Philippine Realty & Holdings Corporation

RESILIENCE REIMAGINED

REDEFINING THE FUTURE OF REAL ESTATE

2022

ANNUAL REPORT

Philippine Realty & Holdings Corporation

ABOUT THE COVER

The cover of this year's annual report features Casa Unico rendered in low poly style. This design choice symbolizes the theme that runs throughout the report: Resilience Reimagined. The cover serves as a visual metaphor, representing the strength and endurance required to overcome challenges and thrive in an ever-changing world.

The low poly style employed in the artwork imparts a unique charm to the illustration. Comprising geometric shapes and angles, the building emerges as a harmonious blend of simplicity and complexity. Each facet of the structure aligns with the report's central message—resilience through adaptability and robustness.

The choice of a building as the central motif holds profound significance. Buildings are not only physical structures but also embody the resilience of human endeavor. They are symbols of growth, progress, and the capacity to withstand adversity. As the cover captures attention, it reminds us that resilience is not confined to the tangible realm but also exists within the realms of ideas, innovation, and organizational strength.

The deliberate use of low poly art further reinforces the theme. It invites contemplation, encouraging readers to reflect upon the intricacies of resilience and the numerous facets that contribute to it. By abstracting the building into its basic elements, the artwork prompts us to consider the underlying foundations necessary for resilience: solid planning, thoughtful design, and adaptability in the face of uncertainty.

The choice of colors adds another layer of meaning to the cover. Warm and vibrant hues convey optimism, energy, and the indomitable spirit that resilience embodies. These colors symbolize the transformative power of resilience—how it can ignite inspiration, foster growth, and empower individuals and organizations to weather storms and emerge stronger.

As you delve into this annual report, you will find that the theme of resilience permeates every section, showcasing how the Company has embraced challenges head-on, adapted to new environments, and thrived amidst adversity.

We invite you to explore the pages within. This report serves as a testament to our unwavering commitment to building resilience and securing a brighter future for our organization, stakeholders, and the communities we serve.

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ABOUT US

The Vision

A premium property development and holdings company in the Philippines aspiring to deliver superior shareholder value.

The Mission

We are committed to providing individuals, families and businesses premium and high-end residential condominiums, offices, commercial spaces, masterplanned townships and leisure developments in the Philippines using best-of-class, grade-A materials, top-of-the-line fixtures, latest and state-of-the-art equipment and facilities.

We aim at all times to give a continuing, equitable and fair return to our shareholders and excellent customer value, at the same time, give just and equitable compensation to our officers and employees. We do not believe in gains made by taking unfair advantage of others nor do we sacrifice long-term objectives for short-term profits. We value enduring relationships with our stakeholders.

We create spacious living in intimate communities, combining aesthetics with functionality while preserving the environment. We affirm our duties as a good corporate citizen. We commit to assist underprivileged sectors of society in improving the quality of their lives.

MESSAGE TO THE STOCKHOLDERS.

GERARDO DOMENICO ANTONIO V. LANUZA
CHAIRMAN AND PRESIDENT

Dear Stockholders,

Over the past few years, we faced numerous challenges, but we are pleased to report that we are now regaining our footing. This period of adversity has not only taught us valuable lessons but also provided us with new insights on how to enhance our way of living, particularly within the spaces we operate in.

We are proud to share that in 2022, your Company's gross revenue was ₱321.6 million, up 28% compared to 2021's ₱250.4 million. Furthermore, the book value per share of the company went from ₱0.70 in 2021 to ₱0.73 in 2022, reflecting a growth of 4.3%. These positive financial indicators are a testament to our proactive approach to preparing for the future and the unwavering backing of our stakeholders.

As we forge ahead, we carry these lessons with us, along with a strengthened sense of resilience. Resilience is not about denying the ongoing difficulties we encounter in our day-to-day operations, especially in the context of the "new normal." Instead, it is an affirmation that we have become stronger and more adept at responding to the situations we face. It serves as an acknowledgment of our achievements thus far, particularly in the year 2022. We not only survived the challenges but have also emerged with greater strength and power. This positions us to rise above, overcome, and adapt to whatever lies ahead in the years to come.

Moving forward, we remain committed to delivering sustainable value and achieving our goals. With the valuable lessons learned, the resilient spirit that now defines us, and the continuous support of our stakeholders, we are confident in our ability to navigate future challenges and capitalize on emerging opportunities.

Thank you for your unwavering support and trust in Philippine Realty and Holdings Corporation (PhilRealty).

FINANCIAL PERFORMANCE

Sales of Real Estate

Sales of real estate for this year amounted to ₱225.0 million, up ₱71.2 million compared with last year.

₱225.0 MILLION

↑ 46%

Cost of Real Estate Sold

The cost of real estate sold dropped to ₱106.3 million, a ₱6.9 million reduction compared with last year.

₱106.3 MILLION

↓ 6%

Rent

Rental income increased slightly to ₱56.7 million in 2022.

₱56.7 MILLION

↑ 3%

Consolidated Net Income

The Company posted a consolidated net income of ₱180.4 million this year, a slight decrease compared with the ₱192.7 million posted last year.

₱180.4 MILLION

Management Fees and Other Income

Other income went down to ₱575.2 million this year—a 15% drop compared with the previous year.

₱575.2 MILLION

The decline is mainly from gain on fair value changes in investment property, which went down by ₱84.1 million.

General and Administrative Expenses

General and administrative expenses slightly increased in 2022 to ₱338.5 million compared to last year's ₱304.4 million.

FINANCIAL PERFORMANCE.

Review of Consolidated Statement of Financial Position for the Period Ending 31 December 2022 vs. 31 December 2021

Total Assets

As of December 31, 2022, the Company's total assets amounted to ₱8.59 billion, reflecting a 4% increase compared to the previous year's ₱8.23 billion.

There was a slight 1% decrease in the Company's current assets in 2022 at ₱2.86 billion, compared to ₱2.90 billion in 2021. This dip can be attributed to a decrease of ₱38.75 million in cash and cash equivalents and a reduction of ₱50 million in real estate inventories. Meanwhile, the current portion of trade and other receivables increased by ₱45 million.

In terms of non-current assets, investment properties witnessed a significant 12% increase, reaching ₱4.93 billion in 2022 compared to ₱4.41 billion in 2021. This growth can be primarily attributed to the unrealized fair value gain from the Company's BGC property, which increased by ₱491.2 million in 2022 from ₱246.8 million in 2021. Overall, non-current assets experienced an 8% increase, reaching ₱5.73 billion in 2022.

These figures reflect the Company's efforts in managing and growing its asset base, with a notable increase in investment properties and unrealized holding gains. It demonstrates the exceptional high quality of the Company's real estate crown jewels that continue to enhance the value of the Company's tangible asset portfolio.

Total Liabilities

Total liabilities increased by 9% to ₱2.07 billion as of 31 December 2022 compared to ₱1.90 billion from the previous year. While there was an increase in the current portion of the Company's loan and notes payables to ₱666.72 million in 2022 from ₱381.94 million in 2021, there was a decrease in non-current loans and notes payable to ₱227.7 million in 2022 from ₱430.5 million in 2021.

Monitoring and effectively managing the Company's liabilities continue to be paramount in maintaining a healthy capital structure to support its long-term strategic objectives.

Total Equity

As of December 31, 2021, the Company's total equity amounted to ₱6.33 billion. In 2022, there was a 3% increase in total equity, reaching ₱6.53 billion. The capital stock and additional paid-in capital remained unchanged, while the retained earnings witnessed a notable 14% increase, or a ₱186.8 million improvement.

This growth in retained earnings signifies the Company's ability to generate and retain profits during the year. It highlights the Company's success in managing its operations and creating value for shareholders.

Key Performance Indicators

Current Ratio

The Company's current ratio went down 32% from 5.31:1 as of the end of 2021 to 3.61:1 in 2022.

Debt-to-Equity ratio

Consolidated debt-to-equity ratio was a conservative 0.32:1 as of end-2022, slightly down from last year's 0.30:1. This conservative ratio reflects a very prudent and balanced approach to capitalization, with a lower proportion of debt in relation to the owners' financial contributions. This conservative stance helps mitigate financial risk and provides a solid foundation for long-term stability.

Asset-to-Equity ratio

The asset-to-equity ratio of the Company as of 31 December 2022 stayed at a conservative level at 1.32:1. This is still comparable with the asset-to-equity ratio of 1.30:1 registered as of 31 December 2021.

Earnings per Share

The Company's earnings per share remained stable at ₱0.02, consistent with the previous year. This stability reflects the Company's ability to maintain its profitability and generate consistent earnings for shareholders.

The table below presents the comparative performance indicators of the company and its subsidiaries.

Performance Indicators	31 December 2022	31 December 2021
Current Ratio	3.61:1	5.31:1
Debt-to-Equity	0.32:1	0.30:1
Asset-to-Equity	1.32:1	1.30:1
Book Value per Share	₱0.73	₱0.70
Earnings per Share	₱0.02	₱0.02

GERARDO DOMENICO ANTONIO V. LANUZA
CHAIRMAN AND PRESIDENT

"Together, we have built a strong foundation, enabling us to navigate the ever-changing landscape and seize opportunities that arise.

Book value per share

The Company's book value per share has shown a positive development, increasing to ₱0.73 from ₱0.70 in 2021. This growth is significant, particularly after experiencing a slight dip between 2020 and 2021. It demonstrates the Company's ability to enhance the value of its assets and indicates a positive trajectory for shareholders.

The combination of an increasing book value per share and stable earnings per share underscores the Company's commitment to creating value for its shareholders over time. It signifies the Company's effective utilization of its resources and its focus on sustainable growth.

IV Looking forward to the years ahead

As we stand at the forefront of a rapidly evolving world, PhilRealty continues to forge ahead, propelled by the unwavering foundation of resilience. Our steadfast commitment to adaptability and strength has positioned us as trailblazers in the real estate industry, setting the stage for an exciting future.

Looking beyond the horizon, we envision a landscape where innovation and sustainability converge.

Embracing cutting-edge technologies and sustainable practices, we are poised to create developments that not only withstand the tests of time but also contribute to a greener, more resilient future.

Our vision extends beyond the mere construction of buildings; we aspire to shape communities that thrive in harmony with their surroundings. With an emphasis on holistic urban planning, we are committed to integrating green spaces, promoting connectivity, and fostering a sense of belonging within our developments.

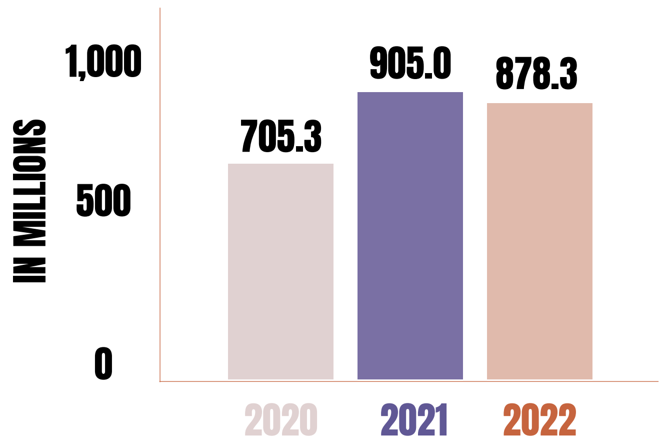
Recognizing the transformative power of technology, we are investing in smart infrastructure and intelligent systems that enhance the quality of life for residents. From advanced security measures to energy-efficient solutions, our future-forward approach will redefine the standards of modern living, placing convenience, safety, and sustainability at the forefront. We will continue to address the evolving needs and aspirations of our discerning clientele.

But our journey into the future is not limited to physical spaces alone. PhilRealty is committed to fostering social resilience, empowering communities, and making a positive impact on society.

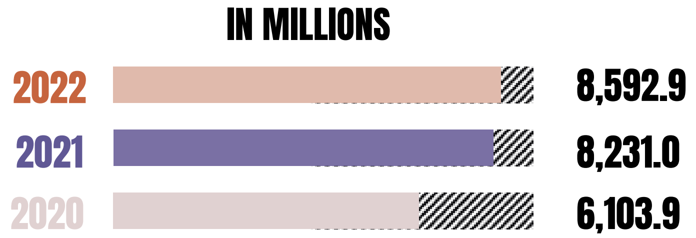
As we navigate the uncharted waters of the future, resilience will remain the bedrock of our strength. We embrace challenges as opportunities for growth, drawing inspiration from the indomitable human spirit. Together with our partners, stakeholders, and valued customers, we will continue to build a future that is not just resilient but transformative, sustainable, and inspiring.

FINANCIAL HIGHLIGHTS.

TOTAL REVENUE



TOTAL ASSETS



The increase in total assets by 4% demonstrates the growth and expansion of the Company's quality assets.

PHP **878 M**

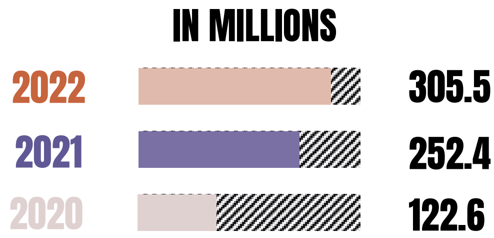
The company experienced a decrease in income, going from ₱905 million in the previous year to ₱878 million in 2022. However, despite this decline, the company remains optimistic due to the positive growth in real estate sales, which increased from ₱154 million to ₱225 million.

GERARDO DOMENICO ANTONIO V. LANUZA

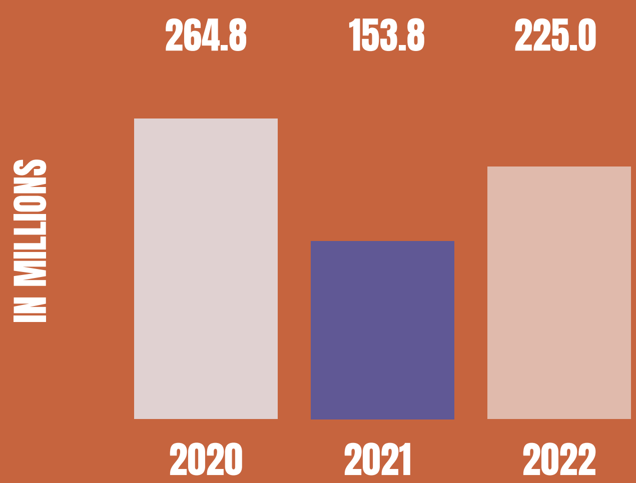
CHAIRMAN AND PRESIDENT

“Resilience is not just a destination—it is a journey. Together, let's embrace challenges, adapt, and thrive in an ever-changing world, building a resilient future for our organization and communities.

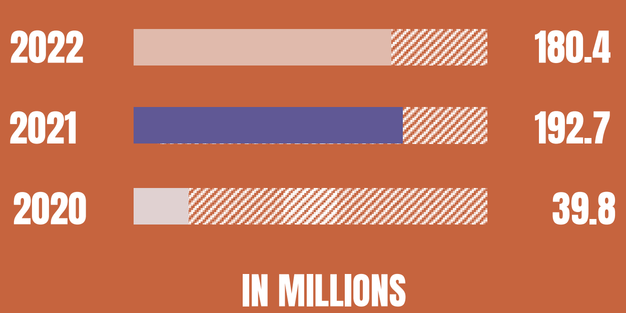
INCOME (LOSS) BEFORE TAX



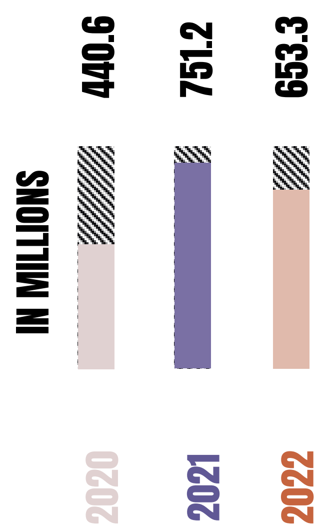
SALES OF REAL ESTATE



NET INCOME AFTER TAX



OTHER REVENUES

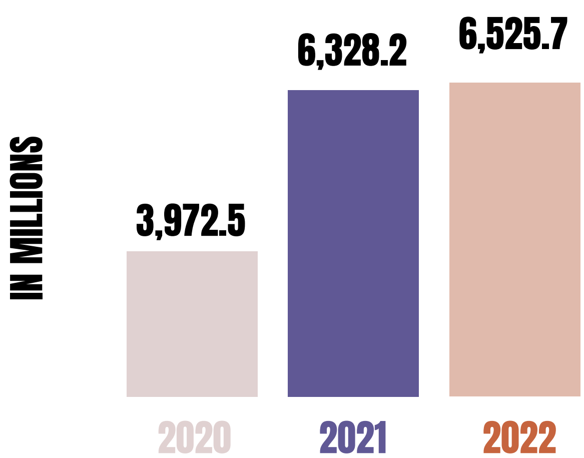


In 2022, the Company's other revenues, which includes income from rent, management fees, interest, commission, and other sources, experienced a decline of 13%. It decreased from ₱751.2 million to ₱653.3 million.

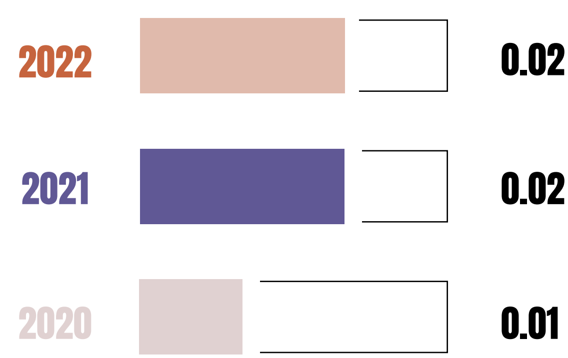
Rent and commissions are slightly up but but the decrease in the other revenue figures resulted in a decrease in the overall earnings generated from these various sources.

FINANCIAL HIGHLIGHTS.

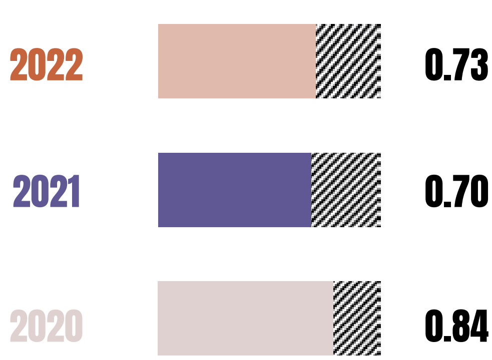
NET WORTH



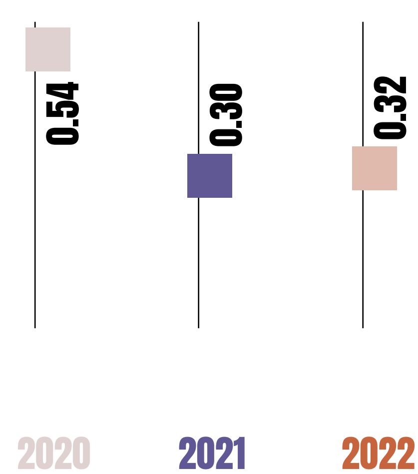
PER SHARE EARNING (LOSS)



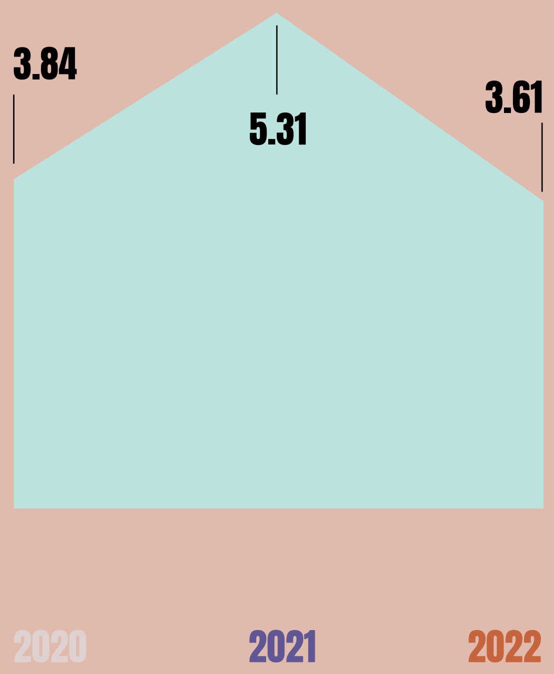
BOOK VALUE PER SHARE



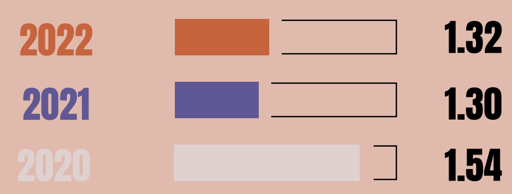
DEBT-TO-EQUITY



CURRENT RATIO

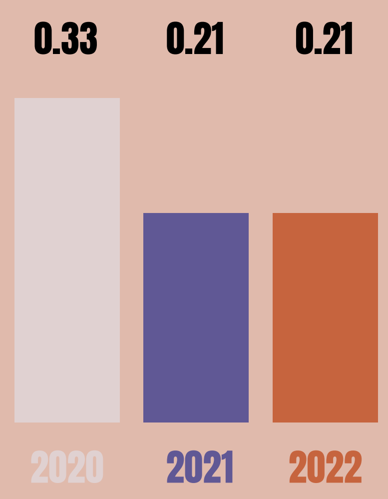


ASSET-TO-EQUITY



The Company has maintained a consistent balance between its assets and equity over the years. This stability indicates that the company has not significantly increased its reliance on debt or financing, and instead has been cautious in managing its financial leverage.

PRICE PER SHARE



PHP **0.21**

The Company's price per share has remained steady at 0.21. suggesting that the market has confidence in the Company's performance, financial health, and future prospects, leading to a relatively stable valuation.

BOARD OF DIRECTORS.

GERARDO O. LANUZA, JR.
CHAIRMAN EMERITUS

ANTONIO O. OLBES
VICE-CHAIRMAN EMERITUS

GERARDO DOMENICO ANTONIO V. LANUZA
CHAIRMAN OF THE BOARD AND PRESIDENT

RENATO G. NUNEZ
VICE CHAIRMAN AND INDEPENDENT DIRECTOR

EDMUNDO C. MEDRANO
DIRECTOR

AMADOR C. BACANI
DIRECTOR

GREGORY G. YANG
DIRECTOR

ANDREW C. NG
DIRECTOR

ALFONSO MARTIN E. EIZMENDI
INDEPENDENT DIRECTOR

JOMARK O. AROLLADO
INDEPENDENT DIRECTOR

MANAGEMENT COMMITTEE

ERWIN V. CIAR
VP AND HEAD, PROJECT CONSTRUCTION AND MANAGEMENT

ADELINE SUSAN V. CARAG
VP AND HEAD, PROPERTY MANAGEMENT SERVICES

RICHARD NICHOLAS K. GO
VP AND HEAD, SALES

GERARDO DOMENICO ANTONIO V. LANUZA
CHAIRMAN OF THE BOARD AND PRESIDENT

EDMUNDO C. MEDRANO
EXECUTIVE VICE PRESIDENT, COO AND TREASURER

MARISSA S. BONTOGON
VP AND CONTROLLER AND RISK OFFICER

CARLOS MIGUEL T. PACA
VP AND HEAD, BUSINESS DEVELOPMENT AND INVESTOR RELATIONS OFFICER

EDILYNDA G. ENRIQUEZ
HEAD, HUMAN RESOURCES

MARK ANTHONY M. RAMOS
VP FOR ACCOUNTING, COMPLIANCE OFFICER AND DATA PROTECTION OFFICER

BUILDING ON RESILIENCE:
NAVIGATING A CHANGING LANDSCAPE

Integrating adaptability and future-forward thinking are necessary elements in PhilRealty's commitment to their community

For us Filipinos, resilience has long been an admired quality, an inspiring trait, teaching us the value of rising above challenges and struggles. It is often and unfortunately highly romanticized, too, as some bank on this enduring ability of ours to adapt and bounce back, without making the real, necessary steps to truly move forward and pick ourselves up from the fall of adversity. So lest the meaning be diluted and lost, what is resilience really?

It isn't just about rising from the ashes, so to speak. It's also not a denial of life's difficulties or challenges. Resilience speaks more of the ability to be happy, successful, and fruitful again despite a setback. Resilience is having the strength to face and overcome challenges head-on, to move on. Resilience is not mere survival—it is bouncing back, even better than before.

The last few years have been devastating for the world—with the global pandemic, the climate crisis, and various economic and political setbacks—but this year we face it with a brighter disposition. The World Health Organization has finally declared this year as the end of the pandemic, and we are seeing our day to day life return to its long-missed vitality.

EMBRACING POST-PANDEMIC PREFERENCES, PROPERTIES WITH SPACIOUSNESS, FRESH AIR, NATURE AND SUSTAINABILITY TAKE THE LEAD.

But back to resilience—the renewed sense of life we have now is not just a return to the habits of old, or the normal we have been accustomed to. Whether we realize it or not, the past few years have changed us profoundly, and no matter how "normal" our days now seem, these changes—much of it for the better—are so deeply ingrained into the way we live, work, and build.

In the world of real estate, resilience has manifested through the steady recovery of the property market. In 2022, the country recorded a 7.6% growth in the economy, which experts are seeing as a sign for the growth of the market, too. On the residential front, there is high preference for properties that emphasize many post-pandemic

> Its deep understanding of the changing needs of its residents and tenants has allowed the company to successfully adopt ideas that lend to a more resilient design philosophy.

preferences, such as wide space, good ventilation, greenery, and sustainable features. And with the world opening up once again, revenge travel is upon us, as experts project high foreign visitor arrivals in the country, coupled with steady growth among locals for the staycation market.

Vacancies in flexible workspaces saw a massive decrease by the end of 2022—showing great potential for occupancy for flexible office projects within and around Metro Manila. There has also been increased demand for spaces to be used in healthcare, logistics, communications, and finance, signaling high potential and opportunities for projects geared towards this mixed-use.

All this aligns with the plans PhilRealty has set into motion in recent years. Its deep understanding of the changing needs of its residents and tenants has allowed the company to successfully adopt ideas that lend to a more resilient design philosophy.

PhilRealty is set to launch several new luxury residential projects, keeping with its long-established legacy in the market. In BGC, PhilRealty's new premier address

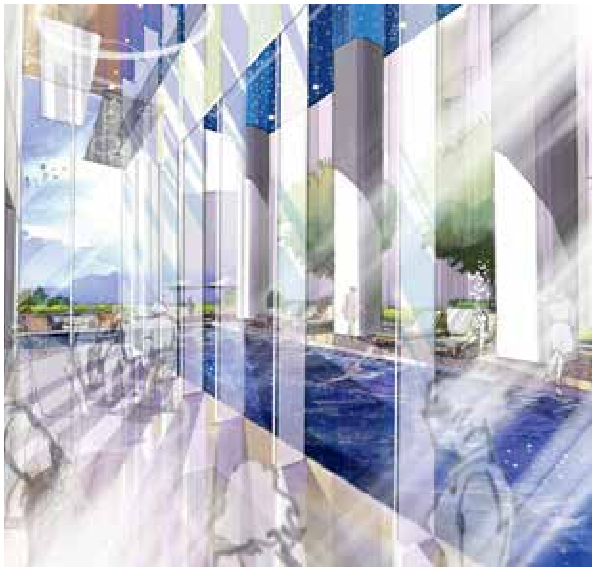
PHILREALTY'S PREMIER PROPERTIES SHOWCASE EXQUISITE INTERIORS THAT EPITOMIZE POST-PANDEMIC LUXURY, RENEWED VITALITY AND THEIR DEEP UNDERSTANDING OF EVOLVING MARKET NEEDS, SUCCESSFULLY INCORPORATING RESILIENT DESIGN PHILOSOPHIES.

will also feature a distinctive selection of units set within a highly urbanized community.

Meanwhile, its premier address in New Manila, Quezon City, the prized One Balete Compound, will have a new luxury residential tower added to the community. Like One Balete's existing projects SkyVillas and Skyline Premier, we can expect generously cut units ideal for the post-pandemic resident. Aside from wide spaces both within residents' units and around the property, One Balete also integrates green spaces, with pockets of greenery and ensured sweeping outdoor city views across the property. The iconic Tektite Towers also continue to produce more inventories best suited to the needs of the office sector.

Vacationers, on the other hand, can enjoy the quiet luxury of the Baguio vacation house El Retiro. PhilRealty's private enclave in the country's summer capital was developed to cater to staycations and intimate gatherings and events. The vacation house, impeccably designed in wood and stone, boasts seven bedrooms, a living room, dining room, bar room, game room, veranda, garden, and even a newly renovated tennis court that can be repurposed for various events. All surrounded by the lush greenery of the Baguio countryside.

PhilRealty's legacy as a developer, trusted to understand the tastes and needs of communities, especially in upscale areas of the metro, have also drawn lessees that share in the same market range. At the Icon Showroom for instance, also located in Bonifacio Global City, high end restaurants, health-oriented organic grocery, and even luxury car dealerships are just some of those who choose to align with PhilRealty's development positioning—further proof that there is more to expect in the coming years as we continue to plan and build for communities in this segment.



PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

5/F Don Jacinto Bldg.,
Dela Rosa cor. Salcedo Sts.,
Legaspi Village,Makati City1226
Philippines
Telephone: +63 (2) 8403 7228 to 30
Fax: +63 (2) 8403 7306

MVCo@MVCo.com.ph
www.MVCo.com.ph
www.nexia.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2022, on which we have rendered our report dated March 21, 2023.

In compliance with Revised Securities Regulation Code Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, as at December 31, 2022, we are stating that the said Parent Company has two thousand two hundred fifty-seven (2,257) shareholders owning one hundred (100) or more common shares.

MACEDA VALENCIA & CO.

ANTONIO O. MACEDA, JR.
Partner
CPA License No. 20014
Tax Identification No. 102-090-963-000
PTR No. 9592715
Issued on January 18, 2023 at Makati City
BOA/PRC Reg. No. 4748 valid until August 7, 2024
BIR Accreditation No. 08-001987-004-2021 (firm)
Issued on April 7, 2021; valid until April 6, 2024
BIR Accreditation No. 08-001987-004-2021 (individual)
Issued on April 12, 2021; valid until April 11, 2024
SEC Accreditation No. 4748-SEC, Group A (firm)
Effective for audits of 2019 to 2023 financial statements
SEC Accreditation No. 20014-SEC, Group A (individual)
Effective for audits of 2022 to 2026 financial statements

March 21, 2023
Makati City

MVCo
Maceda Valencia & Co
Certified Public Accountants and Management Consultants

5TH floor Don Jacinto Building,
Salcedo corner Dela Rosa Sts.
Legaspi Village, Makati City,
Philippines
Telephone: +63 (2) 8403 7228 to 30
Fax: +63 (2) 8403 7306

MVCo@MVCo.com.ph
www.MVCo.com.ph

REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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.

The Risk

Real Estate Revenue Recognition and Determination of Related Cost

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 costs of real estate sales amounted to P225.00 million or 26% of Revenues and Income and P106.30 million or 19% of Cost and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 30 to the consolidated financial statements. The significant judgments applied, and estimates used by management related to revenue recognition are more fully described in Note 31 to the consolidated financial statements.

Our Response

We obtained an understanding of the revenue and cost recognition policy on real estate sales transactions. We performed risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls. We performed a walkthrough as part of obtaining an understanding of the revenue and cost recognition process to identify and further understand what could go wrong in the process and to identify relevant controls that management has implemented to address what could go wrong. In performing walkthroughs, we obtained sufficient information to be able to evaluate the design and implementation of relevant controls and tested for operating effectiveness over revenue and cost recognition process and financial reporting close process.

On the revenue recognition process, the following controls, among others, were identified and tested for operating effectiveness.

- Control over initiation – sales reservation and payment scheme are based on valid transaction and sales cancellation are issued based on cancellation policy;
- Control over authorization – (a) Reservation and payment scheme, Contract to Sell, and Deed of Absolute Sale and (b) Notice of Cancellation for cancellation are approved by authorized officer;
- Control over recording and processing - Sales are systems generated at point of recognition and are counterchecked by responsible finance officer and cancellations are manually recognized based on approved Notice of Cancellation.

On the cost recognition process, the following key controls, among others, were tested for operating effectiveness.

- Control over initiation - Project costs are initiated based on budget.
- Control over authorization - (a) Budgets are approved by management and the Board; (b) Project spendings are made based on approved letters of award; (c) Recommendation for payment are compared with approved letter of award and approved by authorized officer; and (d) Changes in contract are approved by authorized officer;
- Control over recording and processing - (a) Payments are recorded based on approved recommendation of payment; (b) Sales are systems generated on point of recognition based on approved standard cost; and (c) Other capitalized cost such as interest cost are manually recorded based on policy.

On financial reporting close process, control over preparation of relevant disclosure were tested for operating effectiveness. Financial statements and relevant disclosures are prepared and reviewed by authorized finance officer.

We also performed substantive test procedure on selected sales and cancellations transactions during the year by examining the approved payment scheme, Contract to Sell or Deed of Absolute Sale and Notice of Cancellation and reperformed calculation of sales or cancellations recognized.

Valuation of Real Estate Inventories

The Risk

Real estate inventories constitute a material component in the Group's consolidated statements of financial position. Real estate inventories amounted to P2.09 billion representing 24% of the total assets as at December 31, 2022. Real estate inventories include properties under construction, acquired properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories is influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

Our Response

Based on the controls over cost recognition process, we examined supporting documents of selected transactions of sampled projects to ensure that cost spending are complete and accurate and relates to the project and any spending noted outside the budgeted costs including capitalized interest are explained.

We reperformed standard cost calculation for selected projects and compared it with the standard cost used to cost inventories. We compared standard cost against net realizable values of selected projects through inspection of most recent sales contracts and expected sales proceeds from the remaining properties.

Allowance for Impairment Losses on Trade and Other Receivables

The Risk

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2022, trade and other receivables has a total carrying amount of P542.46 million contributing 6% of the Group's total assets.

Our Response

We tested the calculation methodology which is based on cash flows of future payments considering historical data of collections and defaults including the value of repossessed inventories and possible refunds. We also tested the assumptions including interest rates used in computing for the expected credit loss.

Valuation of Investment Properties

The Risk

Investment properties is considered to be a matter of significance as it requires the application of valuation judgment and use of assumptions by management. As of December 31, 2022, investment property has a total carrying amount of P4.93 billion contributing 57% of the Group's total assets.

Our Response

To validate additions to investment properties, we examined supporting documents such as contracts, Deeds of Absolute Sale, supplier invoices and/or official receipts.

To determine fair value adjustments, we obtained the latest appraisal report and evaluated appropriateness of assumptions and valuation method and completeness of the information used.

We also evaluated the competence and objectivity of the external expert engaged by the management to value the investment properties by ensuring the expert is an accredited appraiser by the SEC and had discussions with the expert on the methodology used including any adjustments made.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above when it become 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, otherwise appears to be materially misstated.

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs 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 PSAs, 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 auditor's 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 auditor's 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 to 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 auditor's 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 audit resulting in this independent auditor's report is Antonio O. Maceda, Jr.

MACEDA VALENCIA & CO.

ANTONIO O. MACEDA, JR.
Partner
CPA License No. 20014
Tax Identification No. 102-090-963-000
PTR No. 9592715
Issued on January 18, 2023 at Makati City
BOA/PRC Reg. No. 4748 valid until August 7, 2024
BIR Accreditation No. 08-001987-004-2021 (firm)
Issued on April 7, 2021; valid until April 6, 2024
BIR Accreditation No. 08-001987-004-2021 (individual)
Issued on April 12, 2021; valid until April 11, 2024
SEC Accreditation No. 4748-SEC, Group A (firm)
Effective for audits of 2019 to 2023 financial statements
SEC Accreditation No. 20014-SEC, Group A (individual)
Effective for audits of 2022 to 2026 financial statements

March 21, 2023
Makati City

A member of Nexia International

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*3*	**P163,886,734**	P202,643,198
Financial assets at fair value through profit or loss (FVPL)	*4*	**6,750,000**	6,750,000
Trade and other receivables - current portion	*6*	**177,461,738**	132,440,960
Real estate inventories	*7*	**2,086,122,188**	2,136,292,560
Prepayments and other assets - net	*8*	**413,430,156**	410,821,019
Investment in finance lease – current portion	*12*	**14,099,824**	13,055,174
Total Current Assets		**2,861,750,640**	2,902,002,911
Non-current Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	*5*	**36,076,106**	37,644,536
Trade and other receivables – net of current portion	*6*	**365,017,469**	461,101,590
Investments in and advances to associates - net	*9*	**58,236,132**	59,667,432
Investment properties	*10*	**4,926,465,273**	4,406,355,439
Property and equipment - net	*11*	**60,321,966**	73,043,468
Right-of-use assets - net	*12*	**97,414,601**	89,431,827
Investment in finance lease – net of current portion	*12*	**187,577,451**	201,677,353
Other non-current assets		**53,386**	53,386x`
Total Non-current Assets		**5,731,162,384**	5,328,975,031
		P8,592,913,024	P8,230,977,942
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables - current portion	*13*	**P110,354,183**	P150,248,583
Loans and note payable - current portion	*14*	**666,722,994**	381,938,245
Lease liability - current portion	*12*	**14,841,458**	14,116,765
Total Current Liabilities		**791,918,635**	546,303,593
Non-current Liabilities			
Trade and other payables - net of current portion	*13*	**84,852,490**	71,825,744
Loans and note payable - net of current portion	*14*	**227,700,370**	430,522,044
Retirement benefit obligation	*16*	**66,953,485**	70,930,176
Deferred tax liabilities - net	*24*	**696,703,231**	568,677,622
Lease liability – net of current portion	*12*	**158,661,703**	173,503,161
Other non-current liabilities	*12*	**40,425,411**	40,970,220
Total Non-current Liabilities		**1,275,296,690**	1,356,428,967
Total Liabilities		**2,067,215,325**	1,902,732,560
EQUITY			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*25*	**4,433,211,671**	4,433,189,171
Additional paid-in capital	*25*	**623,139,806**	623,139,806
Reserves	*26*	**65,530,662**	52,201,114
Retained earnings		**1,536,606,331**	1,349,807,235
Treasury stock	*25*	**(110,049,633)**	(110,049,633)
		6,548,438,837	6,348,287,693
Equity Attributable to Non-Controlling Interests	*27*	**(22,741,138)**	(20,042,311)
		6,525,697,699	6,328,245,382
		P 8,592,913,024	P8,230,977,942

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Note	2022	2021	2020
INCOME				
Sales of real estate		**P224,998,917**	P153,819,523	P264,772,984
Rent	*12*	**56,674,800**	55,302,865	69,344,550
Management fees	*17*	**34,655,944**	36,779,297	42,852,821
Interest	*19*	**15,924,493**	17,404,620	13,728,349
Commission	*18*	**5,567,455**	4,512,545	4,455,984
Other income	*20*	**540,509,715**	637,167,113	310,176,111
		878,331,324	904,985,963	705,330,799
COSTS AND EXPENSES				
Cost of real estate sold	*7*	**106,296,787**	113,172,007	161,787,110
Cost of services	*21*	**62,551,098**	68,763,460	83,154,975
General and administrative expenses	*22*	**338,465,029**	304,443,005	295,932,566
Finance costs	*12,14*	**63,809,071**	70,888,773	36,787,064
Equity in net loss of an associate	*9*	**1,431,300**	4,488,055	3,409,093
Other expenses	*23*	**230,051**	90,852,818	1,660,400
		572,783,336	652,608,118	582,731,208
INCOME BEFORE INCOME TAX		**305,547,988**	252,377,845	122,599,591
INCOME TAX EXPENSE	*24*	**125,159,497**	59,638,324	82,756,238
NET INCOME		**P180,388,491**	P192,739,521	P39,843,353
Attributable to:				
Equity holders of the parent	*28*	**P183,087,318**	P194,733,394	P41,897,319
Non-controlling interest	*27*	**(2,698,827)**	(1,993,873)	(2,053,966)
		180,388,491	P192,739,521	P39,843,353
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation, net of tax	*26*	**14,897,978**	13,899,945	(7,388,546)
Unrealized holding gain (loss) on financial assets at FVOCI	*26*	**(1,568,430)**	(3,365,984)	5,316,590
		13,329,548	10,533,961	(2,071,956)
TOTAL COMPREHENSIVE INCOME		**P193,718,039**	P203,273,482	P37,771,397
BASIC EARNINGS PER SHARE	*28*	**P0.02**	P0.02	P0.01

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Reserves (Note 26)	Retained Earnings (Note 26)	Treasury Stock (Note 25)	Total	Non-controlling Interests (Note 27)	Total Equity
Balance at January 1, 2020	P2,344,266,245	P557,014,317	P46,376,118	P1,113,176,522	(P110,049,633)	P3,950,743,569	(P15,994,472)	P3,934,789,097
Comprehensive income (loss)								
Net income (loss) for the year	-	-	-	41,897,319	-	41,897,319	(2,053,966)	39,843,353
Other comprehensive loss for the year	-	-	(2,071,956)	-	-	(2,071,956)	-	(2,071,956)
Total comprehensive income for the year	-	-	(2,071,956)	41,897,319	-	39,825,363	(2,053,966)	37,771,397
Balance at December 31, 2020	2,344,226,245	557,014,317	44,304,162	1,155,073,841	(110,049,633)	3,990,568,932	(18,048,438)	3,972,560,494
Comprehensive income								
Net income for the year	-	-	-	194,733,394	-	194,733,394	(1,993,873)	192,739,521
Other comprehensive income for the year	-	-	10,533,961	-	-	10,533,961	-	10,533,961
Adjustments	-	-	(2,637,009)	-	-	(2,637,009)	-	(2,637,009)
Total comprehensive income for the year	-	-	7,896,952	194,733,394	-	202,630,346	(1,993,873)	200,636,473
Transaction with owners								
Issuance of shares during the year	2,088,888,889	66,125,489	-	-	-	2,155,014,378	-	2,155,014,378
Collection of subscription receivable	74,037	-	-	-	-	74,037	-	74,037
Total transaction with owners	2,088,962,926	66,125,489	-	-	-	2,155,088,415	-	2,155,088,415
Balance at December 31, 2021	4,433,189,171	623,139,806	52,201,114	1,349,807,235	(110,049,633)	6,348,287,693	(20,042,311)	6,328,245,382
Comprehensive income								
Net income for the year	-	-	-	183,087,319	-	183,087,319	(2,698,827)	180,388,492
Other comprehensive income for the year	-	-	13,329,548	-	-	13,329,548	-	13,329,548
Adjustments	-	-	-	3,711,777	-	3,711,777	-	3,711,777
Total comprehensive income for the year	-	-	13,329,548	186,799,096	-	200,128,644	(2,698,827)	197,429,817
Transaction with owners								
Issuance of shares during the year	-	-	-	-	-	-	-	-
Collection of subscription receivable	22,500	-	-	-	-	22,500	-	22,500
Total transaction with owners	22,500	-	-	-	-	22,500	-	22,500
Balance at December 31, 2022	**P4,433,211,671**	**P623,139,806**	**P65,530,662**	**P1,536,606,331**	**(P110,049,633)**	**P6,548,438,837**	**(P22,741,138)**	**P6,525,697,699**

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P305,547,988**	P252,377,845	P122,599,591
Adjustments for:				
Finance costs	*12,14*	**63,809,071**	70,888,773	36,787,064
Impairment loss on trade and other receivables	*6,22*	**27,589,342**	24,559,812	5,107,257
Depreciation and amortization	*21,22*	**27,990,961**	22,603,519	24,452,354
Provision for retirement benefits	*16*	**15,631,169**	15,373,885	14,596,841
Equity in net loss of an associate	*9*	**1,431,300**	4,488,055	3,409,093
Gain on repossession of real estate inventories	*20*	**(1,498,643)**	(14,287,462)	(12,057,967)
Unrealized foreign exchange loss (gain) – net	*20,23*	**(1,952,441)**	(1,434,240)	1,183,942
Dividend income	*5,20*	**(1,953,910)**	-	-
Interest income	*19*	**(15,924,493)**	(17,404,620)	(13,728,349)
Gain on change in fair value of investment properties	*10,20*	**(526,868,292)**	(610,925,892)	(286,750,907)
Loss on cancellation of sale of investment property	*10,23*	**-**	87,996,422	-
Loss on sublease	*23*	**-**	2,769,442	-
Loss on sale of property and equipment	*23*	**-**	38,793	-
Operating loss before working capital changes		**(106,197,948)**	(162,955,668)	(104,401,081)
Decrease (increase) in:				
Trade and other receivables		**18,515,029**	512,751,925	367,102,002
Prepayments and other assets		**2,783,533**	(2,413,716)	(6,042,231)
Real estate inventories		**69,979,015**	78,532,024	29,067,260
Other non-current assets		**-**	(3,500,000)	-
Increase (decrease) in:				
Trade and other payables		**(26,867,654)**	(52,203,778)	(84,355,227)
Unearned income		**-**	(1,361,382)	65,739
Other non-current liabilities		**(544,808)**	1,502,544	(2,073,117)
Cash generated from (absorbed by) operations		**(42,332,834)**	370,351,949	199,363,345
Interest received	*19*	**15,924,493**	16,427,063	13,728,349
Dividends received	*20*	**1,953,910**	-	-
Retirement benefit paid	*16*	**-**	(1,424,639)	(5,501,967)
Contributions to retirement fund	*16*	**-**	(500,000)	(2,000,000)
Net cash from (used in) operating activities		**(24,454,431)**	384,854,373	205,589,727
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*11*	**(4,768,327)**	(6,427,388)	(1,995,547)
Additions to investment properties	*10*	**(30,030,586)**	(6,571,762)	(61,376,533)
Disposal of investment properties	*10*	**-**	14,000,000	-
Proceeds from disposal of property and equipment	*11*	**24,135**	1,071,894	171,763
Return of investments	*9*		-	7,045,222
Net cash from (used in) investing activities		**(34,774,778)**	2,072,744	(56,155,095)

Forward

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Notes	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans and note payable	*14*	**P1,013,706,633**	P796,260,165	P831,343,910
Collection of lease receivables	*12*	**23,284,800**	13,737,584	11,300,404
Payments of loans and note payable	*14*	**(931,743,558)**	(1,017,125,554)	(953,104,533)
Finance cost paid	*12,14*	**(63,809,071)**	(68,942,689)	(34,862,853)
Lease liability payments	*12*	**(22,941,000)**	(15,981,379)	(14,112,902)
Proceeds from collection of subscriptions receivable	*25*	**22,500**	74,037	-
Costs incurred in issuance of shares	*25*	**-**	(100,985,622)	-
Net cash from (used in) financing activities		**18,520,304**	(392,963,458)	(159,435,974)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**1,952,441**	1,434,240	(1,183,942)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(38,756,464)**	(4,602,101)	(11,185,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*3*	**202,643,198**	207,245,299	218,430,583
CASH AND CASH EQUIVALENTS AT END OF YEAR	*3*	**P163,886,734**	P202,643,198	P207,245,299

See Notes to the Consolidated Financial Statements.

1. Corporate Information

Philippine Realty and Holdings Corporation (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Parent Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

On June 22, 2021, the Parent Company issued 4,177,777,778 new common shares at par value of P0.50 per share in exchange for two (2) vacant lots in BGC making the Parent Company a subsidiary of Greenhills Properties, Inc. (GPI) (see Note 25).

The Parent Company is 65.20% owned by GPI as at December 31, 2022 and 2021, respectively. The remaining shares are owned by various individuals and institutional stockholders.

The financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the "Group") are consolidated in these financial statements (see Note 35).

The Parent Company's registered office is at One Balete, 1 Balete Drive corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The accompanying consolidated financial statements as at and for the year ended December 31, 2022 were approved and authorized for issuance by the Board of Directors (BOD) on March 21, 2023.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the presentation and functional currency of the Group. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 31.

3. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**P45,000**	P45,000
Cash in banks	**135,763,217**	118,619,292
Cash equivalents	**28,078,517**	83,978,906
	P163,886,734	P202,643,198

Cash in banks earned an average annual interest of 0.03% and 0.05% in 2022 and 2021, respectively. Cash equivalents represent money market placements or short-term investments with maturities up to three months and annual interests ranging from 3.00% to 4.40% and 0.10% to 2.75% in 2022 and 2021, respectively.

Interest income recognized amounted to P0.49 million, P0.50 million and P0.84 million in 2022, 2021 and 2020, respectively (see Note 19).

4. Financial Assets at Fair Value Through Profit or Loss (FVPL)

This account is composed of listed equity securities that are held for trading amounting to P6,750,000. The fair values of these securities are based on quoted market price.

5. Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

As at December 31, financial assets at FVOCI consist of investments in:

	Note	**2022**	2021
At cost:			
Listed shares of stock		**P58,332,808**	P58,332,808
Golf and country club shares		**3,350,000**	3,350,000
		61,682,808	61,682,808
Accumulated unrealized holding loss	*26*	**(25,606,702)**	(24,038,272)
		P36,076,106	P37,644,536

The movements in this account are summarized as follows:

	Note	**2022**	2021
Balance at beginning of year		**P37,644,536**	P41,010,520
Fair value adjustments	*26*	**(1,568,430)**	(3,365,984)
Balance at end of year		**P36,076,106**	P37,644,536

The investments in shares of stock of various listed equity securities present the Parent Company with opportunity for return through dividend income. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Group's reserves.

The above investments in equity instruments are not held for trading and the Group irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from financial assets at FVOCI amounted to (P1.57) million in 2022, (P3.37) million in 2021 and P5.32 million in 2020 (see Note 26).

Dividend income recognized in profit or loss amounted to P1,953,910 in 2022 and nil in 2021 and 2020 (see Note 20).

6. Trade and Other Receivables

This account is composed of:

	2022	2021
Trade:		
Sale of real estate	**P533,856,617**	P532,504,422
Lease	**24,271,329**	27,651,679
Management fees	**4,970,368**	4,826,041
Commission	**5,165,878**	4,555,206
Premiums receivable	**3,957,483**	2,128,282
Advances	**51,760,569**	28,282,470
Other receivables	**69,174,370**	113,120,069
	693,156,614	713,068,169
Less: allowance for impairment loss	**150,677,407**	119,525,619
	542,479,207	593,542,550
Less: non-current portion	**365,017,469**	461,101,590
Trade and other receivables- current portion	**P177,461,738**	P132,440,960

Trade receivables from sale of real estate include amounts due from buyers of the Parent Company's condominium projects, generally over a period of three (3) to four (4) years. The condominium certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Trade receivables for restructured accounts carry yield-to-maturity interest rates of 1.5% in 2022 and 2021. Interest income recognized amounted to P0.43 million, P0.62 million and P2.02 million in 2022, 2021 and 2020, respectively (see Note 19).

Certain trade receivables with total carrying value of P189.97 million and P76.26 million as at December 31, 2022 and 2021, respectively, are assigned to a local bank to secure the Parent Company's loans payable (see Note 14).

Advances consist mainly of non-interest bearing cash advances to officers and employees that are settled either through liquidation or salary deduction.

Other receivables include receivables amounting to P45.35 million and P44.02 million as at December 31, 2022 and 2021, respectively, in relation to the parcels of land sold in 2014. The remaining balances are receivables from concessionaires.

Certain balances in 2021 were adjusted to conform with the 2022 presentation.

Receivables amounting to P150.68 million and P119.53 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided for. The movement in the allowance for ECL on receivables are as follows:

				2022			
	Sale of real estate	Lease	Management fees	Premiums receivable	Advances	Other receivables	Total
Beginning balance	P88,650,704	P7,507,749	P600,408	P5,082,902	P862,891	P16,820,965	P119,525,619
Provisions (Reversals)	(5,137,804)	(2,028,939)	2,589,342	-	-	35,729,189	31,151,788
	P83,512,900	P5,478,810	P 3,189,750	P5,082,902	P862,891	P52,550,154	P150,677,407

				2021			
	Sale of real estate	Lease	Management fees	Premiums receivable	Advances	Other receivables	Total
Beginning balance	P79,692,807	P1,038,654	P600,408	P5,115,393	P478,891	P9,852,419	P96,778,572
Provisions (Reversals)	8,957,897	6,469,095	-	(32,491)	384,000	6,968,546	22,747,047
	P88,650,704	P7,507,749	P600,408	P5,082,902	P862,891	P16,820,965	P119,525,619

7. Real Estate Inventories

This account consists of:

	2022	2021
In progress:		
BGC Project	**P252,154,357**	P232,282,519
Andrea North Estate	**129,466,042**	130,987,227
	381,620,399	363,269,746
Completed units:		
Andrea North SkyVillas Tower	**96,696,424**	123,980,597
Andrea North Skyline Tower	**26,008,598**	85,822,208
The Icon Plaza	**29,267,782**	10,957,782
Casa Miguel	**7,192,072**	6,895,314
	159,164,876	227,655,901

forward

Land held for development:		
New Manila, Quezon City	**135,336,913**	135,366,913
BGC	**1,410,000,000**	1,410,000,000
	1,545,336,913	1,545,366,913
	P2,086,122,188	P2,136,292,560

BGC Project represents the cost of the master plan design, excavation works, survey and permits, and capitalized loan interest related to the construction of the new tower in BGC.

On June 22, 2021, the Parent Company received two BGC lots from GPI in exchange for the Parent Company's shares of stock. One of these lots was recognized as part of real estate inventory – land held for development as the land is being used for the Parent Company's BGC condominium project.

On February 15, 2022, the Parent Company's Board of Directors confirmed its November 16, 2021 approval of the reclassification of the Baguio property previously classified as real estate inventories – land held for development to investment properties with the change in use and the management's view of improving the value of the property over time, as well as the approval of the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use and the management's view of improving the value of the property over time.

On March 21, 2023, the Parent Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/committed to be sold to several buyers.

Certain real estate inventories are mortgaged as collaterals to loans (see Note 14).

The cost of real estate inventories sold recognized in the consolidated statements of total comprehensive income amounted to P106,296,787, P113,172,007 and P161,787,110 in 2022, 2021 and 2020, respectively.

8. Prepayments and Other Assets

This account consists of:

	2022	2021
Creditable withholding tax	**P308,916,089**	P293,055,070
Prepaid taxes	**38,632,394**	38,632,394
VAT for refund	**24,041,403**	9,418,683
Prepaid expenses	**23,739,449**	36,931,507
Deposits	**4,984,691**	4,624,691
Deferred input VAT	**634,304**	634,304
Input tax – net	**243,368**	279,742
Other assets	**12,238,458**	27,244,628
	P413,430,156	P410,821,019

Creditable withholding tax pertains to taxes withheld by the Group's customers in accordance with tax regulations which remained unutilized as at the end of the reporting period. This can be utilized by the Group as a deduction from future income tax obligations.

Prepaid taxes are unutilized creditable withholding taxes which the Company opted for refund with the Bureau of Internal Revenue.

As at December 31, 2021, PPMI received tax certificates amounting to P3,822,013, transferable and with validity of 5 years.

Prepaid expenses consist of advance payment to contractors, rent, real property tax, insurance premium and membership dues.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

Certain balances in 2021 were reclassified to conform with the 2022 presentation.

9. Investments in and Advances to Associates

Details of the ownership interests in associates as at December 31 are as follows:

	2022	2021
Meridian Assurance Corporation (MAC)	30%	30%
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%

Details of investments in and advances to associates are as follows:

	2022	2021
Meridian Assurance Corporation		
Investment - acquisition cost	**P88,875,080**	P88,875,080
Release of investment	**(7,045,222)**	(7,045,222)
Investment - acquisition cost	**81,829,858**	81,829,858
Accumulated equity in net loss:		
Balance at beginning of year	**(22,287,576)**	(17,799,520)
Equity in net loss for the year	**(1,431,300)**	(4,488,055)
Balance at end of year	**(23,718,876)**	(22,287,575)
	P58,110,982	P59,542,283
Le Cheval Holdings, Inc.		
Investment - acquisition cost	**P11,250**	P11,250
Allowance for impairment loss	**(11,250)**	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	**125,149**	125,149
Equity in net loss for the year	**-**	-
Balance at end of year	**125,149**	125,149
	125,149	125,149

forward

	2022	2021
Alexandra (USA), Inc.		
Investment - acquisition cost	**14,184,150**	14,184,150
Allowance for impairment loss	**(14,184,150)**	(14,184,150)
	-	-
Advances to AUI	**132,417,765**	132,417,765
Allowance for unrecoverable advances	**(132,417,765)**	(132,417,765)
	-	-
	P58,236,131	P59,667,432

The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI. The advances were likewise provided with 100% allowance.

The Parent Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2022	2021
Meridian Assurance Corporation (MAC)		
Total assets	**P370,799,653**	P222,857,213
Total liabilities	**32,697,486**	25,988,007
Net assets	**338,102,167**	196,869,206
Income	**9,900,997**	244,458
Cost and expenses	**(14,577,798)**	(15,204,657)
Net loss	**(P4,676,801)**	(P14,960,199)
Le Cheval Holdings, Inc. (LCHI)		
Total assets	P45,362	P45,362
Total liabilities	142,248	142,248
Net liabilities	(96,886)	(96,886)
Income	-	-
Cost and expenses	-	-
Net loss	P -	P -

The following are the principal activities of the Group's Associates:

<u>Meridian Assurance Corporation</u>

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, the Company wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, the Company still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved the Company's application as a servicing company and issued a servicing license. As a servicing insurance company, the Company's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services.

In 2020, the Insurance Commission approved the release of the contingency surplus of MAC to its stockholders. The Parent Company received its 30% share amounting to P7,045,222.

On July 7, 2021, MAC received a letter from the insurance commission confirming MAC's withdrawal from the insurance business. It is also stated in the letter that MAC is no longer required to submit annual financial statements and other documentary requirements to the commission starting financial year-end 2021. As at December 31, 2022, MAC is in the process of preparing the necessary documents for the amendment of Articles of Incorporation and By-laws for filing with the SEC and IC, thereafter, the Company plans to engage in the business of asset management.

The registered office of MAC is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

Le Cheval Holdings, Inc.
LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock with PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.
AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained in the financial status and operations of AUI since 2012.

10. Investment Properties

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	Note	2022	2021
Cost			
Balance, beginning		**P2,096,426,618**	P1,213,476,678
Additions		**30,030,586**	6,571,762
Return due to sales cancellation		**-**	33,859,578
Land acquired through share swap		**-**	846,000,000
Disposal		**-**	(14,000,000)
Reclassification from (to) real estate inventories	7	**(18,310,000)**	10,518,600
Adjustment due to changes in investment in finance lease		**(18,479,044)**	-
Balance, ending		**2,089,668,160**	2,096,426,618
Accumulated unrealized holding gain		**2,836,797,113**	2,309,928,821
		P4,926,465,273	P4,406,355,439

Details of investment properties are as follows:

	2022	2021
Cost of investment properties		
BGC	**P846,000,000**	P846,000,000
Tektite East	**536,346,957**	522,480,432
Baguio	**399,436,449**	384,400,952
Tektite West	**183,603,423**	183,603,423
The Icon Plaza	**79,903,153**	115,563,633
San Fernando City, La Union	**33,859,578**	33,859,578
Icon Residences Tower 1	**10,518,600**	10,518,600
	P2,089,668,160	P2,096,426,618

BGC
On June 22, 2021, the Parent Company received two BGC lots from GPI in exchange for the Parent Company's shares of stock. One of these lots was recognized as part of investment properties as the land has undetermined use as of the reporting date and will be held for capital appreciation.

Tektite East and West Towers
In 2020, the Company acquired condominium units and parking spaces at the East and West Towers of Tektite Towers.

Baguio
With the positive outlook of growth in 2018, the Parent Company saw the opportunity to develop Baguio property into a residential development for sale. The property was then classified as part of real estate inventories – land held for development. In 2019, the Parent Company continued with the original plan to develop the property, however, in 2020, due to the effect of COVID-19 pandemic on the overall economic condition, the parent Company reviewed its strategy to assume a more conservative approach by adjusting its development schedules to ensure its stability and managing cash flow. The Parent Company decided to prioritize the development of a residential tower in BGC. Consequently, the development plan for the Baguio

property was shelved with a view of improving the value of the property over time. In the meantime, a lease was entered with PPMI, a subsidiary company, to generate cash flow to cover a portion of the costs of maintaining the property. With the Parent Company' view of improving the value of the property over time, the Parent Company with the approval of its Board of Directors, reclassified this property to Investment Properties.

Icon Residences Tower 1
On November 16, 2021, the Parent Company's Board of Directors approved the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use. On November 24, 2021, the Parent Company received a formal offer to lease the unit once renovation and repairs are completed and the unit is ready for occupancy. Renovation and repairs were delayed due to issues with a unit owner who owned the unit where the damage emanated from.

The Icon Plaza
On March 21, 2023, the Parent Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of several parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/are committed to be sold to several buyers.

San Fernando, La Union
On November 29, 2021, the Parent Company cancelled its Contract to Sell agreement dated December 18, 2014 with Humboltbay Holdings, Inc for the San Fernando, La Union lot originally classified as investment property prior to sale. The Parent Company incurred a loss on sale cancellation of investment property amounting to P87,996,422 (see Note 23).

Details of the accumulated unrealized holding gain are as follows:

	2022	2021
Accumulated unrealized holding gain		
Tektite East Tower	**P1,047,126,177**	P1,031,291,177
Tektite West Tower	**566,540,552**	556,747,007
San Fernando, La Union	**295,480,822**	249,372,822
BGC	**738,000,000**	246,800,000
The Icon Plaza	**72,345,367**	110,035,367
Baguio	**106,542,795**	104,921,048
Icon Residences Tower 1	**10,761,400**	10,761,400
	P2,836,797,113	P2,309,928,821

The movements in accumulated unrealized holding gain in 2022 and 2021 are as follows:

	Note	2022	2021
Beginning balance		**P2,309,928,821**	P1,699,002,929
Increase in fair value during the year	*20*	**526,868,292**	610,925,892
Total		**P2,836,797,113**	P2,309,928,821

An independent valuation of the Group's investment properties was performed by qualified appraisers as of December 14, 2022, December 15, 2022, December 22, 2022 and March 29, 2023 to determine their fair values. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the values of the properties were determined based on sales and listings of comparable properties. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

Rental income recognized from the investment properties amounted to P55,200,865 in 2022, P55,175,665 in 2021 and P55,175,665 in 2020. Real property taxes attributable to the investment property amounted to P7,870,171 in 2022, P8,327,454 in 2021 and P22,124,552 in 2020 are included as part of taxes and licenses in cost of services. Condominium dues attributable to the investment properties amounted to P8,395,079 in 2022, P9,823,728 in 2021 and P10,127,213 in 2022 are included also in cost of services.

Certain investment properties are mortgaged as collateral to loans (see Note 14).

11. Property and Equipment

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the Years Ended December 31, 2022 and 2021				
	Condominium Units, Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation, Machinery and Other Equipment	Leasehold and Office Improvements	Total
Cost					
January 1, 2021	P96,427,199	P28,212,788	P66,375,292	P1,221,181	P192,236,460
Additions	5,500,000	859,554	67,835	-	6,427,389
Disposals	-	(288,482)	(2,757,103)	-	(3,045,585)
December 31, 2021	101,927,199	28,783,860	63,686,024	1,221,181	195,618,264
Additions	-	2,093,451	-	-	2,093,451
Adjustments	2,650,014	-	-	-	2,650,014
Disposals	-	(244,955)	-	-	(244,955)
December 31, 2022	104,577,213	30,632,356	63,686,024	1,221,181	200,116,774
Accumulated depreciation					
January 1, 2021	34,902,341	27,656,078	47,508,775	1,123,969	111,191,163
Provision	3,402,418	1,320,145	8,254,030	4,437	12,981,030
Disposals	-	(288,482)	(1,308,915)	-	(1,597,398)
December 31, 2021	38,304,759	28,687,741	54,453,890	1,128,406	122,574,796
Provision	11,269,593	1,429,613	4,702,709	92,775	17,494,691
Disposals	-	(249,817)	-	-	(249,817)
Adjustments	-	(24,862)	-	-	(24,862)
December 31, 2022	49,574,353	29,842,674	59,156,599	1,221,181	139,794,808
Carrying Amount					
At December 31, 2021	P63,622,440	P96,119	P9,232,134	P92,775	P 73,043,468
At December 31, 2022	**P55,002,860**	**P789,682**	**P4,529,425**	**P -**	**P60,321,966**

Certain transportation equipment of the Group with total carrying value of P2.7 million and P8.85 million and as at December 31, 2022 and 2021, respectively are pledged as security under chattel mortgage (see Note 14).

12. Leases

A. Rights-of -use assets

The Parent Company leases two parcels of land located at 5th Avenue corner 24th Street and 5th avenue corner 25th Street, Bonifacio Global City, Taguig City. These contracts have a term of fifteen (15) years, renewable for another ten years upon submission of a written notice to renew at least ninety days prior to the expiration of the original term, with terms and conditions mutually agreed by both parties.

The Parent Company also leases Unit 10A in Icon Plaza located 26th Street, Bonifacio Global City, Taguig City. The contract has a term of five (5) years and is renewable upon mutual agreement of both parties.

The carrying amount of right-of-use assets as at December 31, 2022 and 2021 is shown below.

	2022	2021
Right-of-use assets	**P132,987,647**	P114,508,603
Accumulated depreciation	**(35,573,046)**	(25,076,776)
	P97,414,601	P89,431,827

Amounts recognized in profit or loss:

	Note	**2022**	2021
Depreciation expense	*21,22*	**P10,496,270**	P9,622,488
Interest expense		**8,824,235**	10,506,780

B. Investments in finance lease

The Parent Company entered into a sublease contract relating to one of the parcels of land being leased in BGC as discussed above. This agreement was assessed by the management to be of a finance lease. This agreement is renewable at the end of the lease term of initially fifteen (15) years upon mutual consent of the parties.

Amounts receivable under finance lease	**2022**	2021
Year 1	**P23,672,896**	P23,284,800
Year 2	**24,449,088**	23,672,896
Year 3	**24,856,576**	24,449,088
Year 4	**25,671,552**	24,856,576
Year 5	**26,099,392**	25,671,552
Onwards	**131,248,896**	157,348,288
Undiscounted lease payments	**255,998,400**	279,283,200
Present value of minimum lease payments receivable	**P201,677,275**	P214,732,527
Less: current portion	**14,099,824**	13,055,174
Investment in finance lease – net of current portion	**P187,577,451**	P201,677,353

Amounts recognized in profit or loss:

	Note	**2022**	2021
Interest income	*19*	**P10,299,536**	P11,816,719
Loss on sublease	*23*	**-**	2,769,442

In 2021, the incremental borrowing rate used to calculate the present value of lease payments was adjusted. The effects of the change in rates were applied prospectively.

C. Lease liabilities

A maturity analysis of lease liabilities under both lessee and lessor based on the total cash flows is reported in the table below:

	2022		2021	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Right-of-use assets				
Less than 1 year	**P11,812,050**	**P7,726,363**	P11,781,000	P7,341,175
More than 1 year	**98,056,703**	**79,981,943**	109,868,753	87,708,307
	109,868,753	**87,708,306**	121,649,753	95,049,482
Finance lease				
Less than 1 year	**11,160,000**	**7,115,095**	11,160,000	6,775,589
More than 1 year	**96,720,000**	**78,679,760**	107,880,000	85,794,855
	107,880,000	**85,794,855**	119,040,000	92,570,444
	P217,748,753	**P173,503,161**	P240,689,753	P187,619,926

D. Short-term operating leases as lessor

The Group entered into short-term lease agreements including condominium units, office spaces, food plaza spaces and parking spaces. The lease contracts between the Group and its lessees have a term of one (1) to two (2) years which are renewable.

Total rental income earned in 2022, 2021 and 2020 amounted to P56.67 million, P55.30 million and P69.34 million, respectively.

Deferred rental income classified under other non-current liabilities amounting to P40.43 million and P40.97 million as of December 31, 2022 and 2021, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P17,242,595 and P17,549,121 in 2022 and 2021, respectively, and are included as part of trade and other payables (see Note 13).

E. Short-term operating leases as lessee

PPMI leases its office premises for a period of one (1) year, renewable upon mutual consent of both parties:

	Terms
Office premises	December 1, 2021 to November 30, 2022
Subleased property*	December 1, 2020 to November 30, 2021

Rent expense charged to profit or loss amounted to P304,632 and P526,243 in 2022 and 2021, respectively (see Note 21).

13. Trade and Other Payables

This account consists of:

	Note	**2022**	2021
Accrued expenses		**P60,875,331**	P37,614,146
Non-trade payables		**56,865,807**	53,105,832
Customers' deposits		**22,485,042**	42,087,043
Retention fees payable		**21,682,353**	40,072,890
Refundable deposits	*12*	**17,242,595**	17,549,121
Due to government agencies		**8,360,308**	2,239,250
Trade payables		**7,640,712**	29,352,067
Others		**54,525**	53,978
		195,206,673	222,074,327
Less: non-current portion		**84,852,490**	71,825,744
		P110,354,183	P150,248,583

Customers' deposits consist of down payments representing less than 25% of the contract price of the condominium units sold which are deductible from the total contract price.

Retention fees payable pertain to retention fees withheld from the contractors of ongoing and completed projects.

Accrued expenses consist of accrual for costs on outside services, insurance, supplies, tax and other legal expenses.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

Others consist of refunds payable, commission payable and unearned rent income.

Non-current portion of trade and other payables which mainly pertains to transfer fees, refundable deposits and accruals amounted to P84,852,490 and P71,825,744 as at December 31, 2022 and 2021, respectively.

14. Loans and Note Payable

Loans Payable

The movements in the loans payable are summarized as follows:

	2022	2021
Balance at beginning of year	**P810,600,803**	P1,030,593,284
Availments of loan	**1,013,706,633**	796,260,165
Payments of principal	**(930,940,131)**	(1,016,252,646)
Balance at end of year	**P893,367,305**	P810,600,803

The loans payable is composed of the following:

	2022	2021
Payable within one year:		
Philippine National Bank	**P250,000,000**	P200,000,000
Philippine Bank of Communications	**413,706,633**	175,495,279
Union Bank of the Philippines	**1,583,107**	3,492,417
RCBC Savings Bank	**536,450**	2,147,122
	665,826,190	381,134,818
Payable after one year:		
Philippine Bank of Communications	**226,260,165**	426,260,165
Union Bank of the Philippines	**706,599**	2,046,478
RCBC Savings Bank	**574,351**	1,159,342
	227,541,115	429,465,985
	P893,367,305	P810,600,803

<u>Philippine National Bank (PNB)</u>
In 2021, the Parent Company availed of working capital loans from Philippine National Bank with a total principal amount of P480 million which has been fully paid in 2022. The Company availed new loans in 2022 with total principal amount of P650 million. These loans bear an interest ranging from 4.50% to 6.00% annually and payable within three (3) months subject to extension upon lapse of the maturity date. Interest rates will then be re-evaluated to conform with the current period's rate. These loans are secured by certain real estate inventories with the carrying amount of P135.4 million (see Note 7).

<u>Philippine Bank of Communications (PBCom)</u>
In 2017, the Parent Company entered into a long-term credit facility agreement with PBCom. PBCom approved a P500 million Term Loan under which the Company drew down P500 million in September 2017. These loans are payable within five (5) years from the date of drawdown. These loans bear 6% interest rate and are payable quarterly in arrears and secured by certain inventories mortgaged in favor of PBCom with the total carrying amount of nil and P122.60 million as of December 31, 2022 and 2021. The collaterals securing the Term Loan availed in 2017 were already released as at December 31, 2022 as the said Term Loan was already fully paid as at December 31, 2022.

In 2019, the Parent Company entered into a long-term credit facility agreement with PBCom. PBCom approved a Term Loan under which the Company drew down P500 million during 2019. These loans are payable within six (6) years from the date of drawdown. These loans bear 8.5% interest rate and are payable quarterly in arrears and secured by certain investment properties mortgaged in favor of PBCom with the total carrying amount of P390.4 million and P592.5 million as of December 31, 2022 and 2021.

In 2020, PBCom approved a Loan Line amounting to P300 million available for drawings up to 180-day promissory notes (PNs). These loans bear 4.5% to 5.5% interest rate payable at maturity of the PNs. The principal payment is on the maturity date of the PNs.

In 2021, PBCOM approved a Contract to Sell Financing line amounting to P300 million available for drawings. The Company drew down P114 million and P76 million in 2022 and 2021, respectively. These loans bear 7.0% to 7.5% interest rate payable at maturity of the deed of undertaking and secured by certain receivables assigned in favor of PBCom amounting to P189.97 million and P76.26 million as at December 31, 2022 and 2021, respectively (see Note 6).

Union Bank of the Philippines (UBP)
In July 2016, the Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 11).

RCBC Savings Bank (RCBC)
In July 2017, the Company availed a car loan from RCBC Savings Bank which bears 8.72% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 11).

Total interest on loans payable charged to profit or loss amounted to P54,819,311, P60,124,456 and P24,864,954 in 2022, 2021 and 2020, respectively. Total interest on loans payable capitalized amounted to nil and P348,502 in 2022 and 2021, respectively. The capitalization rates are nil and 4.75% in 2022 and 2021, respectively.

Note Payable

RCBC Savings Bank
In 2019, PPMI availed of a five-year note payable amounting to P3,744,000 from a local bank to finance the purchase of transportation equipment. The note carries interest at 11.04% per annum. The loan was obtained in February 2019 and will mature in February 2024.

The movements in the note payable are summarized as follows:

	2022	2021
Balance at beginning of year	**P1,859,486**	P2,732,394
Payments of principal	**(803,427)**	(872,908)
Balance at end of year	**P1,056,059**	P1,859,486

Outstanding balance of note is composed of the following:

	2022	2021
Payable within one year	**P896,804**	P803,427
Payable after one year	**159,255**	1,056,059
	P1,056,059	P1,859,486

Interest expense charged to profit or loss amounted to P165,525 and P257,537 in 2022 and 2021, respectively.

15. Related Party Transactions

The details of related party transactions and balances are as follows:

As at and for the year ended December 31, 2022:	Transactions	Outstanding balance	Terms and conditions
Trade receivables			Sales of condominium units and parking spaces to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.
Ultimate Parent Company			
Greenhills Properties, Inc.			
Sale of parking space	**P -**		
Collections during the year	**-**	**P51,892,140**	
Purchase of services			Purchase of services is negotiated with related parties on a cost-plus basis and is due 30 days after the end of the month. These payables are unsecured and bear no interest and settled in cash.
Subsidiary			
Tektite Insurance Brokers, Inc.	**P6,959,695**		
Purchase of services	**6,941,894**	**17,801**	
Payments during the year			
Advances			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Alexandra (USA), Inc., Associate	**-**	**132,417,765**	
Le Cheval Holdings, Inc., Associate	**-**	**122,248**	
Less: Allowance for impairment loss	**-**	**132,540,013**	
Balance, net	**-**	**-**	
Key management personnel			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and post-employment benefits are payable upon retirement
Short-term benefits	**P -**	**-**	
Salaries and other short-term employee benefits	**43,439,819**	**-**	
Post-employment benefits	**-**	**-**	
Provision for retirement benefits/PVO	**7,869,438**	**-**	

As at and for the year ended December 31, 2021:	Transactions	Outstanding balance	Terms and conditions
Trade receivables			Sales of condominium units and parking spaces to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.
Ultimate Parent Company			
Greenhills Properties, Inc.			
Sale of parking space	P1,300,000		
Collections during the year	(1,300,000)	P51,892,140	
Purchase of services			Purchases of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Subsidiary			
Tektite Insurance Brokers, Inc.			
Purchase of services	6,260,354		
Payments during the year	(6,260,354)	-	

forward

As at and for the year ended December 31, 2021:	Transactions	Outstanding balance	Terms and conditions
Advances			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Alexandra (USA), Inc., Associate	-	132,417,765	
Le Cheval Holdings, Inc., Associate	-	122,248	
Meridian Assurance Corp. Associate	16		
Less: Allowance for impairment loss	(16)	(132,540,013)	
Balance, net	-	-	
Key management personnel			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and post-employment benefits are payable upon retirement
Short-term benefits	P -	-	
Salaries and other short-term employee benefits	41,668,747	-	
Post-employment benefits	-	-	
Provision for retirement benefits/PVO	7,297,122	-	

Management Services

PPMI provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, PPMI charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners.

Advances to related parties

The Parent Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest-bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. With the imminent liquidation of AUI, the receivables have been fully provided with allowance for impairment losses since 2011.

16. Retirement Benefit Plans

The Parent Company and Tektite Insurance Brokers, Inc. (TIBI) operate funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

PPMI has an unfunded, noncontributory defined benefit retirement plan.

Through their defined benefit retirement plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

- *Inflation risk - Some of the Group retirement obligations are linked to inflation, and higher inflation will lead to* higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 28, 2023, March 10, 2023 and April 19, 2023 for the year ended December 31, 2022. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the Projected Unit Credit Method.

Key assumptions used for the Parent Company:

	Valuation at	
	2022	2021
Discount rate	**7.22%**	5.03%
Future salary increase	**4.00%**	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2022	2021
Discount rate	**7.22%**	5.08%
Future salary increase	**6.00%**	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2022	2021
Discount rate	**5.21%**	1.97%
Future salary increase	**5.00%**	5.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

The reconciliation of the present value of the defined benefit obligation (DBO) and the fair value of the plan assets to the recognized liability presented as accrued retirement liability in the consolidated statements of financial position is as follows:

	2022	2021
Present value of defined benefit obligation	**P94,301,784**	P99,028,667
Fair value of plan assets	**27,348,299**	28,098,491
Recognized liability	**P66,953,485**	P70,930,176

The movements in the present value of defined benefit obligation are shown below:

	2022	2021
Liability at beginning of year	**P99,028,667**	P101,087,591
Adjustments	**-**	1,795,913
Current service cost	**12,174,121**	12,438,972
Interest cost	**4,642,214**	3,875,531
Remeasurement gains		
Changes in financial assumptions	**(20,097,390)**	(11,057,446)
Changes based on experience	**(1,357,585)**	(7,680,074)
Changes in demographic assumptions	**-**	(7,181)
Benefits paid from plan assets	**(88,243)**	-
Benefits paid from Company operating funds	**-**	(1,424,639)
Liability at end of year	**P94,301,784**	P99,028,667

The movements in the plan assets are shown below:

	2022	2021
Fair value of plan assets at beginning of year	**P28,098,491**	P27,666,680
Interest income	**1,185,166**	940,618
Actual contribution	**-**	500,000
Remeasurement loss	**(1,935,358)**	(1,008,807))
Fair value of plan assets at end of year	**P27,348,299**	P28,098,491

The Parent Company expects to contribute P2,000,000 to the retirement fund in 2023.

The main categories of plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	**P21,860,161**	P21,793,845
Equity instruments	**5,453,747**	6,325,056
Accrued interest	**58,134**	3,081
Liabilities	**(23,743)**	(23,491)
	P27,348,299	P28,098,491

The retirement expense recognized in profit or loss consists of:

	2022	2021	2020
Current service cost	**P12,174,121**	P12,438,972	P12,252,598
Net interest on defined benefit liability	**3,457,048**	2,934,913	2,344,243
	P15,631,169	P15,373,885	P14,596,841

The provision for retirement benefits is recognized under general and administrative expenses in the consolidated statements of total comprehensive income (see Note 22).

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00%	(P6,878,162)
	(1.00%)	8,116,757
Future salary increase	1.00%	8,261,454
	(1.00%)	(7,105,910)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the consolidated statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2022, the weighted average duration of defined benefit obligation are 8.10, 11.50 and 2.80 years for Parent Company, PPMI and TIBI, respectively (2021: 10.20,14.90, and 3.90 years, respectively).

17. Management Fees and Other Services Fees

The Group provides general management services and financial management and supervision over the janitorial and security services through PPMI. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees and other services fees amounted to P34.66 million, P36.78 million and P42.85 million in 2022, 2021 and 2020, respectively.

18. Commission

The Group's commission income derived from insurance brokerage amounted to P5.57 million, P4.51 million and P4.46 million in 2022, 2021 and 2020, respectively.

19. Interest Income

The Group's interest income was derived from the following:

	Note	**2022**	2021	2020
Sublease	*12*	**P10,229,536**	P11,816,719	P10,875,595
Penalty for late payments		**4,305,819**	4,127,556	-
Cash and cash equivalents	*3*	**494,516**	495,270	836,357
Trade receivables	*6*	**431,600**	619,736	2,016,397
Others		**463,022**	345,339	-
		P15,924,493	P17,404,620	P13,728,349

20. Other Income

The account consists of:

	Notes	**2022**	2021	2020
Gain on change in fair value of investment properties	*10*	**P526,868,292**	P610,925,892	P286,750,907
Dividend income	*5*	**1,953,910**	-	-
Foreign exchange gain		**1,952,441**	1,434,240	-
Gain on repossession of real estate inventories		**1,498,643**	14,287,462	12,057,967
Gain on money market investments		**-**	34,652	-
Others	*6,15*	**8,236,429**	10,484,867	11,367,237
		P 540,509,715	P637,167,113	P310,176,111

Others mainly consists of reversal of allowance for impairment losses on receivables and gain on repossession of real estate inventories.

21. Cost of Services

The account consists of:

	Note	**2022**	2021	2020
Salaries, wages, and other benefits		**P18,387,056**	P20,657,116	P25,810,786
Condominium dues	*10*	**8,395,079**	9,823,728	10,127,213
Depreciation and amortization on ROU assets	*12*	**8,763,860**	8,466,620	8,430,511
Taxes and licenses		**7,949,813**	8,595,591	23,352,566
Outside services		**6,774,278**	4,063,409	3,745,552
Utilities		**4,804,628**	4,167,232	4,283,890
Insurance and bond premiums		**2,052,286**	2,131,294	2,050,936
Commission		**1,630,729**	627,766	357,785
SSS, Pag-IBIG and other contributions		**1,459,167**	1,558,212	1,787,728
Repairs and maintenance		**649,308**	1,492,363	788,667
Communication		**532,221**	618,175	-
Rental	*12*	**364,098**	561,943	604,252
Employees' welfare		**64,823**	101,192	77,419
Transportation and travel		**-**	38,000	-
Supplies and materials		**-**	-	258,385
Others		**723,752**	5,860,819	1,479,285
		P62,551,098	P68,763,460	P83,154,975

Others include various expenses that are individually insignificant.

22. General and Administrative Expenses

The account consists of:

	Note	2022	2021	2020
Salaries, wages, and other benefits		**P71,586,651**	P69,048,790	P83,787,422
Taxes and licenses		**64,020,284**	44,916,582	51,393,428
Transportation and travel		**34,324,100**	15,408,094	16,448,165
Marketing expense		**33,285,461**	40,531,274	47,599,104
Provision for impairment loss on trade and other receivables	*6*	**27,589,342**	24,559,812	5,107,257
Professional fees		**21,799,851**	21,423,175	20,094,194
Depreciation and amortization				
Property and equipment	*11*	**17,494,691**	12,981,031	14,756,859
ROU assets	*12*	**1,732,410**	1,155,868	1,264,984
Provision for retirement benefits	*16*	**15,631,169**	15,373,885	14,596,841
Insurance and bond premiums		**7,295,002**	12,445,616	5,570,144
Outside services		**6,726,186**	5,809,893	5,044,580
SSS, Pag-IBIG, Medicare and other benefits		**5,761,900**	5,528,706	4,943,382
Repairs and maintenance		**5,461,617**	5,919,526	7,304,244
Condominium dues		**5,351,072**	8,069,082	5,044,517
Postage and communication		**2,455,107**	2,377,689	2,055,719
Utilities		**1,838,399**	1,879,823	3,076,739
Representation and entertainment		**916,823**	770,962	644,978
Membership dues		**697,754**	-	-
Rental	*12*	**516,225**	86,844	77,539
Supplies and materials		**168,221**	3,120,464	154,644
Corporate social responsibility		**-**	-	100,000
Miscellaneous		**13,812,764**	13,035,889	6,867,826
		P338,465,029	P304,443,005	P295,932,566

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, fines, penalties and various individually insignificant expenses.

23. Other Expenses

The account consists of:

	Note	2022	2021	2020
Bank charges		**P144,637**	P48,161	P447,417
Loss on money market investment		**85,414**	-	29,041
Loss on sale of property and equipment		**-**	38,793	-
Foreign exchange loss		**-**	-	1,183,942
Loss on cancellation of sale of investment property	*10*	**-**	87,996,422	-
Loss on sublease	*12*	**-**	2,769,442	-
		P230,051	P90,852,818	P1,660,400

24. Income Taxes

The components of income tax expense are as follows:

	2022	2021	2020
Current	**P1,755,527**	P120,471	P3,629,744
Deferred	**123,403,970**	59,517,853	79,126,494
	P125,159,497	P59,638,324	P82,756,238

The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the consolidated statements of total comprehensive income is as follows:

	2022	2021	2020
Income before income tax	**P305,547,988**	P252,377,845	P122,599,591
Income tax expense using statutory tax rate	**P76,336,592**	P63,646,131	P36,779,877
Additions to (reductions in) income tax resulting from the tax effects of:			
Movement on unrecognized deferred tax assets	**31,723,767**	64,500,197	34,069,759
Non-deductible expenses	**18,144,504**	14,305,124	12,777,838
Unrecognized net operating loss carry-over (NOLCO)	**1,120,162**	848,363	1,310,840
Expired MCIT	**135,344**	-	-
Retirement obligation	**46,860**	51,560	120,318
Limit on interest expense	**30,250**	29,423	92,914
Interest income subjected to final tax	**(123,104)**	(122,698)	(250,908)
Dividend income	**(488,478)**	-	-
Gain on changes in fair value of investment property of a subsidiary	**(1,766,400)**	(150,400)	(2,144,400)
Book and tax difference in income tax expense due to CREATE	**-**	(816,990)	-
Changes in deferred tax assets and liabilities due to reduction in income tax rates under CREATE	-	(82,652,386)	-
	P125,159,497	P59,638,324	P82,756,238

The components of the deferred income tax assets (liabilities) recognized by the Group are as follows:

	2022		2021	
	Tax Base	**Deferred Tax**	Tax Base	Deferred Tax
Deferred Tax Assets:				
Retirement benefit obligation	**P78,526,024**	**P18,229,507**	P67,066,429	P16,017,440
Deferred rent income	**40,437,410**	**10,108,753**	40,982,220	10,244,955
Rent expense derecognized due to PFRS 16	**8,134,602**	**2,033,650**	6,711,918	1,677,980
NOLCO	**-**	**-**	2,321,981	464,396
Impairment loss on receivables	**3,189,750**	**637,950**	600,408	120,082
MCIT	**75,183**	**75,183**	92,118	92,118
	130,362,969	**31,085,043**	117,775,074	28,616,971
Deferred Tax Liabilities:				
Gain on change in fair value of investment properties	**2,796,038,953**	**699,009,737**	2,278,002,661	569,500,664
Gain on sublease	**91,405,050**	**22,851,262**	99,625,124	24,906,281
Retirement obligation charged to OCI	**15,436,655**	**3,087,331**		
Unrealized gain on repossession of real estate inventories	**9,244,982**	**2,311,246**	9,244,982	2,311,245
Accrued rent receivable	**1,765,295**	**441,324**	1,765,295	441,323
Unrealized foreign exchange gain	**349,498**	**87,374**	540,322	135,080
	2,914,240,433	**727,788,274**	2,389,178,384	597,294,593
	(P2,783,877,463)	**(P696,703,231)**	(P2,271,403,310)	(P568,677,622)

The recognized deferred tax assets were from the Parent Company and PPMI.

The Group's unrecognized deferred tax assets pertain to the following:

	2022		2021	
	Tax Base	**Deferred Tax**	Tax Base	Deferred Tax
NOLCO	**P463,814,777**	**P116,046,159**	P368,614,886	P92,134,898
Allowance for impairment loss on receivables	**385,622,756**	**95,974,451**	356,060,310	88,760,932
Allowance for impairment loss on investments in subsidiaries and associates	**55,618,196**	**12,119,549**	19,918,196	4,979,549
MCIT	**5,287,421**	**5,287,421**	3,800,308	3,800,308
Accrued retirement benefit expense	**3,864,116**	**772,823**	3,863,747	772,749
	P914,207,266	**P230,200,403**	P752,257,447	P190,448,436

Detail of the Group's NOLCO which can be claimed as deduction from future taxable income is as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2022	2025	P95,637,015	P -	P -	P95,637,015
2021	2026	255,877,156	-	-	255,877,156
2020	2025	112,643,786	-	-	112,643,786
2019	2022	28,094	-	(28,094)	-
		P464,186,051	P -	(P28,094)	P464,157,957

In accordance to Section 4 of Revenue Regulations No. 25-2020 issued on September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's MCIT which can be claimed as deduction from future taxable income is as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2022	2025	P1,701,073	P -	P -	P1,701,073
2021	2024	867,849	-	-	P867,849
2020	2023	2,134,648	-	-	2,134,648
2019	2022	116,271	-	(116,271)	-
		P 4,819,84	P -	(P116,271)	P4,703,570

Impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)
On March 26, 2021, the President signed into law the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The following are certain provisions of the law that had an impact on the Group's financial statements.

- Reduced RCIT rate effective July 1, 2020 of 20% or 25%
- Reduced MCIT rate of 1% effective July 1, 2020 until June 30, 2023.

As mentioned above, the reduction in income tax under CREATE took effect on July 1, 2020. However, Philippine Interpretations Committee issued Questions and Answers No. 2020-07, in which it stated that the CREATE Law is considered to be not substantively enacted as of December 31, 2020; accordingly, the current and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the regular income tax rate in effect as of December 31, 2020, which is 30%. The difference was reflected as adjustment to the current income tax for the year ended December 31, 2021 in accordance with PAS 12, Income Taxes.

In addition, the effect of the reduction in the income tax rates under CREATE on deferred tax liabilities - net as at December 31, 2020 amounted to P83,182,728 and is shown in the consolidated statements of total comprehensive income as reduction of income tax expense.

Presented below are the effects of the changes in tax rates under the CREATE Act.

	As at December 31, 2020	Amounts Based on the Reduced Tax Rates	Effect of Changes in Tax Rates
Statements of Total Comprehensive Income			
Current tax expense	P3,628,882	P2,789,385	(P839,497)
Deferred tax expense (benefit)	79,126,494	(4,056,234)	(83,182,728)
Net income for the year	53,501,849	137,524,073	84,022,225
Remeasurement loss on retirement benefit obligation, net of tax	(8,389,664)	(8,988,926)	(599,262)
Statements of Financial Position			
Deferred tax assets	34,803,089	28,031,058	(6,772,031)
Deferred tax liabilities	539,728,555	449,773,796	(89,954,759)
Prepaid taxes	151,916,085	152,755,582	839,497
Retained earnings	1,187,806,065	1,271,828,290	84,022,225
Remeasurement loss on retirement benefit obligation	(48,938,995)	(49,538,257)	(599,262)

25. Capital and Treasury Stock

Movements in the Group's capital stock are as follows:

	2022	2021	2020
Authorized			
16,000,000,000 common shares at P0.50 par value	**P8,000,000,000**	P8,000,000,000	P8,000,000,000
Issued and outstanding			
7,866,647,523 shares in 2022 and 2021			
3,688,869,745 shares in 2020	**3,933,323,762**	3,933,323,762	1,844,434,873
Subscribed			
1,314,711,262 shares	**657,355,632**	657,355,632	657,355,632
Subscriptions receivable	**(157,467,723)**	(157,490,223)	(157,564,260)
	499,887,909	499,865,409	499,791,372
Total capital stock	**4,433,211,671**	4,433,189,171	2,344,226,245
Additional paid-in capital	**623,139,806**	623,139,806	557,014,317
	P5,056,351,477	P5,056,328,977	P2,901,240,562
Treasury stock	**P110,049,633**	P110,049,633	P110,049,633

On June 22, 2021, the Parent Company issued 4,177,777,778 new common shares valued at P0.54 per share based on 120-day Volume Weighted Average Price for the period October 6, 2017 to April 6, 2028, in favor of Greenhills Properties, Inc. (GPI) in exchange for two (2) vacant lots in Bonifacio Global City (see Note 1). The Parent Company obtained a Valuation and Fairness Opinion Report from a PSE-Accredited Firm on the property-for-share swap transaction for the reason that the parties to the said transaction are related parties. The above-described transaction resulted in Additional Paid-in Capital of P167,111,111 before deducting transaction costs of P100,985,622 or a net amount of P66,125,489. Transaction costs include SEC filing fees, legal and other professional fees, documentary stamps tax on primary issue of common stocks, transfer taxes and registration fees on the transfer of ownership on the real properties from GPI to the Parent Company.

Details of the Group's treasury stock are as follows:

	2022	2021	2020
Treasury Stock			
82,049,497 common shares with average cost of P1.34 per share	**P110,049,633**	P110,049,633	P110,049,633

26. Reserves

This account consists of:

	Note	**2022**	2021	2020
Appropriated retained earnings for:				
Treasury stock acquisitions		**P109,712,439**	P109,712,439	P109,712,439
Revaluation on FVOCI				
Balance at beginning of year		**(24,038,272)**	(20,672,288)	(25,988,878)
Movements during the year		**(1,568,430)**	(3,365,984)	5,316,590
Balance at end of year	*5*	**(25,606,702)**	(24,038,272)	(20,672,288)
Remeasurement gain (loss) on retirement benefit obligation				
Balance at beginning of year		**(33,473,053)**	(44,735,989)	(37,347,443)
Adjustment		**-**	(2,637,009)	-
Actuarial gain (loss) during the year - gross		**19,519,617**	18,852,265	(10,555,065)
Tax effect		**(4,621,639)**	(4,952,320)	3,166,519
Balance at end of year		**(18,575,075)**	(33,473,053)	(44,735,989)
		P65,530,662	P52,201,114	P44,304,162

The Parent Company's retained earnings amounting to P109,712,439 is appropriated to cover the cost of the treasury shares.

27. Non-controlling Interest

	2022	2021
Universal Travel Corporation		
January 1	**P2,017,318**	P2,024,257
Share in net loss	**(9,587)**	(6,939)
December 31	**2,007,731**	2,017,318
Recon-X Energy Corporation		
January 1	**(22,059,629)**	(20,072,695)
Share in net loss	**(2,689,240)**	(1,986,934)
December 31	**(24,748,869)**	(22,059,629)
	(P22,741,138)	(P20,042,311)

28. Earnings Per Share

	2022	2021	2020
Net income attributable to equity holders of Parent Company	**P183,087,319**	P194,733,394	P41,897,319
Weighted average no. of common shares issued and outstanding	**9,099,309,288**	9,099,309,288	4,877,907,002
Basic earnings per share	**P0.02**	P0.02	P0.01

The weighted average number of common shares issued and outstanding was computed as follows:

	2022	2021	2020
Issued and outstanding shares	**7,866,647,523**	7,866,647,523	3,688,869,745
Subscribed shares	**1,314,711,262**	1,314,711,262	1,314,711,262
Treasury shares	**(82,049,497)**	(82,049,497)	(125,674,005)
Average number of shares	**9,099,309,288**	9,099,309,288	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2022, 2021 and 2020.

29. Provisions and Contingencies

The Group is a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Group and its legal counsel, however, believe that final settlement, if any, will not be material to the Group's financial results.

30. Significant Accounting Policies

<u>Adoption of New and Revised Standards, Amendments to Standards and Interpretations</u>
The accounting policies adopted in the preparation of the financial statements are consistent with those of the Group's financial statements for the year ended December 31, 2021 except for the adoption of the following new standards and amended PFRS which became effective beginning January 1, 2022. Unless otherwise indicated, none of these had a significant effect on the financial statements.

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

PFRS 2, 3, 6 and 14, PAS 34, 37 and 38, IFRIC 12, 19, 20 and 22, and SIC-32 to update references to and quotes from the framework so that they refer to the revise Conceptual Framework.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- Annual Improvements to PFRS Standards 2018-2020

    - PFRS 9, *Financial Instruments* clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

    - PFRS 16, *Leases* amends Illustrative Example 13 accompanying PFRS 16 which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

New and Amended Standards and Interpretation Not Yet Adopted
A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Company will adopt the following new and amended standards and interpretations on the respective effective dates:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

    - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

    - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

    - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments are effective for annual periods beginning on January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates* focus entirely on accounting estimates and clarify the following:

  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

  - A change in accounting estimate that results from new information or new developments is not the 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.

  - A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

  The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* amends the following:

  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify 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;

  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information; and

  - adds guidance and examples to explain and demonstrate the application of the "four-step materiality process" to accounting policy information in order to support the amendments to PAS 1.

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities from a Single Transaction* include an exemption from the initial recognition exemption provided in PAS 12.15(b) and PAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 35.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates and joint ventures
An associate is an entity over which the Parent Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Parent Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

<u>Business Combination</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Segment Information

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 35 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

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

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

a. Sale of Real Estate and Leasing
b. Property Management
c. Insurance Brokerage
d. Holding Company
e. Travel Services (discontinued as of July 31, 2018)

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

Financial Assets and Liabilities

Financial Assets

Initial recognition and Measurement

The Group recognizes a financial asset in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting. Financial assets are recognized initially at fair value of the consideration given. The initial measurement of financial assets, except for those designated as at FVPL, includes transaction costs.

Classification

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Groups's cash and cash equivalents, trade and other receivables and refundable deposits are included under this category.

Financial Assets at FVOCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Groups's financial assets at fair value through OCI include investments in quoted and unquoted equity instruments and proprietary club shares.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Group's investments in equity instruments at FVPL are classified under this category.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Impairment
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables on sale of real estate, the Group applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.
- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

The key inputs in the model include the Group's definition of default and historical data of two (2) significant projects with an average of five (5) years for the origination, maturity date and default date. The Group considers trade receivables on sale of real estate in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

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. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, finance lease liability and loans payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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

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

This category generally applies to short term and long term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of total comprehensive income.

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Real Estate Inventories

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

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

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

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Group's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

Property and Equipment

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Condominium units	20
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5
Leasehold and office improvements	5

The assets' residual values, estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties
Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

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

Impairment of Non-financial Assets
At each reporting date, the Group assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Parent Company after deducting all of its liabilities. Distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's Board of Directors.

Capital stock
Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Additional paid-in capital
Additional paid-in capital pertains to premium paid over the par value of shares.

Retained earnings
Retained earnings include all the accumulated income (loss) of the Group, dividends declared and share issuance costs. Retained earnings is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

Treasury stock
The Parent Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of total comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess

of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Employee Benefits

Short-term benefits
The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Post-employment benefits
The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Revenue Recognition

Revenue from contracts with customers

Revenue from real estate sales
The Parent Company primarily derives its real estate revenue from the sale of vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 32.

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

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

Cancellation of real estate sales
The Group reverses the previously recognized revenue and related costs.

The Group also derives its revenue from management fee, commission, rental and interest income for which the Group assessed that there is only one performance obligation. Revenue from contracts with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Management fee
Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

Commission income
Commission income is recognized when the real estate and insurance brokering services have been performed in accordance with the terms and conditions of the agreement, commission scheme and applicable policies. Commission income recognized is the amount earned as an agent and excludes amounts collected on behalf of the principal.

Interest income
Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income
Rent income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Miscellaneous income
Miscellaneous income is recognized when earned.

Cost recognition from real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the consolidated statements of financial position as an asset.

Cost and expenses in the consolidated statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Group.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

The Group as Lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal

computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Short-term leases with terms of less than 12 months or lease of low value assets are expensed as incurred.

The Group as Lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies PFRS 15 to allocate the consideration under the contract to each component.

The Group as Sub-lessor
The Group is a sub-lessor (intermediate lessor) to one of its right-of-use assets.

An intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease
- Otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset resulting from the head lease; otherwise, it is classified as an operating lease.

For subleases classified as a finance lease, the intermediate lessor derecognizes the right-of-use asset relating to the head lease that is transfers to the sublessee and recognizes the net investment in the sublease; any difference between the right-of-use assets and the investment in the finance sublease is recognized in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The lessor recognizes finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor's net investment in the lease.

For subleases classified as operating lease, the intermediate lessor recognizes the lease income from operating leases on a straight-line basis over the lease term. The respective leased asset is included in the statement of financial position based on its nature.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

Uncertainty over Income Tax Treatments

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

If the Group concludes that it is probable that a particular tax treatment is accepted, the Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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

Earnings per Share

Basic earnings per share
The Group computes its basic earnings per share by dividing net profit attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the period.

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements when material.

31. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

Critical Accounting Estimates and Assumptions

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

Revenue and cost recognition on real estate projects
The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate and construction contracts is recognized based on the percentage of completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of inputs such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

Provision for expected credit losses of trade receivables
The Group uses historical loss rates as input to assess credit risk characteristics. The Group determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 6 and 33.

Evaluation of net realizable value of real estate inventories
The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or

the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for impairment of inventories as at December 31, 2022 and 2021.

Estimating useful lives of assets
The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets 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 Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

Post-employment and other employee benefits
The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

Retirement obligation as at December 31, 2022 and 2021 amounted to P66,953,485 and P70,930,176, respectively.

Estimating fair value of investment property
The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Group's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

Recoverability of deferred tax assets
The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it may be more prudent and conservative not to make a determination when these deferred tax assets can be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P230,200,402 and P190,448,436 as at December 31, 2022 and 2021, respectively (see Note 24).

Impairment losses on non-financial assets
The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

Critical Accounting Judgments

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

Existence of a contract
The Parent Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

Collectability
In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

Distinction between investment properties and owner-occupied properties and real estate inventories and held for development

The Group determines whether a property qualifies as investment property. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services 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.

The Group determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Group's strategic land activities for development in the medium or long-term.

Contingencies
The Group is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to these proceedings.

32. Fair Value Measurement

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated statements of financial position as at December 31, 2022 and 2021.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the consolidated financial statements specific to that asset or liability.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and trade and other receivables – current portion carrying amounts approximate fair values due to the relatively short-term maturities of these items.

Trade and other receivables- non-current portion carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting has been considered.

Financial assets at FVPL and FVOCI – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

Trade and other payables – the carrying value of trade and other payables approximate its fair value either because of the short-term nature of these financial liabilities.

Loans payable – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

The table below analyzes financial and non-financial assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

December 31, 2022

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
Equity investments	**P6,750,000**	P -	P -	**P6,750,000**
Financial assets at FVOCI				
Equity investments	**36,076,106**	-	-	**36,076,106**

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P6,750,000	P -	P -	P6,750,000
Financial asset at FVOCI				
Equity investments	37,644,536	-	-	37,644,536

33. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market Risk

Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2022		2021	
	US dollar Deposit	**Peso Equivalent**	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	**$343,937**	**P19,301,749**	$499,771	P25,375,374

The closing rates applicable as at December 31, 2022 and 2021 are P56.12 and P50.77 to US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income in 2022 and 2021. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	+/-	**Effect on Equity**
2022	**0.79%**	**P152,859**
2021	0.36%	90,722

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents, and loans and note payable. The interest rates on cash and cash equivalents and loans and note payable are disclosed in Notes 3 and 14, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

The following table illustrates the sensitivity of the Group's profit or loss to a reasonably possible change in interest rates of its cash and cash equivalents and loan with all other variables held constant.

	2022		2021	
	+/-%	**Effect on Profit or Loss**	+/-%	Effect on Profit or Loss
Cash in bank	**0.06%**	**P81,530**	0.03%	35,586
Cash equivalents	**1.07%**	**300,440**	0.05%	41,989
Loans and note payable	**1.64%**	**(14,635,961)**	1.26%	(10,266,034)
		(P14,253,991)		(P10,188,459)

Price risk
Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2022, the impact of 0.21% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of in the Company's total comprehensive income and equity for the year of 2022 – P121,269 and 2021 – P94,365. The Group's sensitivity analysis takes into account the historical performance of the stock market.

Liquidity risk
Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

		Contractual Obligation			
	Carrying Amount	Less than One Year	One to Five Years	More than Five Years	Total
2022			**(In Thousand Pesos)**		
Trade and other payables*	**P186,730**	**P133,630**	**53,100**	**-**	**P186,730**
Loans and note payable	**894,442**	**706,637**	**238,793**	**-**	**945,429**
2021			(In Thousand Pesos)		
Trade and other payables*	P219,835	P118,154	P100,034	P1,647	P219,835
Loans and note payable	812,460	382,081	430,379	-	812,460

**excluding payables to government*

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables as disclosed in Notes 3 and 6, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL, financial assets at FVOCI and advances to associates. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2022	2021
Cash and cash equivalents excluding cash on hand	**P163,841,734**	P202,598,198
Trade and other receivables	**542,479,207**	593,542,550
	P706,320,941	P796,140,748

The credit quality of financial assets which are neither past due nor impaired is discussed below:

(a) Cash in banks and cash equivalents

The Group deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P163,961,734 and P202,598,198 as at December 31, 2022 and 2021, respectively. Cash deposits are considered to be of high grade.

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. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Receivables amounting to P150.68 million and P119.53 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided for. The allowance for doubtful accounts for receivables has been determined as follows:

	2022	2021
Trade:		
Sale of real estate	**P83,512,900**	P88,650,704
Lease	**5,478,810**	7,507,749
Management fees	**3,189,750**	600,408
Premiums receivable	**5,082,902**	5,082,902
Advances	**862,891**	862,891
Other receivables	**52,550,154**	16,820,965
	P150,677,407	P119,525,619

b.1. *Trade receivables on real estate*

2022	Stage 1	Stage 2	Stage 3	Total
Trade receivables				
High grade	P269,348,812	P -	P -	P269,348,812
Sub-standard	-	76,348,441	-	76,348,441
Low grade	-	-	121,787,390	121,787,390
Individually impaired	-	-	66,371,974	66,371,974
	269,348,812	76,348,441	188,159,364	533,856,617
Provision				
High grade	4,087,405	-	-	4,087,405
Sub-standard	-	3,820,559	-	3,820,559
Low grade	-	-	9,532,005	9,532,005
Individually impaired	-	-	66,072,931	66,072,931
	4,087,405	3,820,559	75,604,936	83,512,900
	P265,261,407	P72,527,882	P112,554,428	P450,343,717

2021	Stage 1	Stage 2	Stage 3	Total
Trade receivables				
High grade	P243,233,791	P -	P -	P243,233,791
Sub-standard	-	102,963,334	-	102,963,334
Low grade	-	-	125,795,196	125,795,196
Individually impaired	-	-	60,512,101	60,512,101
	243,233,791	102,963,334	186,307,297	P532,504,422
Provision				
High grade	6,759,846	-	-	6,759,846
Sub-standard	-	137,374	-	137,374
Low grade	-	-	20,446,483	20,446,483
Individually impaired	-	-	61,307,001	61,307,001
	6,759,846	137,374	81,753,484	88,650,704
	P236,473,945	P102,825,960	P104,553,813	P443,853,718

High grade exposures are loans that do not have greater-than-normal credit risk. The buyer has the apparent ability and willingness to satisfy his obligation in full and therefore no loss in ultimate collection is anticipated.

Sub-standard grade exposures are receivables that have normal credit risk and have past due above 30 days but below 90 days.
Low grade exposures are receivables that are past due date beyond 90 days and have approached greater-than-normal credit risk.

Individually impaired exposures are receivables that are past due beyond 90 days, have approached greater-than normal credit risk.

For trade receivables on sale of real estate, the Parent Company applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

b.2 For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

			2022		
	Lease	Management fees	Premiums receivable	Advances	Other receivables
Gross amount	**P24,271,329**	**P4,970,368**	**P12,365,197**	**P51,760,569**	**P69,174,370**
Provisions	**5,478,810**	**3,189,750**	**5,082,902**	**862,891**	**52,550,154**
Carrying Amount	**P18,792,519**	**P1,780,618**	**P7,282,295**	**P50,897,678**	**P16,624,216**

			2021		
	Lease	Management fees	Premiums receivable	Advances	Other receivables
Gross amount	P27,651,679	P4,826,041	P11,964,506	P28,282,470	P113,120,069
Provisions	7,507,749	600,408	5,082,902	862,891	16,820,965
Carrying Amount	P20,143,930	P4,225,633	P6,881,604	P27,419,579	P96,299,104

34. Capital Management

The Parent Company manages its capital to ensure that the Parent Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Parent Company consists of equity, which comprises of issued capital, additional paid-in capital, reserves, retained earnings and treasury stocks.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Parent Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Company has fully complied with this requirement in 2021 and 2020.

Tektite Insurance Brokers, Inc. (TIBI)
The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular (MC) No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2022 and 2021, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

As at December 31, 2021 and 2020, the Company was not able to comply with the capitalization requirements of IMC No. 2006 – 1 – Capitalization Requirements for Insurance Broker and Reinsurance Broker. On April 22, 2022, the Company sent a request to the IC to convert its license from an insurance broker to an insurance agent. Consequently, the pending application for renewal of the Company as an insurance broker for licensing year 2022-2024, which was held in abeyance pending compliance with the IC's requirements, was considered withdrawn.

35. Segment Information

Details of the Parent Company's subsidiaries as of December 31, 2022 and 2021 are as follows:

	Principal Activities		**Ownership Interest**	
			2022	2021
PRHC Property Managers, Inc. (PPMI)	Property Management	Direct	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	Direct	100%	100%
Sultan's Power, Inc. (SPI)	Holding Company	Direct	100%	100%
Universal Travel Corporation (UTC)	Travel and Tours Agency	Direct	81.53%	81.53%
Recon-X Energy Corporation	Waste Management	Indirect	51%	51%

Minority interests as of 2022 and 2021 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2022, 2021 and 2020 and the results of operations of the reportable segments for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022						
	Parent Company	Subsidiaries					
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Revenue							
Revenue from contracts with customers	P224,999	P34,656	P5,567	P -	P -	P -	P265,222
Rental income	56,344	151	180	-	-	-	56,675
Intersegment sales	-	669	-	-	-	(669)	-
Total revenue	281,343	35,476	5,747	-	-	(669)	321,897
Real estate costs and expenses	462,212	40,738	4,981	-	52	(669)	507,313
Equity in net loss of an associate	-	-	-	-	-	1,431	1,431
Gross loss	(180,869)	(5,262)	766	-	(52)	(1,431)	(186,847)
Interest income	15,914	2	8	-	-	-	15,924
Finance costs	(63,644)	(166)	-	-	-	-	(63,810)
Other income	530,682	9,828	-	-	-	-	540,510
Other expenses	(230)	-	-	-	-	-	(230)
Provision for income tax	(125,623)	417	47	-	-	-	(125,159)
Net income	P176,230	P4,820	P821	P -	(P52)	(P1,431)	P180,388
Net income attributable to:							
Equity holders of PRHC							P183,087
Non-controlling interests							(2,699)
							P180,388
Other information							
Segment assets	P8,557,347	P91,673	P9,364	P367	P1,271	(P67,108)	P8,592,913
Investment in associates	100,930	-	-	-	-	(42,694)	58,236
Total assets	P8,658,277	P91,673	P9,364	P367	P1,271	(P109,802)	P8,651,149
Segment liabilities	P1,328,245	P30,556	P4,119	P -	P30,144	(P22,552)	P1,370,512
Deferred tax liabilities	699,939	(3,236)	-	-	-	-	696,703
Total liabilities	P2,028,185	P27,320	P4,119	P -	P30,144	(P22,552)	P2,067,215

Forward

	2022						
	Parent Company		Subsidiaries				
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Segment additions to:							
Property and equipment	P1,546	P511	P36	P -	P -	P -	P2,093
Investment properties	30,031	-	-	-			30,031
Depreciation and amortization	P12,338	P1,985	P80	P3,090	P -	P -	P17,495
Non-cash expenses other than depreciation and amortization	P12,757	P2,640	P234	P -	P -	P -	P15,631
Impairment losses	P25,000	P2,589	P -	P -	P -	P -	P27,589

	2021						
	Parent Company	Subsidiaries					
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Revenue							
Revenue from contracts with customers	P153,820	P36,779	P4,513	P -	P -	P -	P195,112
Rental income	55,050	151	102	-	-	-	55,303
Intersegment sales	-	555	-	-	-	(555)	-
Total revenue	208,870	37,485	4,615	-	-	(555)	250,415
Real estate costs and expenses	437,696	43,985	5,211	-	42	(555)	486,379
Equity in net loss of an associate	4,488	-	-	-	-	-	4,488
Gross loss	(233,314)	(6,500)	(596)	-	(42)	-	(240,452)
Interest income	17,378	3	19	-	5	-	17,405
Finance costs	(70,631)	(258)	-	-	-	-	(70,889)
Other income	630,573	1,296	-	-	-	5,298	637,167
Other expenses	(90,853)	-	-	-	-	-	(90,853)
Provision for income tax	(58,227)	(1,388)	(24)	-	-	-	(59,639)
Net income (loss)	P194,925	(P6,847)	(P601)	-	(P37)	P5,298	P192,739
Net income attributable to:							
Equity holders of PRHC							P194,733
Non-controlling interests							(1,994)
							P192,739
Other information							
Segment assets	P8,092,380	P84,400	P12,273	P547	P1,201	(P53,521)	P8,137,279
Investment in associates	59,667	-	-	-	-	-	59,667
Total assets	P8,152,047	P84,400	P12,273	P547	P1,201	(P53,521)	P8,196,947
Segment liabilities	P1,283,793	P32,488	P4,316	P -	P30,022	(16,564)	P1,334,055
Deferred tax liabilities	572,354	(3,676)	-	-	-	-	568,678
Total liabilities	P1,856,147	P28,812	P4,316	P -	P30,022	(16,564)	P1,902,733

Forward

2021

	Parent Company	Subsidiaries					
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Segment additions to:							
Property and equipment	P6,195	P176	P56	P -	P -	P -	P6,427
Investment properties	6,572	-	-	-	-	-	6,572
Depreciation and amortization	P21,441	P870	P293	P -	P -	P -	P22,604
Non-cash expenses other than depreciation and amortization	P102,422	P3,499	P258	P -	P -	P -	P106,179
Impairment losses	P22,780	P1,780	P -	P -	P -	P -	P24,560

	2020						
	Parent Company	Subsidiaries					
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Revenue							
Revenue from contracts with customers	P264,773	P42,853	P4,456	P -	P -	P -	P312,082
Rental income	69,120	139	86	-	-	-	69,345
Intersegment sales	-	941	-	-	-	(941)	-
Total revenue	333,893	43,933	4,542	-	-	(941)	381,427
Real estate costs and expenses	495,699	40,736	5,303	-	77	(941)	540,874
Equity in net loss of an associate	3,409	-	-	-	-	-	3,409
Gross income (loss)	(165,215)	3,197	(761)	-	(77)	-	(162,856)
Interest income	13,643	3	70	-	12	-	13,728
Finance costs	(36,509)	(279)	-	-	-	-	(36,788)
Other income	307,951	7,513	2	-	-	(5,291)	310,175
Other expenses	(1,660)	-	-	-	-	-	(1,660)
Provision for income tax	(81,413)	(1,252)	(91)	-	-	-	(82,756)
Net income (loss)	P36,797	P9,182	(P780)	(P4,295)	(P65)	(P5,291)	P39,843
Net income attributable to:							
Equity holders of PRHC							P41,897
Non-controlling interests							(2,054)
							P39,843
Other information							
Segment assets	P5,948,070	P83,859	P15,628	P2,503	P1,173	(P11,446)	P6,039,787
Investment in associates	64,155	-	-	-	-	-	64,155
Total assets	P6,012,225	P83,859	P15,628	P2,503	P1,173	(P11,446)	P6,103,942
Segment liabilities	P1,564,546	P32,140	P5,311	P -	P29,957	(P5,457)	P1,626,497
Deferred tax liabilities	510,755	(5,830)	-	-	-	-	504,925
Total liabilities	P2,075,301	P26,310	P5,311	P -	P29,957	(P5,457)	P2,131,422

Forward

	2020						
	Parent Company	Subsidiaries					
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
	(In Thousand Pesos)						
Segment additions to:							
Property and equipment	P1,389	P -	P607	P -	P -	P -	P1,996
Investment properties	61,377	-	-	-	-	-	61,377
Depreciation and amortization	P23,153	P891	P409	P -	P -	P -	P24,453
Non-cash expenses other than depreciation and amortization	P10,458	P3,738	P401	P -	P -	P -	P14,597
Impairment losses	P4,709	P -	P398	P -	P -	P -	P5,107

The following are the principal activities of the Parent Company's subsidiaries:

PRHC Property Managers, Inc. (PPMI)
PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is at the 29th/F East Tower, Philippine Stock Exchange Centre (PSE), Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc. (TIBI)
TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

On April 22, 2022, TIBI sent a communication to the Insurance Commission formalizing its intention/request to convert its certificate of authority or corporate from an insurance broker to that of an insurance agent.

The registered office of TIBI is at the 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation (UTC)
UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018 and sold all its existing assets and paid its liabilities from the proceeds and collections of receivables and sale of assets. Thereafter, UTC became inactive. The management is currently looking for new business opportunities.

The registered office of UTC is at the 29th/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Sultan's Power, Inc. (SPI)
Sultan Power, Inc. (SPI) was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company. SPI achieved majority ownership in Recon-X Energy Corporation (Recon-X) by acquiring 51% of the total issued and outstanding shares of the latter company.

Recon-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting plastics into fuel (gasoline, diesel and kerosene) using a patented technology. The process was duly-certified on November 2, 2015 by the Intellectual Property Office of the Philippines (IPO) for "Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel", and was also certified by the Department of Science and Technology (DOST) and by the Department of Energy (DOE). As of December 31, 2021, Recon-X was able to procure the additional catalysts and materials required to operate the plastic to diesel conversion plant efficiently. Recon-X also completed physical plant improvements and repairs and is currently undergoing debottlenecking operations to enhance the production process. This is in preparation for the commencement of commercial operations by the third quarter of 2022

The registered office of SPI is at the 29th/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

5/F Don Jacinto Bldg.,
Dela Rosa cor. Salcedo Sts.,
Legaspi Village,Makati City1226
Philippines
Telephone: +63 (2) 8403 7228 to 30
Fax: +63 (2) 8403 7306

MVCo@MVCo.com.ph
www.MVCo.com.ph
www.nexia.com

STATEMENTS REQUIRED BY THE REVISED SECURITIES REGULATION CODE (SRC) RULE 68, ON OCTOBER 3, 2019

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

We have audited the accompanying consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2022, on which we have rendered our report dated March 21, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 5B and Annex 68-D), Financial Soundness Indicators (Part 1, 5C and Annex 68-E), and Map of Relationships Between and Among the Related Parties (Part 1, 5G) as additional components required by Part I, Section 5 of the Revised SRC Rule 68 and Schedules A, B, C, D, E, F and G, as required by Part II, Section 7 and Annex 68-J of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic consolidated financial statements.

Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 5 and Part II, Section 7 of the Revised SRC Rule 68.

MACEDA VALENCIA & CO.

ANTONIO O. MACEDA, JR.
Partner
CPA License No. 20014
Tax Identification No. 102-090-963-000
PTR No. 9592715
Issued on January 18, 2023 at Makati City
BOA/PRC Reg. No. 4748 valid until August 7, 2024
BIR Accreditation No. 08-001987-004-2021 (firm)
Issued on April 7, 2021; valid until April 6, 2024
BIR Accreditation No. 08-001987-004-2021 (individual)
Issued on April 12, 2021; valid until April 11, 2024
SEC Accreditation No. 4748-SEC, Group A (firm)
Effective for audits of 2019 to 2023 financial statements
SEC Accreditation No. 20014-SEC, Group A (individual)
Effective for audits of 2022 to 2026 financial statements

March 21, 2023
Makati City

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2022

Philippine Realty And Holdings Corporation
One Balete, 1 Balete Drive Corner N. Domingo St.
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

Unappropriated Retained Earnings, beginning		**P1,349,807,235**
Adjustments for:		
Accumulated Deferred tax		**524,098,034**
Accumulated unrealized gain on fair market value		**(1,667,828,770)**
Unappropriated Retained Earnings, as adjusted, beginning		**11,343,105**
Add: Net income during the period closed to Retained Earnings		**194,733,394**
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	(610,925,892)	(610,925,892)
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Deferred tax expense	**59,517,853**	
Loss on fair value adjustment to investment property (after tax)	-	-
Net income actually earned/realized during the period		**(345,331,540)**
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		-
Reversals of appropriations		-
Treasury shares		-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**(P345,331,540)**

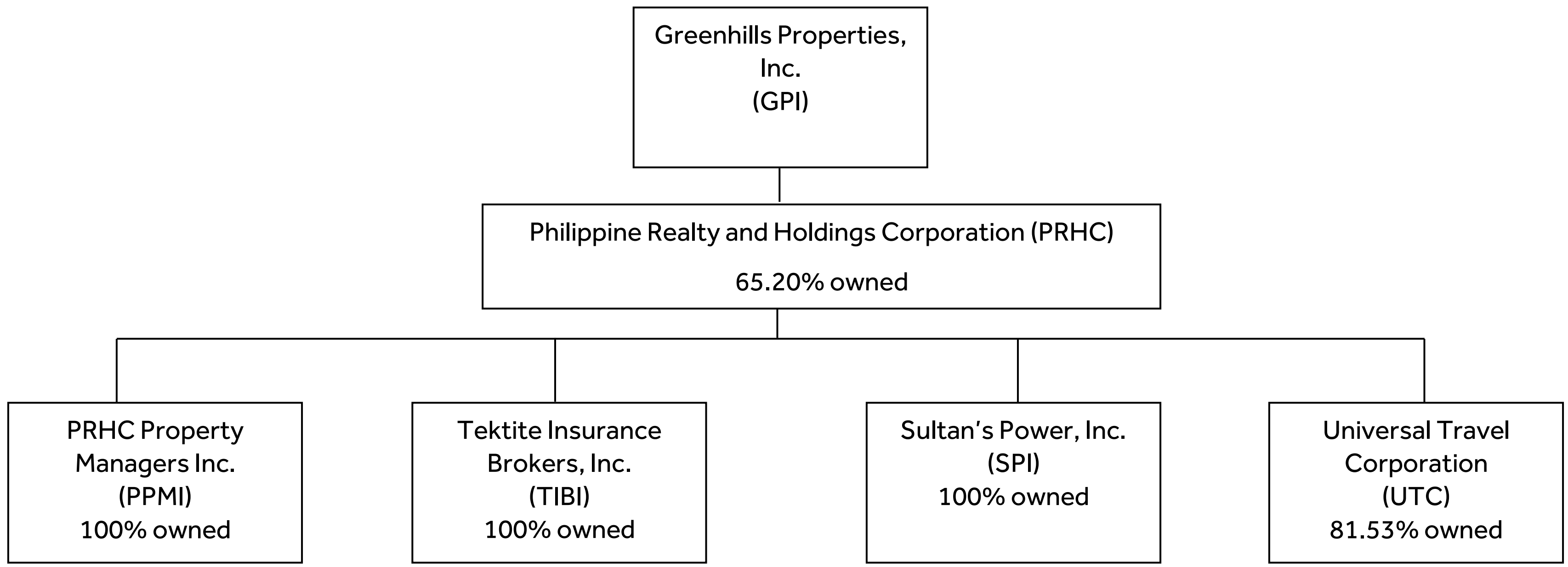
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2022

Philippine Realty And Holdings Corporation
One Balete, 1 Balete Drive Corner N. Domingo St.
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

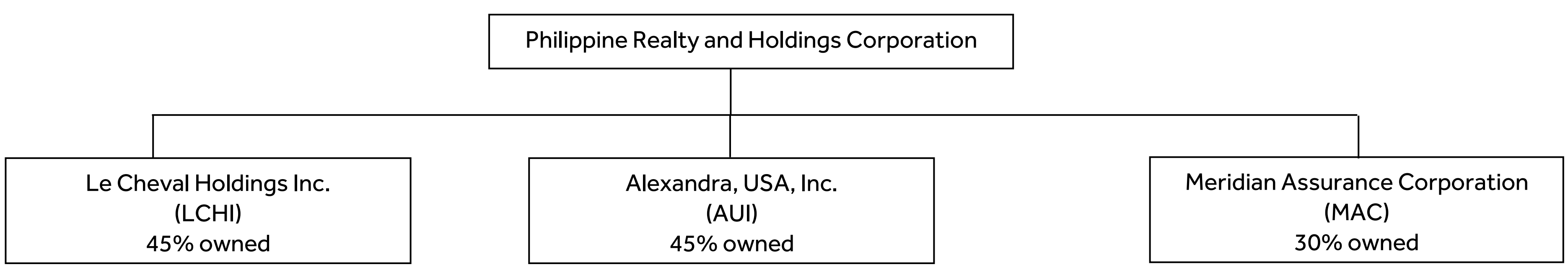
	2022	2021
Current Ratio[(1)]	**3.61**	5.31
Acid Test Ratio[(2)]	**1.32**	1.30
Debt to Equity Ratio[(3)]	**0.32**	0.30
Asset to Equity Ratio[(4)]	**1.32**	1.30
Interest Coverage Ratio[(5)]	**5.80**	4.56
Net Profit Margin Ratio[(6)]	**0.56**	0.77
Return on Assets[(7)]	**0.02**	0.02
Return on Equity[(8)]	**0.03**	0.03
Solvency Ratio[(9)]	**0.09**	0.03

(1) Current ratio is measured as current assets divided by current liabilities.
(2) Acid test ratio is measured as current assets less inventory divided by current liabilities.
(3) Debt to equity ratio is measured as total liabilities divided by total equity.
(4) Asset to equity ratio is measured as total assets divided by total equity.
(5) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs.
(6) Net profit margin ratio is derived by dividing net profit with total revenue.
(7) Return on assets is measured by dividing net income after tax with total assets.
(8) Return on equity is measured by dividing net income after tax with total capital accounts.
(9) Solvency ratio is measured by dividing net income after tax plus depreciation with total liabilities.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
SUBSIDIARIES, AFFILIATES GROUP STRUCTURE
As of December 31, 2022



Associates:



ANNEX 68-I

Schedule for Listed Companies with a Recent Offering of Securities to the Public
As of December 31, 2022

Philippine Realty And Holdings Corporation
One Balete, 1 Balete Drive Corner N. Domingo St.
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

1. Gross and net proceeds as disclosed in the final prospectus
   Not applicable

2. Actual gross and net proceeds
   Not applicable

3. Each expenditure item where the proceeds were used
   Not applicable

4. Balance of the proceeds as of end reporting period
   Not applicable

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule A – Financial Assets
December 31, 2022

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at fair value through profit or loss				
Tagaytay Properties	6,750,000 shares	P6,750,000	P6,750,000	P -
Financial Assets at Fair Value through OCI				
Equity securities				
A. Brown Company, Inc.	36,840,000 shares	P29,103,600	P29,103,600	P -
Premium Leisure Corporation	14,264,120 shares	6,133,572	6,133,572	-
Philippine Racing Club (prc)	944 shares	7,364	7,364	-
Orchard Golf & Country Club CLASS "C" Shares	1 share	800,000	800,000	-
Valley Golf Country Club	1 share	1,600,000	1,600,000	-
	51,105,066 shares	P37,644,536	P37,644,536	P -
Trade and other receivables - net		P559,511,421	P559,511,421	P619,736
		P603,905,957	P603,905,957	P619,736

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule B –Amounts Receivable from Director, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
AGUILAR, DENNIS	P27,836	P41,754.00	(P41,754.00)	P -	P27,836.00	P -	P27,836.00
ALMEROL, CARLA	104,035	301,489.00	(340,051.00)	-	65,473.00	-	65,473.00
AVILA, JESSICA	8,000	2,071.00	(2,071.00)	-	8,000.00	-	8,000.00
BONTOGON, MARISSA	486,365	205,864.00	(461,442.00)	-	230,787.00	-	230,787.00
CALANOG, DANTE	54,062	61,602.00	(72,489.00)	-	43,175.00	-	43,175.00
CALUBAYAN, MARIE JOYCE	81,924	220,333.00	(265,369.00)	-	36,888.00	-	36,888.00
CARAG, ADELINE SUSAN	424,172	3,826.00	(316,733.00)	-	111,265.00	-	111,265.00
CARTAGENA, AILENE	21,441	51,162.00	(48,098.00)	-	24,505.00	-	24,505.00
CATACUTAN, MIGUEL GERALDITO	40,216	11,468.00	(51,612.00)	-	72.00	-	72.00
CIAR, ERWIN	585,731	245,588.00	(697,146.00)	-	134,173.00	-	134,173.00
CONSTANTINO,VIRGILIO	-	-	-	-	-	-	-
CRUZ, ROSELLE	10,092	28,530.00	(28,529.00)	-	10,093.00	-	10,093.00
DAYRIT, AMYLEEN JOY	168,254	15,274.00	(108,301.00)	-	75,227.00	-	75,227.00
DEL ROSARIO, ALFREDO S	13,267,568	271,055.00	(627,616.00)	-	12,911,007.00	-	12,911,007.00
DELA CRUZ, ANGELICA	20,445	12,806.00	(33,251.00)	-	-	-	-
DEOCAMPO, DEXTER JAN	-	41,807.00	(24,295.00)	-	17,512.00	-	17,512.00
DEOCERA, NORBERT	90,430	10,453.00	(100,883.00)	-	-	-	-
DUMAYAS, JINECA PRINCESS	-	7,000.00	(7,000.00)	-	-	-	-

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
DURAN, AILEEN	1,411,469	4,577,495.00	(5,457,274.00)	-	531,690.00	-	531,690.00
DURAN, NORMALENE	249,561	29,271.00	(105,512.00)	-	173,320.00	-	173,320.00
ENRIQUEZ, EDILYNDA	264,707	220,597.00	(485,304.00)	-	-	-	-
FAJATIN, INJA	-	47,450.00	(47,450.00)	-	-	-	-
FISCHER, VINCENT	1,468,891	-	-	-	1,468,891.00	-	1,468,891.00
GAGTAN, ALAIN FLORA		-	-		-		-
GARGAR, ERWIN	3,500	-	(3,500.00)	-	-	-	-
GATCHALIAN, VILLAMOR	20,007	64,696.00	(62,836.00)	-	21,867.00	-	21,867.00
GO, RICHARD NICOLAS KO	752,503	61,594.00	(642,258.00)	-	171,839.00	-	171,839.00
GOZO, CAROL JOY	80,500	245,500.00	(316,000.00)	-	10,000.00	-	10,000.00
HERNANI, MARIA ELIZABETH	26,399	134,676.00	(161,075.00)	-	-	-	-
ISNIT, JOSEFINA	497,379	749,242.00	(1,130,287.00)	-	116,334.00	-	116,334.00
LAMPAS, ROCHELLE JOY	23,760	28,562.00	(52,322.00)	-	-	-	-
LANUZA, CAMILLE	67,495	-	-	-	67,495.00	-	67,495.00
LANUZA, GERARDO DOMENICO	813,444	22,536.00	(628,266.00)	-	207,714.00	-	207,714.00
LAROYA, JOHN CEDRICK	10,000	-	-	-	10,000.00	-	10,000.00
MAGPAYO, GILBERT	3,500	-	(3,500.00)	-	-	-	-
MAGPAYO, JERRY	-	32,000.00	(29,000.00)	-	3,000.00	-	3,000.00
MEDRANO, EDMUNDO	1,231,026	10,219.00	(836,416.00)	-	404,829.00	-	404,829.00
MIRANDE, MIKE	375,810	101,266.00	(385,114.00)	-	91,962.00	-	91,962.00
NARITO-DIOCARES, GERALDINE	-	109,220.00	(104,220.00)		5,000.00		5,000.00
PACA, CARLOS MIGUEL	859,477	468,612.00	(602,226.00)	-	725,863.00	-	725,863.00
PANESA, MARIA TERESA	-	94,000.00	(80,500.00)		13,500.00		13,500.00
PENGSON, BELLE	1,950	17,000.00	(18,950.00)	-	-	-	-

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
PERILLO, MARIA CHRISTINA	284,841	330,067.00	(369,165.00)	-	245,743.00	-	245,743.00
PUYAT, TXYLA	233,365	21,224.00	(91,439.00)	-	163,150.00	-	163,150.00
RAMOS, MARK ANTHONY	161,684	42,715.00	(163,831.00)	-	40,568.00	-	40,568.00
REYES, REINHARD	-	4,390.00	(4,390.00)	-	-	-	-
SANTOS, ROZANO	408,006	366,458.00	(426,080.00)	-	348,384.00	-	348,384.00
SANTOS, LEONARD ROSS	254,028	218,197.00	(123,661.00)	-	348,564.00	-	348,564.00
TABAJEN, CHRISTIAN	-	28,244.00	(28,244.00)	-	-	-	-
TABLADA, DEXTER	-	40,897.00	(40,897.00)	-	-	-	-
TABORLUPA, MARGIE	150,607	158,463.00	(204,845.00)	-	104,225.00	-	104,225.00
TAMANG, CHARLIE	7,000	-	(7,000.00)	-	-	-	-
TUROT, KRISTEL JOY	15,630	330.00	(330.00)	-	-	-	-
UMAYAM,RODRIGO	102,836	5,069.00	(20,699.00)	-	-	-	-
VALENTIN, RHONALD	-	334,844.00	(371,365.00)	-	66,315.00	-	66,315.00
VEDAÑA, FERDERICK	26,897	134,827.00	(134,827.00)	-	-	-	-
VERCELES, REGANDOR	407,647	62,292.00	(75,264.00)	-	13,925.00	-	13,925.00
VERZOSA, SAMUEL	-	148,156.00	(248,875.00)	-	306,928.00	-	306,928.00
VICTORIA, RODOLFO	7,582	-	-	-	-	-	-
VINLUAN, FATIMA	-	-	-	-	-	-	-
Others	201,889	3,804.00	(205,693.00)	-	-	-	-
	P25,813,961	**P10,476,906.00**	**(P16,933,748.00)**	**P -**	**P19,357,119.00**	**P -**	**P19,357,119.00**

Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule C – Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statement
December 31, 2022

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected (i)	Amounts written-off (ii)	Current	Non-current	Balance at the end of period
Universal Travel Corporation, Subsidiary	P29,897,408	P92,243	P -	P -	P -	P29,989,651	P29,989,651
PRHC Property Managers, Inc., Subsidiary	9,222,303	4,137,628	-	-	13,359,931	-	13,359,931
Sultan's Power, Inc., Subsidiary	76,409,530	3,941,544	50,000	-	-	80,301,074	80,301,074
	P115,529,241	P8,171,415	P50,000	P -	P13,359,931	P110,290,725	P123,650,656

i. If collected was other than in cash, explain.

ii. Give reasons to write-off.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule D – Long Term Debt
December 31, 2022

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt in related Statement of Financial Position " (ii)	Amount shown under caption "Long-term debt in related Statement of Financial Position " (iii)	Interest Rate %	Maturity Date
Car loan	25,574,812	1,583,107	706,599	0.78%-0.80%	2023-2024
Car loan	15,789,574	536,450	574,351	0.73%-0.79%	2023-2025
Real estate mortgage	1,489,966,798	413,706,633	226,260,165	4.75%-8.5%	2023-2025
Real estate mortgage	900,000,000	250,000,000	-	4.5%-6%	2023
Notes Payable	3,744,000	896,804	159,255	11.06%	2024

i. Include in this column each type of obligation authorized.
ii. This column is to be totalled to correspond to the related Statements of Financial Position caption.
iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule E – Indebtedness to Related Parties
(included in the Consolidated Financial Statement of Position)
December 31, 2022

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)

None to report.

i. The related party shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.
ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2022

Name of the issuing entity of securities guaranteed by the company for which this statement is fled	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)

None to report.

i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest"', "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
Schedule G – Capital Stock
December 31, 2022

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common	16,000,000,000	7,866,647,523	-	-	545,896,841	-

i. Include in this column each type of issue authorized
ii. Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
iii. Indicate in a note any significant changes since the date of the last balance sheet filed.

OFFICE

One Balete Complex
1 Balete Drive corner N. Domingo St.
Brgy. Kaunlaran, Quezon City 1111 Philippines

Telephone: (632) 8631 3179
E-mail: info@philrealty.com.ph
Website: www.philrealty.com.ph

LEGAL COUNSELS

Bernardo Placido Chan & Lasam Law Offices
Martinez, Vergara, Gonzales & Serrano Law Office
Pastelero Law Office
Somera Javeloza & Associates
Tiongco Siao Bello & Associates Law Offices

BANKS

BDO Unibank, Inc.
Bank of the Philippine Islands
Maybank Philippines, Inc.
Metropolitan Bank and Trust Co.
Philippine Bank of Communications
Philippine National Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Union Bank of the Philippines

TRANSFER AGENT

Stock Transfer Service, Inc.

AUDITOR

Maceda Valencia & Co.

LISTING

Philippine Stock Exchange

Philippine Realty &
Holdings Corporation