-	7,437,052,376
Room accommodation	-	2,438,940,536	2,438,940,536
Food and beverages	-	1,206,195,298	1,206,195,298
Other hotel services	-	161,928,111	161,928,111
	P 42,721,115,222	**P 3,807,063,945**	**P 46,528,179,167**
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	-	77,549,482	77,549,482
	P 36,849,992,605	P 2,603,709,878	P 39,453,702,483
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
	P 31,129,417,724	P 1,928,863,081	P 33,058,280,805

20.2 Contract Accounts

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

	2023		2022	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P19,619,923,773**	**P 8,246,421,530**	P19,922,247,362	P 7,403,695,808
Transfers from contract assets recognized at the beginning of year to trade receivables	**(4,330,225,952)**	**-**	(8,200,052,415)	-
Increase due to satisfaction of performance obligation over time, net of cash collections	**10,431,752,509**	**-**	7,789,728,826	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(1,220,251,787)**	-	(3,679,150,615)
Increase due to cash received in excess of performance to date	**-**	**430,573,652**	-	4,521,876,337
Balance at end of year	**P25,721,450,330**	**P 7,456,743,395**	P19,619,923,773	P 8,246,421,530

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

	2023	2022
Current	**P 16,725,717,102**	P 13,613,227,726
Non-current	**8,995,733,228**	6,006,696,047
	P 25,721,450,330	P 19,619,923,773

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

	2023	2022
Current	**P 1,763,382,934**	P 3,392,947,567
Non-current	**5,693,360,461**	4,853,473,963
	P 7,456,743,395	P 8,246,421,530

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 P36.4 billion and P31.8 billion as of December 31, 2023 and 2022, respectively (see Note 6).

20.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. 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 2023 and 2022 is presented below.

	2023	2022
Balance at beginning of year	**P 2,997,249,257**	P 3,574,921,741
Additional capitalized costs net of sales cancellations	**569,185,899**	743,317,115
Amortization for the year	**(1,321,420,162)**	(1,320,989,599)
Balance at end of year	**P 2,245,014,994**	P 2,997,249,257

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 as shown in succeeding page.

	Notes	2023	2022
Current	8	**P 2,086,771,425**	P 1,962,421,561
Non-current	14	**310,502,008**	1,034,827,696
		P 2,397,273,433	P 2,997,249,257

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P31.3 billion and P43.7 billion as of December 31, 2023 and 2022, respectively, which the Group expects to recognize as follows:

	2023	2022
Within a year	**P 19,043,732,745**	P23,100,331,580
More than one year to three years	**8,490,547,169**	16,480,982,363
More than three to five years	**3,754,899,478**	4,155,242,262
	P 31,289,179,392	P43,736,556,205

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:

	2023	2022	2021
Contracted services	**P 17,641,717,864**	P 15,157,644,269	P 13,921,991,148
Land cost	**2,840,510,272**	2,423,993,776	1,870,060,652
Borrowing cost	**810,171,996**	722,695,142	792,405,811
Other costs	**312,285,008**	250,422,205	289,825,668
	P 21,604,685,140	P18,554,755,392	P16,874,283,279

21.2 Cost of Hotel Operations

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

	Note	2023	2022	2021
Salaries and employee benefits	25.1	**P 565,144,533**	P 401,131,662	P 272,425,884
Rent		**453,268,304**	271,757,384	251,186,534
Food and beverage		**415,911,229**	320,804,080	191,503,125
Utilities		**356,013,260**	199,361,040	246,934,596
Hotel operating supplies		**256,512,988**	172,987,985	74,716,451
Outside services		**44,998,529**	47,380,779	7,071,957
Miscellaneous		**93,927,790**	49,028,505	43,140,012
		P 2,185,776,633	P 1,462,451,435	P 1,086,978,559

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes		2023		2022		2021
Salaries and employee benefits	25.1	**P**	**4,316,413,028**	P	3,462,970,100	P	2,878,758,053
Depreciation and amortization	12, 13, 14		**3,480,324,608**		3,279,686,211		3,467,925,032
Commission	20.3		**2,043,672,808**		1,782,224,386		1,220,192,387
Taxes and licenses			**1,197,933,191**		1,078,623,548		1,192,439,947
Utilities and supplies			**1,127,498,084**		808,326,783		494,027,066
Outside services			**1,090,409,464**		894,576,529		826,990,607
Advertising and promotions			**1,094,882,795**		959,749,002		764,372,156
Professional fees			**697,028,979**		616,959,535		594,801,585
Association dues			**493,227,240**		402,711,876		365,873,255
Transportation			**368,403,510**		294,644,206		194,751,215
Rent	19		**134,276,561**		177,257,360		76,988,707
Donation			**104,414,421**		100,524,798		149,743,170
Miscellaneous	11.2		**810,775,606**		726,404,822		637,769,661
		P	**16,959,260,295**	P	14,584,659,156	P	12,864,632,841

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		2023		2022		2021
Interest income	5, 6, 27.1	**P**	**3,670,393,006**	P	2,942,288,364	P	2,104,896,268
Property management, commission and construction income			**1,118,911,091**		1,049,617,328		1,617,611,176
Foreign currency gains - net	5, 15, 16		**257,434,915**		-		-
Dividend income	9, 27.4		**36,495,750**		21,420,750		24,456,757
Gain on sale of property			**-**		-		136,206,674
Miscellaneous – net	6		**262,275,514**		406,499,756		493,258,807
		P	**5,345,510,276**	P	4,419,826,198	P	4,376,429,682

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2023	2022	2021
Interest expense	10.2 15, 16 18, 25.3	**P 2,635,396,341**	P 2,258,100,909	P 1,941,630,481
Other charges:				
Impairment and other losses	6	**976,656,527**	777,544,878	682,473,797
Day one loss	6	**923,414,356**	543,289,914	483,265,727
Foreign currency losses-net	15, 16	**-**	1,738,714,911	1,265,498,741
Miscellaneous – net		**521,245,831**	310,466,180	435,668,579
		P 5,056,713,055	P 5,628,116,792	P 4,808,537,325

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	2023	2022	2021
Short-term benefits		**P 4,824,606,429**	P 3,764,816,906	P 3,010,286,233
Employee share option benefit	25.2, 28.6	**3,586,229**	16,372,411	10,204,332
Post-employment benefits	25.3	**53,364,903**	82,912,445	130,693,372
		P 4,881,557,561	P 3,864,101,762	P 3,151,183,937

Salaries and employee benefits are presented in the statements of income as follows.

	Notes	2023	2022	2021
Cost of hotel operations	21.2	**P 565,144,533**	P 401,131,662	P 272,425,884
Operating expenses	22	**4,316,413,028**	3,462,970,100	2,878,758,053
	21, 22	**P 4,881,557,561**	P 3,864,101,762	P 3,151,183,937

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, 2023 and 2022, 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, 2023, 2022, and 2021, 95.0 million, 60.0 million, and 50.0 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 P3.6 million, P16.4 million and P10.2 million in 2023, 2022 and 2021, 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 2023 and 2022.

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

	2023	2022
Present value of the obligation	**P 1,288,064,758**	P 972,939,970
Fair value of plan assets	**(669,858,761)**	(623,365,103)
Net defined benefit liability	**P 618,205,997**	P 349,574,867

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

	2023	2022
Balance at beginning of year	**P 972,939,970**	P 1,121,810,503
Interest costs	**61,162,432**	53,408,462
Current service costs	**53,364,903**	82,912,445
Remeasurements –		
Actuarial gains		
arising from changes in:		
Financial assumptions	**244,515,099**	(139,502,189)
Experience adjustments	**16,007,819**	(98,910,242)
Benefits paid	**(59,925,456)**	(46,779,009)
Balance at end of year	**P 1,288,064,758**	P 972,939,970

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

	2023	2022
Balance at beginning of year	**P 623,365,103**	P 575,007,802
Interest income	**95,953,356**	12,696,272
Contribution received	**24,455,493**	74,967,204
Benefits paid	**(65,586,664)**	(20,260,104)
Loss on plan assets (excluding amount included in net interest cost)	**(8,328,527)**	(18,776,071)
Balance at end of year	**P 669,858,761**	P 623,365,103

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

	2023	2022
Cash and cash equivalents	**P 537.7**	P 283.7
Investment in marketable securities		
Equity securities	**30.1**	51.0
Debt securities	**102.1**	289.7
	P 669.9	P 623.4

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

As of December 31, 2023 and 2022, the funds include investments in securities of its related parties (see Note 27).

The plan assets include investments in debt securities issued by entities within the Group with carrying amount and fair value as of December 31, 2023 of P102.1 million and P101.7 million, respectively, while the carrying amount and fair value as of December 31, 2022 amounted to P99.1 million and P98.7 million, respectively. Unrealized fair value losses on these securities as of December 31, 2023 and 2022 both amounted to P0.9 million.

The plan assets include investments in equity securities issued by entities within the Group with carrying amount and fair value as of December 31, 2023 of P40.0 million and P30.1 million, respectively, while the carrying amount and fair value as of December 31, 2022 amounted to P40.0 million and P36.0 million, respectively. Unrealized fair value losses on these securities as of December 31, 2023 and 2022 amounted to P9.4 million and P 4.0 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 P87.6 million, P34.6 million and P9.6 million in 2023, 2022 and 2021, 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:

	Notes	**2023**	2022	2021
Reported in consolidated statements of income:				
Current service costs	25.1	**P 53,364,903**	P 82,912,445	P 130,693,372
Net interest costs	24	**13,761,597**	24,843,870	28,965,294
		P 67,126,500	P107,756,315	P 159,658,666
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Experience adjustments		**(P 16,007,819)**	P 98,910,242	P 202,235,817
Financial assumptions		**(244,515,099)**	139,502,189	134,104,864
Loss on plan assets (excluding amounts included in net interest expense)		**(8,328,527)**	(18,776,071)	(11,215,581)
		(268,851,445)	219,636,360	325,125,100
Tax expense	26	**65,908,044**	(55,553,033)	(62,880,238)
		(P202,943,401)	P164,083,327	P 262,244,862

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:

	2023	2022	2021
Discount rates	**5.20% - 7.00%**	3.60% - 7.54%	3.58% - 5.20%
Expected rate of salary increases	**3.00% - 10.00%**	1.00% - 4.00%	3.00% - 7.00%

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 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, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and 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, 2023 and 2022:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2023			
Discount rate	**0.50% - 1.00%**	(P 71,022,764)	P 82,919,065
Salary increase rate	**1.00%**	119,827,903	(104,567,417)
December 31, 2022			
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)

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 P153.9 million to the plan during the next reporting period.

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

	2023	2022
Within one year	**P 192,512,528**	P 188,858,699
More than one year to 5 years	**88,646,511**	125,565,313
More than 5 years to 10 years	**247,762,336**	236,059,745
More than 10 years to 15 years	**511,765,574**	399,266,717
More than 15 years to 20 years	**1,060,881,067**	777,949,467
More than 20 years	**4,844,855,091**	3,716,837,078
	P 6,946,423,107	P 5,444,537,019

The weighted average duration of the DBO at the end of the reporting period range from 7 to 18 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 starting July 1, 2023, the MCIT will return to its previous 2% rate; 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:

	2023	2022	2021
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%, 20% and 10% in 2023, 2022 and 2021	**P1,461,727,558**	P 2,543,749,490	P 847,820,456
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	(188,097,109)
Final tax at 15% and 7.5%	**162,179,213**	92,864,680	38,763,811
Minimum corporate income tax (MCIT) at 1.5% in 2023, 1% in 2022 and 2021 and, 2% in 2020	**4,887,056**	7,855,985	275,179
Application of MCIT	**-**	(6,637,583)	-
Preferential tax rate	**4,189,512**	4,080,128	-
	1,632,983,339	2,641,912,700	698,762,337
Deferred tax expense relating to:			
Effect of the change in income tax rate	**-**	-	(1,893,077,651)
Origination and reversal of temporary differences	**2,822,755,525**	1,125,645,191	1,759,232,643
	P 4,455,738,864	P 3,767,557,891	P 564,917,329

	2023	2022	2021
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**(P 45,139,740)**	P 90,455,063	P 93,038,135
Effect of the change in income tax rate	**-**	-	(18,401,039)
	(P 45,139,740)	P 90,455,063	P 74,637,096

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:

	2023	2022	2021
Tax on pretax profit at 25%	**P 5,964,077,092**	P 4,785,461,071	P 3,735,827,587
Effect of change in income tax rate	**-**	-	(2,081,174,760)
Adjustment for income subjected to lower income tax rates	**(68,149,843)**	(36,561,436)	(185,194,162)
Tax effects of:			
Non-taxable income	**(2,355,358,056)**	(1,467,666,976)	(1,156,058,029)
Non-deductible expenses	**975,073,954**	361,822,583	203,836,087
Unrecognized deferred tax assets (liabilities) on temporary differences	**(4,786,883)**	(11,501,508)	64,569,571
Miscellaneous	**(55,117,397)**	136,004,157	(16,888,965)
	P 4,455,738,864	P 3,767,557,891	P 564,917,329

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

	2023	2022
Deferred tax assets – net:		
NOLCO	**P 246,939,798**	P 212,416,830
Difference between the fair value and carrying value of net assets acquired	**-**	114,104,045
MCIT	**46,785,726**	33,950,887
Retirement benefit obligation	**37,583,157**	24,540,446
Allowance for impairment of receivables	**11,919,308**	11,923,309
Allowance for property development costs	**7,689,776**	7,689,776
Others	**61,906,848**	(10,479,728)
	P 412,824,612	P 394,145,565
Deferred tax liabilities – net:		
Uncollected gross profit	**P 8,871,116,571**	P 7,635,045,037
Capitalized interest	**4,724,790,047**	4,739,118,374
Difference between the tax reporting base and financial reporting base of rental income	**994,723,091**	1,280,542,497
Bond issuance costs	**114,788,964**	124,819,699
Uncollected rental income	**69,409,723**	79,275,569
Unrealized foreign currency losses – net	**(613,505,725)**	(1,906,553,539)
Share options	**(55,890,442)**	(54,993,884)
Retirement benefit obligation	**(87,943,703)**	(16,976,614)
Others	**570,024,001**	383,830,555
	P 14,587,512,527	P 12,264,107,694

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 1.5% in 2023 and 1% in 2022 of gross income, net of allowable deductions as defined under the tax regulations.

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

Year	Original Amount	Valid Until
2023	P 15,626,138	2026
2022	14,584,217	2025
2021	17,464,096	2026
	P 47,674,451	

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

Year	Original Amount	Valid Until
2023	P 102,362,581	2026
2022	241,844,778	2025
2021	156,313,788	2026
2020	80,505,896	2025
	P 581,027,043	

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 2023, 2022 and 2021, the Group opted to continue claiming itemized deductions, except for MDC, NWPI, LFI, MFMI, MGLI, SVCI and MCTI which opted to use optional standard deduction (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.

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.

The summary of the Group's transactions with its related parties as of December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 are as follows:

Related Party Category	Notes	Amount of Transactions 2023	2022	2021	Outstanding Investment/ Receivable (Payable) 2023	2022
Ultimate Parent Company:						
Dividends paid	27.5	**(P 996,805,764)**	(P 887,481,897)	(P 609,361,023)	**P -**	P -
Investments in equity securities	27.4	**(97,879,276)**	15,786,980	563,303,640	**1,780,771,344**	1,878,650,620
Dividend income	27.4	**23,680,470**	21,413,262	10,127,290	**23,680,470**	-
Advances granted	27.2	**-**	-	-	**930,000,000**	930,000,000
Associates:						
Advances granted (collected)	27.2	**383,639**	155,104	(89,575,460)	**1,010,276,576**	1,009,892,937
Subscription payable	19	**(1,114,655,508)**	-	-	-	(1,114,655,008)
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	**-**	-	-	**3,056,180,769**	3,056,180,769
Advances availed (paid)	27.3	**(879,566,092)**	(1,116,725,533)	739,639,479	**(1,247,044,914)**	(2,126,611,006)
Rendering of services	27.1	**238,329,478**	261,499,284	137,222,809	**262,845,102**	127,460,076
Advances granted (collected)	27.2	**(112,550,636)**	1,827,132,491	413,989,151	**4,326,431,484**	4,438,982,120
Dividend income	27.4	**-**	-	13,538,826	**-**	-

Related Party Category	Notes	Amount of Transactions 2023	2022	2021	Outstanding Investment/ Receivable (Payable) 2023	2022
Investments in equity securities	27.4	**P 207,774,649**	(P 494,554,541)	P 992,357,068	**P 3,572,528,203**	P 3,364,753,554
Key Management Personnel –						
Compensation	27.6	**370,730,492**	377,635,099	316,686,607	**-**	-
Retirement plan						
Investments in equity and debt securities	25.3(b)	**-**	-	-	**100,175,334**	134,696,111

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.

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 2023, 2022 and 2021.

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, 2023 and 2022, 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 shown below (see Note 6).

	2023	2022
Advances to ultimate parent	**P 930,000,000**	P 930,000,000
Advances to associates	**1,010,276,576**	1,009,892,937
Advances to other related parties	**4,326,431,484**	4,438,982,120
	P6,266,708,060	P6,378,875,057

The movements in advances to associates are as follows:

	2023	2022
Balance at beginning of year	**P1,009,892,937**	P1,009,737,833
Advances granted	**383,639**	155,104
Balance at end of year	**P1,010,276,576**	P1,009,892,937

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

	2023	2022
Balance at beginning of year	**P4,438,982,120**	P2,611,849,629
Advances granted	**-**	1,827,132,491
Advances collected	**(112,550,636)**	-
Balance at end of year	**P4,326,431,484**	P4,438,982,120

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 2023, 2022 and 2021 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:

	2023	2022
Balance at beginning of year	**P 2,126,611,006**	P 3,243,336,539
Advances paid	**(1,597,199,347)**	(2,433,986,742)
Advances availed	**717,633,255**	1,317,261,209
Balance at end of year	**P1,247,044,914**	P2,126,611,006

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).

27.5 Dividends Paid to the Ultimate Parent Company

The Ultimate Parent Company received dividends from the Parent Company amounting to P1.0 billion, P0.9 billion and P0.6 billion in 2023, 2022 and 2021, respectively. There were no outstanding liabilities relating to this transaction as of December 31, 2023 and 2022 (see Note 28.4).

27.6 Key Management Personnel Compensation

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

	2023	2022	2021
Short-term benefits	**P 325,769,489**	P 276,491,249	P 258,281,464
Post-employment benefits	**41,374,775**	84,771,439	48,200,811
Employee share option benefit	**3,586,228**	16,372,411	10,204,332
	P 370,730,492	P 377,635,099	P 316,686,607

27.7 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, 2023 and 2022 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 include investments in equity and debt securities of the Group (see Note 25.3)

27.8 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. No similar transaction occurred in 2023 and 2022.

28. EQUITY

Capital stock of the Parent Company consists of:

	Shares			Amount		
	2023	2022	2021	**2023**	2022	2021
Preferred shares Series "A"- P0.01 par value						
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued	**32,370,865,872**	32,370,865,872	32,370,865,872	**P 32,370,865,872**	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year	**(885,626,000)**	(513,795,000)	(471,552,000)	**(2,184,059,395)**	(1,268,862,277)	(1,111,874,917)
Acquisitions during the year	**(301,988,000)**	(372,831,000)	(42,243,000)	**(668,595,880)**	(916,099,229)	(156,987,360)
Issuances during the year	**-**	1,000,000	-	**-**	902,111	-
Balance at end of year	**(1,187,614,000)**	(885,626,000)	(513,795,000)	**(2,852,655,275)**	(2,184,059,395)	(1,268,862,277)
Issued and outstanding	**31,183,251,872**	31,485,239,872	31,857,070,872	**P 29,518,210,597**	P 30,186,806,477	P 31,102,003,595
Total issued and outstanding shares	**31,183,251,872**	31,485,239,872	31,857,070,872	**P 29,578,210,597**	P 30,246,806,477	P 31,162,003,595

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, 2023, there are 2,379 holders of the listed shares, which closed at P1.97 per share as of that date. 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 and 2021, RHGI holds certain number of the Parent Company's common shares with costs of P515.2 million, which are treated as treasury shares on the Group's consolidated financial statements. On 2023, such shares were reissued and reversed as treasury shares, which resulted to APIC of P333.2 million (see Notes 28.3 and 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 2023, 2022 and 2021 (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. In 2023, an additional APIC of P333.2 million was recognized from the transactions with RHGI. In 2022, APIC amounting to P1.9 million, was recognized by the Parent Company from the exercise of 1,000,000 stock options. There were no movements in the Parent Company's APIC accounts in 2021.

28.4 Cash Dividends

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

	2023	2022	2021
Declaration date/date of approval by BOD	**October 13, 2023**	October 17, 2022	November 10, 2021
Date of record	**October 27, 2023**	October 31, 2022	November 24, 2021
Date of payment	**November 14, 2023**	November 14, 2022	December 10, 2021
Amounts declared			
Common	**P 2,057,959,600**	P 1,910,507,946	P 1,337,220,837
Preferred	**600,000**	600,000	600,000
	P 2,058,559,600	P 1,911,107,946	P 1,337,820,837
Dividends per share:			
Common	**P 0.07**	P 0.06	P 0.04
Preferred	**P 0.01**	P 0.01	P 0.01

28.5 Treasury Shares

As of December 31, 2022 and 2021, this account also includes the Parent Company's common shares held and acquired by RHGI which was reissued in 2023.

In 2023 and 2022, the Parent Company reacquired 302.0 million and 371.8 million shares costing P668.6 million and P916.1 million, respectively. The amount of treasury common shares aggregated to P2,852.7 million and P2,699.2 million as at December 31, 2023 and 2022, respectively.

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, the Parent 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 2023 and 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 P3.6 million, P16.4 million and P10.2 million share option benefits expense in 2023, 2022 and 2021, 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 2023, 2022 and 2021.

In 2023, 10.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2022.

A total of 35.0 million, 10.0 million and 10.0 million share options have vested in 2023, 2022 and 2021, respectively.

A total of 1.0 million share options were exercised at a price of P1.77 per share in 2022. There was no similar transaction in 2021 and 2023.

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 P3.6 million, P16.4 million and P10.2 million share-based executive compensation in 2023, 2022 and 2021, 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, 2023, 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, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods. As at December 31, 2023, there are no remaining share options that can be exercised.

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 2023, 2022 and 2021 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.

	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, 2023	(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
Other comprehensive income (loss):						
Remeasurements of retirement benefit post-employment obligation	-	(268,851,445)	-	-	-	(268,851,445)
Fair value losses on financial assets at FVOCI	101,480,862	-	-	-	-	101,480,862
Fair value gain on cash flow hedge	-	-	-	(34,246,151)	-	(34,246,151)
Share of non-controlling interest	12,756,703	2,430,076	-	-	-	15,186,779
Share in OCI of associates	-	-	(3,348,878)	-	-	(3,348,878)
Changes in percentage of ownership	-	-	-	-	3,225,985,331	3,225,985,331
Exchange difference on translating foreign operations	-	-	44,115,901	-	-	44,115,901
Other comprehensive income (loss) before tax	114,237,565	(266,421,369)	40,767,023	(34,246,151)	3,225,985,331	3,080,322,399
Tax income (expense)	-	65,908,044	(20,768,304)	-	-	45,139,740
Other comprehensive income (loss) after tax	114,237,565	(200,513,325)	19,998,716	(34,246,151)	3,225,985,331	3,125,462,140
Balance as of December 31, 2023	**(P 1,611,755,442)**	**P 489,581,015**	**(P 239,540,202)**	**P 3,358,562**	**P11,852,577,608**	**P10,494,221,541**
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	-	-	6,138,277	-	-	6,138,277
Exchange difference on translating foreign operations	-	-	106,276,211	-	-	106,276,211
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)	(34,902,030)	-	-	(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

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.

In 2023, the Parent Company acquired additional common shares of MREIT through property share swap effective January 2023 resulting to 65.67% ownership. In May and July 2023, the company disposed 279,400,000 common shares with a par value of P1.00 per share with net proceeds of P3.6 billion resulting to a decrease in ownership to 55.63%.

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2023	2022	2021
Net profit attributable to the Parent Company's shareholders	**P17,345,401,623**	P 13,455,475,825	P 13,434,466,763
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Distribution to holders of perpetual securities	**-**	-	(151,963,438)
Profit available to the Parent Company's common shareholders	**P17,344,801,623**	P 13,454,875,825	P 13,281,903,325
Divided by weighted average number of outstanding common shares	**30,967,574,247**	31,241,230,149	31,447,978,960
Basic EPS	**P 0.560**	P 0.431	P 0.422
Divided by weighted average number of outstanding common shares and potential dilutive shares	**30,975,626,107**	31,297,654,542	31,544,782,959
Diluted EPS	**P 0.560**	P 0.430	P 0.421

Unexercised share warrants have already expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling 220.0 million in 2023, 232.5 million in 2022, and 233.5 million in 2021 were also considered in the computations (see Note 28.6).

30. CROSS CURRENCY SWAPS

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 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:

	USD Notional Amount	Derivative Assets
2023		
Cash flow hedge – Cross currency swaps	**$ 17,928,858**	**P 62,038,593**
2022		
Cash flow hedge – Cross currency swaps	$ 41,834,003	P 197,431,085

The hedging instruments have a positive fair value of P62.0 million in 2023 and P197.4 million in 2022. These are presented as Derivative assets under Other Current Assets in the consolidated statements of financial position (see Note 8). The Parent Company recognized a total of P34.2 million and P91.1 million unrealized losses and gains on cash flow hedges in 2023 and 2022, respectively. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2023 and 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 between 5% to 10% (see Note 12).

Future minimum lease receivables under these agreements are as follows:

	2023	2022	2021
Within one year	**P 16,524,807,397**	P 16,954,000,233	P 15,346,826,374
After one year but not more than two years	**19,998,956,604**	18,969,350,475	19,794,874,132
After two years but not more than three years	**20,787,467,598**	20,073,548,227	20,409,706,265
After three years but not more than four years	**21,565,435,685**	20,902,530,811	22,140,397,894
After four years but not more than five years	**23,134,430,186**	22,417,321,069	22,902,976,810
More than five years	**28,326,544,473**	28,155,620,943	28,951,568,529
	P130,337,641,943	P 127,472,371,758	P129,546,350,004

(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 P34.3 million, P38.4 million and P42.1 million in 2023, 2022 and 2021, 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:

	Lease Collection	**Interest Income**	**Net Present Value**
2023			
Within one year	P 26,846,871	(P 24,829,545)	P 2,017,326
After one year but not more than two years	27,514,054	(24,641,019)	2,873,035
After two years but not more than three years	26,281,499	(24,407,402)	1,874,097
After three years but not more than four years	24,301,659	(24,373,209)	(71,550)
After four years but not more than five years	25,030,708	(24,352,433)	678,275
More than five years	629,817,781	(320,057,121)	309,760,660
	P 759,792,572	**(P 442,660,729)**	**P 317,131,843**

	Lease Collection	Interest Income	Present Value
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	654,848,489	(344,409,554)	310,438,935
	P 1,031,326,275	(P 482,501,907)	P 548,824,368

31.2 Others

As at December 31, 2023 and 2022, the Group has unused long-term credit facilities amounting to P35.0 billion and P30.0 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, 2023 and 2022, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P28.7 billion and P27.9 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 5.38% and 6.29% in 2023 and 2022, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2023 and 2022 would have changed by P1,489.3 million and P1,609.0 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 1.05:1.00 and 1.44:1.00 as of December 31, 2023 and 2022, respectively.

The sensitivity of the consolidated net results in 2023 and 2022 to a reasonably possible change of 1.0% in floating rates is P380.7 million and P364.8 million, respectively. The sensitivity of the consolidated equity in 2023 and 2022 to a reasonably possible change of 1.0% in floating rates is P285.5 million and P273.6 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.

	Notes	**2023**	2022
Cash and cash equivalents	5	**P 25,115,017,234**	P 27,754,568,446
Trade receivables	6	**39,818,559,661**	35,581,092,269
Rent receivables	6	**7,773,678,259**	5,245,485,618
Other receivables	6	**10,825,734,772**	9,736,405,449
Advances to associates and other related parties	6	**6,266,708,060**	6,378,875,057
Contract assets	20.2	**25,721,450,330**	19,619,923,773
Guarantee and other deposits	14	**890,420,128**	1,050,101,840
		P116,411,568,444	P105,366,452,452

(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 the end of the reporting periods, 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 P720.5 million and P761.6 million as of December 31, 2023 and 2022, 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 below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2023			
Real estate sales receivables	**P 41,328,385,170**	**P 45,327,170,657**	**P -**
Contract assets	**16,725,717,102**	**40,812,445,170**	**-**
Rental receivables	**7,773,678,259**	**26,677,795,493**	**-**
	P 65,827,780,531	**P 112,817,411,320**	**P -**
2022			
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	5,245,485,618	26,120,508,183	-
	P 60,446,501,660	P 114,956,832,545	P -

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.

	2023	2022
Current (not past due)	**P 61,314,660,549**	P 53,887,281,080
Past due but not impaired:		
More than one month but not more than 3 months	**995,776,342**	954,754,703
More than 3 months but not more than 6 months	**660,635,291**	586,514,889
More than 6 months but not more than one year	**1,043,424,434**	880,683,667
More than one year	**670,184,136**	632,624,054
	P 64,684,680,752	P 56,941,858,393

(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, 2023 and 2022, 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, 2023 and 2022, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2023:				
Interest-bearing loans and borrowings*	15	**P 18,440,812,490**	**P 49,019,402,123**	**P 7,132,187,500**
Trade and other payables	17	**25,394,004,577**	**-**	**-**
Bonds and notes payable*	16	**14,164,524,941**	**24,543,746,338**	**-**
Advances from other related parties	27.3	**1,247,044,914**	**-**	**-**
Other liabilities	19	**1,807,973,948**	**1,209,190,931**	**-**
		P 61,054,360,870	**P 74,772,339,392**	**P 7,132,187,500**
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

**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, 2023 and 2022 are summarized below.

	Observed Volatility Rates	Impact on Equity Increase	Impact on Equity Decrease
2023			
Investment in equity securities:			
Holding company	**+/-5.44%**	**P 72,997,948**	**(P 72,997,948)**
Manufacturing	**+/-1.84%**	**16,911,584**	**(16,911,584)**
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)

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.

		2023		2022	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	**P 25,115,017,234**	**P 25,115,017,234**	P 27,754,568,446	P 27,754,568,446
Trade and other receivables – net	6, 27.2	**64,684,680,752**	**63,994,382,334**	56,941,858,393	56,478,631,731
Guarantee and other deposits	14	**890,420,128**	**890,420,128**	1,050,101,840	1,050,101,840
		P 90,690,118,114	**P 89,999,819,696**	P 85,746,528,679	P 85,283,302,017
Financial assets at FVTPL – Derivative assets	8	**P 62,038,593**	**P 62.038,593**	P 197,431,085	P 197,431,085
Financial assets at FVOCI – Equity securities	9	**P 5,390,622,368**	**P 5,390,622,368**	P 5,253,799,848	P 5,253,799,848
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	**P 71,780,316,218**	**P 70,784,042,923**	P 49,658,496,220	P 48,867,760,656
Bonds and notes payable	16	**31,114,591,251**	**30,360,173,852**	45,239,075,510	44,796,324,832
Trade and other payables	17	**26,394,004,577**	**26,156,848,944**	24,158,766,211	23,874,659,281
Advances from other related parties	27.3	**1,247,044,914**	**1,247,044,914**	2,126,611,006	2,126,611,006
Subscription payable	19	**-**	**-**	1,114,665,008	1,114,665,008
Other liabilities	19	**2,551,442,556**	**2,551,442,556**	2,221,460,294	2,221,460,294
		P 133,087,399,516	**P 131,099,553,189**	P 124,519,074,249	P 123,001,481,077

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 2023 and 2022 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 as of December 31, 2022 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)]. There is no similar transaction in 2023.

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 developing estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. When such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arms' length transaction at the end of the reporting period.

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, 2023 and 2022 (see Notes 9 and 30).

	Level 1	**Level 2**	**Level 3**	**Total**
2023				
Financial assets –				
Equity securities	P 3,123,647,415	P -	P2,266,974,953	P 5,390,622,368
Derivatives	-	62,038,593	-	62,038,593
	P 3,123,647,415	**P 62,038,593**	**P2,266,974,953**	**P5,452,660,961**
2022				
Financial assets –				
Equity securities	P 3,102,154,694	P -	P2,151,645,154	P 5,253,799,848
Derivatives	-	197,431,085	-	197,431,085
	P 3,102,154,694	P 197,431,085	P2,151,645,154	P 5,451,230,933

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, 2023 and 2022, 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 2023 and 2022, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 8.5% and 8.9% in 2023 and 2022, respectively, and growth rate of 3.0% and 3.0% in 2023 and 2022, 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 2023 and 2022 is shown below.

	2023	2022
Balance at beginning of year	**P 2,151,645,154**	P 2,661,866,841
Fair value gains (losses)	**115,329,799**	(510,221,687)
Balance at end of year	**P 2,266,974,953**	P 2,151,645,154

The Group recognized P13.8 million fair value losses and P69.6 million fair value losses in 2023 and 2022, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P115.3 million fair value gains and P510.2 million fair value losses in 2023 and 2022, 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 using the observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning and accessibility.

As at December 31, 2023 and 2022, 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. The fair market values of the properties that generated rental income in 2023 and 2022 are P481.5 billion and P464.8 billion as at December 31, 2023 and 2022, respectively, while the fair market value of idle land is P55.5 billion as of December 31, 2023 and 2022.

There were no transfers into or out of Level 3 fair value hierarchy in 2023 and 2022. 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:

	2023	2022
Interest-bearing loans and borrowings	**P 71,780,316,218**	P 49,658,496,220
Bonds and notes payable	**31,114,591,251**	45,239,075,510
	P 102,894,907,469	P 94,897,571,730
Total equity	**P 260,667,845,972**	P241,020,522,952
Debt-to-equity ratio	**0.39 : 1:00**	0.39 : 1:00

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 (See Note 15)	Bonds and Notes Payable (See Note 16)	Lease Liabilities (See Note 19)	Advances from Associates and Other Related Parties (See Note 27)	Total
Balance as of January 1, 2023	P49,658,496,220	P45,239,075,510	P 610,746,280	P 2,126,611,006	P 97,634,929,016
Net cash flows:					
Proceeds	35,645,523,000	-	-	717,633,255	36,363,156,255
Repayments	(13,836,564,027)	(13,607,000,000)	(21,406,494)	(1,597,199,347)	(29,062,169,868)
Non-cash financing activities:					
Foreign currency exchange	229,732,032	(613,247,433)	(1,747,322)	-	(385,262,723)
Amortization of debt issue cost	83,128,993	95,763,174	-	-	178,892,167
Interest amortization on lease liabilities	-	-	37,792,646	-	37,792,646
Derecognition	-	-	(133,333,983)	-	(133,333,983)
Balance as of December 31, 2023	**P71,780,316,218**	**P 31,114,591,251**	**P 492,051,127**	**P 1,247,044,914**	**P104,634,003,510**
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	11,839,772,066
Repayments	(12,451,825,598)	-	(18,840,748)	(2,433,986,742)	(14,904,653,088)
Non-cash financing activities:					
Foreign currency exchange	(135,332,769)	3,167,315,697	10,691,913	-	3,042,674,841
Amortization of debt issue cost	73,429,132	89,717,567	-	-	163,146,699
Interest amortization on lease liabilities	-	-	29,322,315	-	29,322,315
Balance as of December 31, 2022	P49,658,496,220	P45,239,075,510	P 610,746,280	P 2,126,611,006	P97,634,929,016
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	335,597,334	1,617,763,016	7,570,126	-	1,960,930,476
Amortization of debt issue cost	74,922,198	81,423,244	-	-	156,345,442
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	P51,649,704,598	P41,982,042,246	P 589,572,800	P 3,243,336,539	P97,464,656,183