

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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6	7	5	2		A	Y	A	L	A		A	V	E	.		C	O	R	.		M	A	K	A	T	I		
A	V	E	.		M	A	K	A	T	I			C	I	T	Y												

(Business address: No. Street City / Town / Province)

CHRISTINE P. BASE

Contact Person

(02) 8844-3906

Company Telephone Number

1	2
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Month
Fiscal Year

3	1
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Day

1	7	-	Q
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FORM TYPE

0	7
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Month

1	5
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Day

Annual Meeting

N/A

Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

91

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

CASHIER

STAMPS

SEC Number CS200411593

File Number _____

ANCHOR LAND HOLDINGS, INC.

Company's Full name

**11th Floor, L.V. Locsin Building, 6752 Ayala Avenue
Corner Makati Avenue, Makati City, Philippines 1228**

Company's Address

(02) 8988-7988

Telephone Number

December 31

Fiscal Year Ending
(month & day)

17-Q (2nd Quarter)

Form Type

Amended Designation (if applicable)

June 30, 2022

Period Ended Date

Registered and Listed

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **June 30, 2022**
2. Commission identification number **CS200411593** 3. BIR Tax Identification No. **232-639-838-000**
4. Exact name of issuer as specified in its charter **ANCHOR LAND HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Makati City, Philippines**
6. Classification Code: (SEC Use Only)
7. Address of issuer's principal office **11th Floor, L.V. Locsin Building, 6752 Ayala Avenue corner
Makati Avenue, Makati City, Philippines**
Postal Code **1228**
8. Issuer's telephone number, including area code **(02) 8988-7988**
9. Former name, former address and former fiscal year, if changed since last report **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Outstanding and Amount of Debt Outstanding</u>
Common Shares	1,040,001,000 Shares
Preferred Shares	346,667,000 Shares
Loans Payable	₱19,771,188,097

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

PART I. FINANCIAL INFORMATION

Financial Statements

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency and presentation currency under Philippine Financial Reporting Standards (PFRSs). All amounts are rounded to the nearest peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. Considering the evolving nature of the COVID-19 pandemic with its inherent uncertainties on businesses, the Group will continue to monitor the situation and adopt appropriate risk management procedures and business continuity strategies in order to mitigate its adverse impact.

The accompanying consolidated financial statements, are prepared in accordance with PFRSs, as modified by the application of the following reporting reliefs issued and approved by the Philippine SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic:

- a. Deferral of the application of Philippine Interpretations Committee (PIC) Q&A No. 2018-12, *accounting for significant financing component* and the *exclusion of land in the calculation of percentage of completion*; and
- b. Deferral of the application of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under Philippine Accounting Standards (PAS) 23, *Borrowing Cost*.

SEC Memorandum Circular No. 34-2020 further allowed the deferral of application of these accounting pronouncements for another three years, or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Changes in Accounting Policies and Disclosures section of Note 2.

PFRSs include PFRS, PAS and Interpretations issued by the PIC.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies as discussed in Note 2 of the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Group has selected and applied accounting policies so that consolidated financial statements will comply with all the requirements of PFRSs. If there are no specific requirements, management develops policies to ensure that the consolidated financial statements provide relevant and reliable information.

The Group maintains and adopts accounting principles or practices, which affect relevance, reliability and comparability of the consolidated financial statements with those of prior periods.

The Group has made no significant changes in the accounting estimates of the amounts reported during the interim period of the consolidated financial year and in the comparative interim period or changes in estimates of amounts reported in prior financial years.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements, including the related notes contained herein.

Results of Operations (January – June 30, 2022 vs. January – June 30, 2021)

The Group reported a total consolidated revenues of ₱2,379.70 million for the six-month period ended June 30, 2022, an increase of 9% compared to the same period in the prior year. The Group's revenue from real estate sales and rental totaled ₱1,484.53 million and ₱562.06 million and contributed 62% and 24%, respectively, to the Group's total consolidated revenues.

Real estate sales remained stable with 3% increase during the period compared to the prior year. Revenue from real estate sales mainly came from the Group's ongoing projects as a result of their steady construction accomplishments while newly recognized sales caused the increase in real estate sales during the period.

Meanwhile, the Group recorded an increase of 16% in rental revenue after generating ₱562.06 million this reporting period compared to ₱486.01 million from the same period in the prior year. Rental income of the Group was mainly generated from The Centrium, Two Shopping Center and other completed logistic and commercial projects.

Overall, the Group recorded an increase of 37% in its consolidated net income and 33% increase in earnings per share with the reported amounts of ₱304.45 million and ₱0.28 per share, respectively, compared to ₱222.45 million and ₱0.21 per share from the same period in the prior year.

Financial Condition (June 30, 2022 vs. December 31, 2021)

The Group did not have significant movement in its total assets with the reported amounts of ₱37,601.78 million as at June 30, 2022 compared to ₱37,274.33 million as at December 31, 2021.

While there were recorded increases as a result of continuous construction in real estate for development and sale, property and equipment and investment properties of ₱1,184.20 million, the Group's receivable decreased from ₱3,846.83 million as at December 31, 2021 to ₱3,007.95 million this reporting period. This decrease was caused by the continuous collections of installment contract receivable and rental receivable that exceeded the revenue recognized during the period.

On the other hand, the movement in the Group's total liabilities was flat with a slight increase of ₱70.81 million. Customers' deposits increased by 9% or ₱303.83 million as a result of collections from the buyers and tenants while the loans payable decreased by ₱659.93 million due to the settlements made during the period.

The movements in equity accounts follow:

- Retained earnings - increase brought by the net income for the six-month period ended June 30, 2022 net of the dividends declared and paid.
- Non-controlling interests – increase due to the six-month period net income attributable to the non-controlling interests.

Material Changes to the Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2022 compared with the Six Months Ended June 30, 2021 (Increase/Decrease of 5% or more)

Rental revenue increased by 16% or ₱76.05 million mainly due to the higher rental income recognized from the Centrium Project.

Interest and other income increased by 31% or ₱74.79 million due to the increase in other income from service fees, forfeited collections, interest and penalty charges to the buyers and tenants.

Selling and administrative expenses increased by 9% or ₱55.01 million mainly due to the increase in taxes and licenses.

Provision for income tax increased by 64% or ₱39.33 million due to higher income recorded in the first half of 2022. The effect of adjustments in relation to the implementation of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) was recorded and resulted to lower income tax expense in the prior year.

Income before tax and net income increased by 43% and 37%, or ₱121.14 million and ₱81.81 million, respectively, as a result of the above-mentioned transactions.

Material Changes to the Balance Sheet as at June 30, 2022 compared to December 31, 2021 (Increase/Decrease of 5% or more)

Cash and cash equivalents decreased by ₱75.86 million or 6% due to the settlement of loans during the period.

Receivables (including noncurrent portion) decreased by ₱838.88 million or 22% mainly due to the decrease in installment contract receivables as a result of the collections from installment contract receivables, net of sales recognized during the period.

Property and equipment increased by ₱478.02 million or 16% mainly due to construction cost incurred for the development of the Group's hotel project and right-of-use asset recognized for the lease of additional floors at the Head Office.

Deferred tax assets increased by ₱65.00 million which was mainly caused by the recognition of deferred tax asset on the Group's lease liability.

The increase in accounts and other payables (including noncurrent portion) by ₱253.20 million or 6% was mainly brought by the advances received from the minority shareholder of one of the subsidiaries for the project development.

Lease liabilities (including noncurrent portion) increased by ₱81.95 million or 29% mainly due to the additional liability recognized for the lease of additional floors at the Head Office.

Customers' advances and deposits (including noncurrent portion) increased by ₱303.83 million or 9% due to the collections received from the buyers and tenants that are not yet recognized as revenue as of the reporting period.

Pension liability increased by 11% or ₱8.04 million due to the accrual of pension costs for the period ended.

Deferred tax liabilities increased by ₱83.39 million mainly due to the decrease in deferred taxes related to differences between tax and book basis of accounting for real estate transactions and unamortized discount on installment contracts receivable.

Non-controlling interests increased by 23% or ₱5.57 million due to current period net income recognized by subsidiaries with non-controlling interests.

KEY PERFORMANCE INDICATORS

The Group assessed its performance based on the following key performance indicators:

	As of June 30, 2022	As of December 31, 2021
Liquidity Ratio:		
(1) Current Ratio	1.44 : 1	1.58 : 1
(2) Debt to Equity Ratio	3.21 : 1	3.29 : 1
(3) Asset to Equity Ratio	4.21 : 1	4.29 : 1

	For the period ended June 30, 2022	For the period ended June 30, 2021
(4) Earnings before Interest, Taxes, Depreciation and Amortization	₱847.38 million	₱772.94 million
(5) Interest Coverage Ratio	1.43 : 1	1.25 : 1
(6) Return on Revenue	12.8%	10.5%
(7) Return on Equity	3%	3%
(8) Basic Earnings per Share	₱0.28	₱0.21

- (1) Current Assets / Current Liabilities
- (2) Total Liabilities / Total Stockholders' Equity
- (3) Total Assets / Total Stockholders' Equity
- (4) Income before Tax, Interest, Depreciation and Amortization
- (5) Income before Tax, Interest, Depreciation and Amortization / Interest Expense
- (6) Net Income attributable to equity holders / Total Revenue
- (7) Net Income attributable to equity holders / Total Stockholders' Equity
- (8) Net Income attributable to equity holders –Preferred Shares Dividends / Outstanding Shares

These key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and a measure of the Group's ability to maximize the value of its stockholders' investment in the Group (Earnings per Share, Earnings before Interest and Taxes and Return on Equity).

The Group will continue to identify potential sites for development and pursue expansion activities by establishing landmark developments in the high rise residential luxury condominium and investment properties. The Group intends to implement this by putting up the required resources needed for the development of its existing and future projects.

OTHER INTERIM DISCLOSURES

Other than those items already disclosed in the consolidated financial statements and in this report, there were no material events or uncertainties known to management as at June 30, 2022, in respect of the following:

- Any known trends, demands, commitments, events or uncertainties that are reasonably expected to have a material effect on liquidity. The Group does not anticipate having within the next 12 months any liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases or other indebtedness or financing agreement.
- Events that will trigger material financial obligation to the Group.
- Material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales/revenue/income from continuing operations.
- Significant elements of income or loss that did not arise from the Group's continuing operations.
- Seasonal aspects that had material effect on the financial condition or result of operations.

AGING OF RECEIVABLES**As at June 30, 2022**

	Total	Neither Past Due Nor Impaired	Past due but not impaired				Individually Impaired
			<30 days	30-60 days	61-90 days	>90 days	
Installment contracts receivable	₱2,707,585,417	₱2,682,634,045	₱1,604,645	₱1,043,337	₱446,523	₱21,856,867	₱-
Rental receivable	208,837,832	193,431,433	2,912,106	2,329,384	394,016	9,770,893	-
Advances to employees and agents	29,032,767	29,032,767	-	-	-	-	-
Due from condominium associations	28,087,293	28,087,293	-	-	-	-	-
Others	51,605,697	34,402,346	-	-	-	-	17,203,351
	₱3,025,149,006	₱2,967,587,884	₱4,516,751	₱3,372,721	₱840,539	₱31,627,760	₱17,203,351

PART II. OTHER INFORMATION

For the period ended June 30, 2022, the Group reported the following information on SEC Form 17-C:

Date of Report	Nature of Item Reported
April 21, 2022	Notice of Annual or Special Stockholders' Meeting
April 21, 2022	Declaration of Cash Dividends
April 21, 2022	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
July 15, 2022	Results of Organizational Meeting of Board of Directors
July 15, 2022	Results of Annual or Special Stockholders' Meeting

Signature

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

By:

Registrant: **Anchor Land Holdings, Inc.**



CHARLES STEWART LEE
Chairman



NEIL Y. CHUA
Chief Finance Officer

Anchor Land Holdings, Inc.
and Subsidiaries

Consolidated Financial Statements
June 30, 2022 and December 31, 2021
And Periods Ended June 30, 2022 and 2021
And Years Ended December 31, 2021 and 2020

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱1,191,379,163	₱1,267,238,727
Receivables (Note 5)	2,281,633,008	3,066,536,677
Real estate for development and sale (Note 6)	9,022,254,735	8,745,706,850
Other current assets (Note 7)	2,362,991,227	2,352,647,096
	14,858,258,133	15,432,129,350
Noncurrent Assets		
Receivables - net of current portion (Note 5)	726,312,647	780,292,010
Property and equipment (Note 8)	3,457,862,209	2,979,845,960
Investment properties (Note 9)	17,287,202,545	16,857,563,302
Deferred tax assets - net (Note 18)	197,342,585	132,343,093
Other noncurrent assets (Note 10)	1,074,798,015	1,092,160,966
	22,743,518,001	21,842,205,331
	₱37,601,776,134	₱37,274,334,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 11)	₱3,310,155,875	₱3,259,159,270
Lease liabilities - current portion (Note 22)	55,849,215	42,946,098
Income tax payable	85,837,325	85,508,939
Loans payable - current portion (Note 12)	3,523,033,393	3,409,796,317
Customers' advances and deposits - current portion (Note 13)	3,317,187,339	2,996,603,171
	10,292,063,147	9,794,013,795
Noncurrent Liabilities		
Accounts and other payables - net of current portion (Note 11)	1,136,300,772	934,093,032
Lease liabilities - noncurrent portion (Note 22)	306,440,695	237,396,090
Loans payable - net of current portion (Note 12)	16,248,154,704	17,021,323,375
Customers' advances and deposits - net of current portion (Note 13)	293,209,104	309,961,991
Deferred tax liabilities - net (Note 18)	307,058,735	223,672,356
Pension liabilities (Note 17)	82,384,055	74,339,722
	18,373,548,065	18,800,786,566
	₱28,665,611,212	₱28,594,800,361

(Forward)

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Equity (Note 19)		
Equity attributable to equity holders of Anchor Land Holdings, Inc.		
Capital stock		
Common stock	₱1,040,001,000	₱1,040,001,000
Preferred stock	346,667,000	346,667,000
Additional paid-in capital	632,687,284	632,687,284
Other comprehensive income	52,493,749	52,493,749
Retained earnings		
Appropriated	4,621,200,000	5,071,200,000
Unappropriated	2,261,861,913	1,560,799,790
	8,954,910,946	8,703,848,823
Non-controlling interests	(18,746,024)	(24,314,503)
	8,936,164,922	8,679,534,320
	₱37,601,776,134	₱37,274,334,681

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2022 Unaudited		2021 Unaudited	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
REVENUE				
Real estate sales (Note 21)	₱647,114,084	₱1,484,532,354	₱826,665,531	₱1,442,240,493
Rental income (Notes 9, 13, 21 and 22)	229,401,130	562,061,258	238,587,737	486,010,661
Management fee (Note 21)	6,615,121	14,687,725	7,716,446	14,925,202
Interest and other income (Notes 4, 5, 15 and 21)	188,317,753	318,420,059	116,504,487	243,634,457
	1,071,448,088	2,379,701,396	1,189,474,201	2,186,810,813
COSTS AND EXPENSES				
Real estate (Notes 6, 16 and 21)	532,687,802	1,313,320,235	747,773,769	1,297,338,702
Selling and administrative (Notes 16 and 21)	324,370,720	635,457,198	300,302,538	580,444,670
Finance costs (Notes 12, 17, 21 and 22)	15,685,311	25,833,056	13,518,327	25,076,787
	872,743,833	1,974,610,489	1,061,594,634	1,902,860,159
INCOME BEFORE INCOME TAX	198,704,255	405,090,907	127,879,567	283,950,654
PROVISION FOR INCOME TAX (Note 18)	43,712,776	100,827,127	32,069,158	61,499,452
NET INCOME	154,991,479	304,263,780	95,810,409	222,451,202
OTHER COMPREHENSIVE INCOME	–	–	2,698,505	2,698,505
TOTAL COMPREHENSIVE INCOME	₱154,991,479	₱304,263,780	₱98,508,914	₱225,149,707
Net income attributable to:				
Equity holders of Anchor Land Holdings, Inc.	₱151,779,208	₱303,445,565	₱101,732,104	₱230,021,360
Non-controlling interests	3,212,271	818,215	(5,921,695)	(7,570,158)
	₱154,991,479	₱304,263,780	₱95,810,409	₱222,451,202
Total comprehensive income attributable to:				
Equity holders of Anchor Land Holdings, Inc.	₱151,779,208	₱303,445,565	₱104,430,609	₱232,719,865
Non-controlling interests	3,212,271	818,215	(5,921,695)	(7,570,158)
	₱154,991,479	₱304,263,780	₱98,508,914	₱225,149,707
Basic/Diluted Earnings Per Share (Note 23)	₱0.13	₱0.28	₱0.08	₱0.21

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Parent					Attributable to Non-controlling Interests		Total
	Common Stock (Note 19)	Preferred Stock (Note 19)	Additional Paid-in Capital	Other Comprehensive Income	Retained Earnings (Note 19)			
					Appropriated	Unappropriated		
At January 1, 2022	₱1,040,001,000	₱346,667,000	₱632,687,284	₱52,493,749	₱5,071,200,000	₱1,560,799,790	(₱24,314,503)	₱8,679,534,320
Net income	–	–	–	–	–	303,445,565	818,215	304,263,780
Total comprehensive income	–	–	–	–	–	303,445,565	818,215	304,263,780
Change in non-controlling interests (Note 1)	–	–	–	–	–	(3,850,062)	4,750,264	900,202
Dividends declared	–	–	–	–	–	(48,533,380)	–	(48,533,380)
Release from appropriations	–	–	–	–	(450,000,000)	450,000,000	–	–
At June 30, 2022	₱1,040,001,000	₱346,667,000	₱632,687,284	₱52,493,749	₱4,621,200,000	₱2,261,861,913	(₱18,746,024)	₱8,936,164,922
At January 1, 2021	₱1,040,001,000	₱346,667,000	₱632,687,284	₱37,640,401	₱4,570,000,000	₱1,677,694,534	(₱9,201,764)	₱8,295,488,455
Net income	–	–	–	–	–	230,021,360	(7,570,158)	222,451,202
Other comprehensive income	–	–	–	2,698,505	–	–	–	2,698,505
Total comprehensive income	–	–	–	2,698,505	–	230,021,360	(7,570,158)	225,149,707
Dividends declared	–	–	–	–	–	(48,533,380)	–	(48,533,380)
At June 30, 2021	₱1,040,001,000	₱346,667,000	₱632,687,284	₱40,338,906	₱4,570,000,000	₱1,859,182,514	(₱16,771,922)	₱8,472,104,782
At January 1, 2021	₱1,040,001,000	₱346,667,000	₱632,687,284	₱37,640,401	₱4,570,000,000	₱1,677,694,534	(₱9,201,764)	₱8,295,488,455
Net income	–	–	–	–	–	432,838,636	(13,612,739)	419,225,897
Other comprehensive income	–	–	–	14,853,348	–	–	–	14,853,348
Total comprehensive income	–	–	–	14,853,348	–	432,838,636	(13,612,739)	434,079,245
Deconsolidation from loss of control	–	–	–	–	–	–	(1,500,000)	(1,500,000)
Dividends declared	–	–	–	–	–	(48,533,380)	–	(48,533,380)
Appropriated during the year	–	–	–	–	551,200,000	(551,200,000)	–	–
Release from appropriations	–	–	–	–	(50,000,000)	50,000,000	–	–
At December 31, 2021	₱1,040,001,000	₱346,667,000	₱632,687,284	₱52,493,749	₱5,071,200,000	₱1,560,799,790	(₱24,314,503)	₱8,679,534,320
At January 1, 2020	₱1,040,001,000	₱346,667,000	₱632,687,284	₱2,675,877	₱4,670,000,000	₱1,349,379,136	(₱11,011,170)	₱8,030,399,127
Net income	–	–	–	–	–	349,648,848	1,741,878	351,390,726
Other comprehensive income	–	–	–	34,964,524	–	–	67,528	35,032,052
Total comprehensive income	–	–	–	34,964,524	–	349,648,848	1,809,406	386,422,778
Release from appropriations	–	–	–	–	(100,000,000)	100,000,000	–	–
Dividends declared	–	–	–	–	–	(121,333,450)	–	(121,333,450)
At December 31, 2020	₱1,040,001,000	₱346,667,000	₱632,687,284	₱37,640,401	₱4,570,000,000	₱1,677,694,534	(₱9,201,764)	₱8,295,488,455

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six-month Periods Ended June 30		Years Ended December 31	
	2022 (Unaudited)	2021 (Unaudited)	2021 (Audited)	2020 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱405,090,907	₱283,950,654	₱521,113,957	₱509,862,950
Adjustments for:				
Interest income (Note 15)	(132,118,388)	(202,254,941)	(386,866,434)	(537,710,804)
Depreciation and amortization (Notes 8, 9, 10 and 16)	148,363,168	150,803,179	296,318,103	292,032,970
Finance costs (Notes 12, 17, 21 and 22)	25,833,056	25,076,787	48,792,991	53,222,838
Pension costs (Note 17)	6,182,377	9,396,726	12,364,754	18,339,809
Loss on demolition (Notes 9 and 16)	—	—	108,796,357	—
Operating income before working capital changes	453,351,120	266,972,405	600,519,728	335,747,763
Decrease (increase) in:				
Receivables	839,883,034	681,133,562	1,482,569,915	1,099,026,187
Real estate for development and sale (Notes 6 and 12)	(280,977,487)	(522,268,727)	(853,766,144)	(415,346,345)
Other assets	5,600,737	(90,115,817)	(226,394,071)	(208,006,120)
Increase (decrease) in:				
Accounts and other payables	270,509,325	181,327,034	294,626,148	254,241,065
Customers' advances and deposits	303,831,281	(1,767,894)	(178,119,190)	310,529,735
Net cash generated from operations	1,592,198,010	515,280,563	1,119,436,386	1,376,192,285
Interest received	132,118,388	202,254,941	386,866,434	537,710,804
Income tax paid, including applications of creditable withholding taxes	(81,287,755)	(155,439,334)	(187,473,663)	(408,681,073)
Interest paid (Note 12)	(21,668,140)	(68,536,366)	(89,522,599)	(17,000,123)
Net cash provided by operating activities	1,621,360,503	493,559,804	1,229,306,558	1,488,221,893
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment (Notes 8 and 12)	(160,703,411)	(133,419,027)	(327,437,876)	(597,056,929)
Investment properties (Notes 9 and 12)	(779,622,082)	(998,894,800)	(1,981,635,959)	(1,932,661,913)
Software and brand development costs	(327,321)	(621,274)	(621,275)	(4,829,125)
Net cash used in investing activities	(940,652,814)	(1,132,935,101)	(2,309,695,110)	(2,534,547,967)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availments	1,284,750,750	4,896,110,885	7,701,903,757	4,075,999,368
Payments of:				
Lease liabilities (Note 22)	(32,965,352)	(29,017,690)	(57,686,211)	(55,578,467)
Loans payable	(1,959,819,271)	(4,130,456,190)	(6,623,337,266)	(2,666,559,932)
Dividends (Note 19)	(48,533,380)	(48,533,380)	(48,533,380)	(121,333,450)
Net cash provided by (used in) financing activities (Note 24)	(756,567,253)	688,103,625	972,346,900	1,232,527,519
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,859,564)	48,728,328	(108,041,652)	186,201,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,267,238,727	1,375,280,379	1,375,280,379	1,189,078,934
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱1,191,379,163	₱1,424,008,707	₱1,267,238,727	₱1,375,280,379

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Corporate Information

Anchor Land Holdings, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 29, 2004. The Parent Company started its operations on November 25, 2005 and eventually traded its shares to the public in August 2007. The registered office address of the Parent Company is at 11th Floor, L.V. Locsin Building, 6752 Ayala Avenue corner Makati Avenue, Makati City.

Below are the Parent Company's subsidiaries with its respective percentage ownership in 2022 and 2021:

Property Development

Gotamco Realty Investment Corporation (GRIC)	100%
Anchor Properties Corporation or APC (formerly Manila Towers Development Corporation)	100%
Posh Properties Development Corporation (PPDC)	100%
Admiral Realty Company, Inc. (ARCI)	100%
Anchor Land Global Corporation (ALGC)	100%
Realty & Development Corporation of San Buenaventura	100%
Pasay Metro Center, Inc.	100%
1080 Soler Corp.	100%
Nusantara Holdings, Inc.	100%
Globeway Property Ventures, Inc. (GPVI)	70%
Basiclink Equity Investment Corp. (BEIC)	100%
Ireanmeda Realty, Inc.	100%
Frontier Harbor Property Development, Inc.	60% in 2022 100% in 2021
TeamEx Properties Development Corporation (TPDC)	100%
WeWork Realty Development Corporation (WRDC)	100%
Fersan Realty Corporation (FRC)	100%
One Binondo Prime Properties Corp. (OBPPC)	100%
Hotels and Resorts	
Anchor Land Hotels & Resorts, Inc. (ALHRI)	100%
Property Management	
Momentum Properties Management Corporation (MPMC)	100%
Marathon Properties Management and Holdings, Corporation (MPMHC)	100%
Aluminum and Glass Doors and Windows Fabrication and Installation	
Eisenglas Aluminum and Glass, Inc. (EAGI)	100% in 2022 60% in 2021

All of the Parent Company's subsidiaries were incorporated and domiciled in the Philippines.

The Parent Company and its subsidiaries (collectively called "the Group") have principal business interest in the development and sale of high-end residential condominium units and in the development and leasing of commercial, warehouse and office spaces. MPMC provides property management services to the Group's completed projects, commercial centers and buyers. ALHRI was

incorporated in June 2017 to engage in the Group's hotel and resort operations. TPDC and WRDC were incorporated in September 2018 and November 2018, respectively, to engage in the Group's property development operations. As at June 30, 2022, FHPDI, FRC, TPDC, WRDC and ALHRI have not yet started commercial operations.

In 2020, EAGI has stopped its operations. EAGI is previously engaged in the fabrication and installation of aluminum and glass doors and windows.

The following are the changes in the Group's structure in 2022 and 2021 (see Notes 3 and 9):

For the six-month period ended June 30, 2022:

- MPMC acquired the 40% non-controlling interests (NCI) in EAGI from a number of individuals. The acquisition resulted in an increase in the Group's ownership interest in EAGI from 60% to 100% and derecognition of NCI amounting to ₱4.71 million; and
- ALGC sold 40% of the voting shares of FHPDI to a third-party corporation. The sale resulted in a decrease in the Group's ownership interest in FHPDI from 100% to 60% and recognition of NCI directly to equity amounting to ₱0.04 million.

The above transactions resulted in addition (reduction) to retained earnings amounting to (₱4.81 million) and ₱0.96 million, respectively.

For the year ended December 31, 2021:

- GRIC acquired 100% of the voting shares of OBPPC, a company registered in the Philippines whose principal activity is to engage in property development;
- MPMC acquired 100% of the voting shares of MPMHC, a company registered in the Philippines whose principal activity is to provide property management services to the Group; and
- BEIC sold 70% of the voting shares of All Farm Genetic Venture Corp. (AFGVC) to a number of individuals. The sale resulted in a loss of control in AFGVC and deconsolidation by the Group.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency and presentation currency under Philippine Financial Reporting Standards (PFRSs). All amounts are rounded to the nearest peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. Considering the evolving nature of the COVID-19 pandemic with its inherent uncertainties on businesses, the Group will continue to monitor the situation and adopt appropriate risk management procedures and business continuity strategies in order to mitigate its adverse impact.

The accompanying consolidated financial statements, are prepared in accordance with PFRSs, as modified by the application of the following reporting reliefs issued and approved by the Philippine SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic:

- a. Deferral of the application of Philippine Interpretations Committee (PIC) Q&A No. 2018-12, *accounting for significant financing component and the exclusion of land in the calculation of percentage of completion (POC)*; and
- b. Deferral of the application of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under Philippine Accounting Standards (PAS) 23, *Borrowing Cost*.

SEC Memorandum Circular No. 34-2020 further allowed the deferral of application of these accounting pronouncements for another three years, or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 2.

PFRSs include PFRS, PAS and Interpretations issued by the PIC.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, entities over which the Parent Company has control.

Specifically, the Parent Company controls an investee if and only if the Parent Company has all the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- Any contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases.

Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date the Parent Company gains control or until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and

each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to NCI, even if this results in the NCI having a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position.
- Recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9, *Financial Instruments* or, when appropriate, the cost on initial recognition of an investment in associate or joint venture.
- Recognizes the gain or loss of control attributable to the former controlling interest.

Non-controlling Interests

NCI represent the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the following new and amended PFRS which were adopted beginning January 1, 2022. The adoption of these pronouncements did not have any significant impact to the Group's consolidated statements of financial position and performance unless otherwise indicated.

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group adopted these amendments beginning January 1, 2022.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The Group adopted this amendments beginning January 1, 2022. However, the adoption of this amendments did not have significant impact to the consolidated financial statements.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group adopted this amendments beginning January 1, 2022. However, the adoption of this amendments did not have significant impact to the consolidated financial statements.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The Group adopted this amendments beginning January 1, 2022. However, the adoption of this amendments did not have significant impact to the consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Group adopted this amendments beginning January 1, 2022. However, the adoption of this amendments did not have significant impact to the consolidated financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The Group adopted this amendments beginning January 1, 2022. However, the adoption of this amendments did not have significant impact to the consolidated financial statements.

Standards and Interpretation Issued but Not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of these pronouncements to have a significant impact on its consolidated financial statements, unless otherwise indicated. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact to the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact to the Group.

Effective beginning on or after January 1, 2024

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred Effectivity

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group does not expect these amendments to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	<u>Deferral Period</u>
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

The SEC MC also provided the mandatory disclosure requirements should the Group decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the consolidated financial statements had the concerned application guidelines in the PIC Q&A been adopted.

- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued PIC Q&A 2020-04 which provides additional guidance on determining whether the transaction price includes a significant financing component.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- The exclusion of land in the determination of POC would reduce the POC of real estate projects resulting in a decrease in beginning retained earnings as well as a decrease in the revenue from real estate sales in 2022.

The above would have impacted the consolidated cash flows from operations and cash flows from financing activities for all years presented.

On July 8, 2021, Philippine SEC issued SEC MC No. 14 - 2021 that provided accounting policy option of applying either full retrospective approach or modified retrospective approach when applying the above provisions of PIC Q&A 2018-12.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

The IFRIC Agenda Decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued MC No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto

retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Group opted to avail of the relief as provided by the SEC to defer the application of this interpretation. Had the Group adopted the IFRIC Agenda Decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. Adoption of the IFRIC Agenda Decision would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and the opening balance of retained earnings. The above would have impacted the consolidated cash flows from operations and cash flows from financing activities for all years presented.

The Group may elect to apply the deferred provision above using full retrospective approach or modified retrospective approach as approved by Philippine SEC, through SEC MC No. 14 - 2021.

Summary of Significant Accounting Policies

The following accounting policies were applied in the preparation of the Group's consolidated financial statements:

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months from the reporting date; or,
- cash and cash equivalents, unless restricted from being exchanged or used to settle a liability for at least within 12 months from the reporting date.

A liability is classified as current when:

- it is expected to be settled within the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months from the reporting date; or,
- there is no unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

The Group classifies all other assets and liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of

financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial asset at amortized cost, fair value through OCI (FVTOCI) and fair value through profit of loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables, except for installment contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset and liability. In cases where inputs to the valuation technique are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables from real estate sales which are included in the installment contracts receivable, rental receivable, due from condominium associations, other receivables, utility and security deposits and construction bond deposits.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 of 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 its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. 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 receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group uses vintage analysis for installment contract receivables and established provision matrix for the rest of the receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

The key inputs in the model include the Group's definition of default and historical data of five years for the origination, maturity date and default date. The Group considers a financial asset in default when contractual payment are 90 days past due. 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 "Accounts and other payables (except "Other taxes payable")", "Lease liabilities", "Loans payable" and other liabilities that meet the above definition (other than liabilities covered by other accounting standards).

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 consolidated statements of comprehensive income.

This category generally applies to accounts and other payables (excluding other taxes and statutory payables), lease liabilities and loans payable.

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 comprehensive income.

c. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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 asset and settle the liability simultaneously.

Real Estate for Development and Sale

Real estate for development and sale is constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated costs to sell.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Advances to Contractors and Suppliers and Retention Payable

Amounts paid to contractors and suppliers in advance are not part of real estate for development and sale but presented as “Advances to contractors and suppliers” under “Other current assets” and “Other noncurrent assets” in the consolidated statements of financial position.

Advances to contractors and suppliers are classified based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. real estate for development and sale, investment properties).

Portion of the contractors’ progress billings which are withheld by the Group are presented as “Retention payable” under “Accounts and other payables” in the consolidated statements of financial position. These serve as security from the contractor should there be defects in the project and will be released after the satisfactory completion of the contractors’ work.

Creditable Withholding Tax

Creditable withholding tax pertains to the amounts withheld from income derived from real estate sales and leasing activities which can be applied against income tax payable.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of rent, insurance premiums and real property taxes. These also include the deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Other Current Assets

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within 12 months.

Deposits on Real Estate Properties

Deposits on real estate properties represent the Group’s advance payments to real estate property owners for the acquisition of real estate properties. Once the sale is consummated, these deposits will be applied against the selling price of the real estate property acquired. Deposits on real estate

properties are classified as current or noncurrent based on the realization of such deposits determined with reference to the usage of the asset to which it is intended for (e.g. real estate for development and sale, investment properties or property and equipment).

Property and Equipment

The Group's property and equipment consist of hotel property that is under construction, leasehold improvements, office equipment, furniture and fixtures, transportation equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including capitalized borrowing cost. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation and amortization of property and equipment commences when the assets are available for use and is computed on a straight-line basis over the estimated useful lives (EUL) of the property and equipment as follows:

	Years
Office equipment	2 - 5
Furniture and fixtures	2 - 5
Transportation equipment	3 - 5

Leasehold improvements are amortized on a straight-line basis over term of the lease or the EUL of the asset of 2 to 5 years.

Depreciation on hotel property, excluding land which is not subject to depreciation, does not commence until it is complete and available for use. The useful life and, depreciation and amortization methods are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization, and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment Properties

Investment properties comprise of properties which are held to earn rentals and properties under construction or redevelopment which will be held for rental upon completion as well as land currently held for undetermined use. Investment properties also include right-of-use assets involving real properties that are subleased to other entities.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of the replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at historical cost less provisions for depreciation and impairment. Accordingly, land is carried at cost less any impairment in value and building is carried at cost less depreciation and any impairment in value.

Construction-in-progress (CIP) is stated at cost. The initial cost of investment property consists of its construction costs, and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including capitalized borrowing cost. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. CIP are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

For those right-of-use assets that qualify as investment properties, i.e., those land that are leased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Depreciation of investment properties are computed using the straight-line method over the EUL of the assets 17 to 30 years or lease term, whichever is lower. Right-of-use assets recognized under investment properties, which is comprised of land, is depreciated over the lease term of 17 years. The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. A transfer is made from investment property when and only when there is 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 the cost of that property for measurement or disclosure purposes.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (i.e., deposits on real estate properties, advances to contractors and suppliers, property and equipment, and investment properties including right-of-use assets) may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Customers' Advances and Deposits

Deposits from real estate buyers

Deposits from real estate buyers represent mainly reservation fees and advance payments. These deposits will be recognized as revenue in profit or loss once the revenue recognition threshold is met and the related obligations are fulfilled to the real estate buyers. This is treated as contract liabilities of the Group.

Deposits from lessees

Deposits from lessees include advance collection pertaining to the lease of commercial units of the Group. These payments are subsequently recognized as income under "Rental income" on a straight-line basis over the lease term.

Deposits from lessees also consist of payments from tenants for leasehold rights. Leasehold rights pertain to the right to lease the commercial space over a certain number of years.

Equity

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of share, a separate account is maintained for each class of share and the number of shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to additional paid-in capital. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as deductions from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Other Comprehensive Income

OCI are items of income and expense that are not recognized in for the period in accordance with PFRSs. The Group's OCI pertains to remeasurement gains and losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

Revenue Recognition

Revenue from Contract with Customers

Revenue from contracts with customers is recognized when profit or loss 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. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements.

The disclosures of significant accounting judgments and the use of estimates relating to revenue from contracts with customers are provided in Note 3.

Real estate sales

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as past history with the buyer and the pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

The Group derives its real estate revenue from sale of condominium units, commercial units and warehouses. Revenue from sales of completed real estate project is accounted using the full accrual method. Revenue from the sale of uncompleted real estate projects are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group 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 Group's project engineers, 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.

If any of the criteria under the full accrual or POC 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 likewise considered as contract liabilities which is presented under the “Customers’ advances and deposits” account in the consolidated statements of financial position.

Information about the Group’s Performance Obligation

The Group entered into contract to sell with one identified performance obligation which is the sale of the condominium unit together with the services to transfer the title to the buyer for a corresponding contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. 4 to 7 years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

The Group provides a quality assurance warranty which is not treated as a separate performance obligation.

Rental income

Rental income under cancellable leases on investment properties is recognized in profit or loss based on the terms of the lease as provided under the lease contract. Rental income under a noncancellable lease agreement is recognized as income on a straight-line basis over the lease term.

Management fee income

Management fees consist of revenue arising from contracts of administering a property. The tenants pay either a fixed amount or depending on the agreement and such payment is recognized when the related services are rendered.

Interest and other income

Interest is recognized as it accrues (using the EIR method, i.e., based on the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Other income includes service revenue and customer related fees such as penalties and surcharges and income from forfeited reservations and collections, which are recognized as they accrue, taking into account the provisions of the related contract.

Income from forfeitures (e.g. collections) is recognized upon default of potential buyers, subject to provision of Republic Act (RA) No. 6552, *Realty Installment Buyer Protection Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Costs and Expenses

Costs and expenses are recognized in the consolidated statements of comprehensive income when 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 the consolidated statements of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when 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 of condominium units

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees, costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as cost of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue.

Selling and administration expenses

Selling expenses are costs incurred to sell real estate inventories, which includes advertising and promotions, among others. Administrative expenses constitute costs of administering the business. Except for commission (see disclosure in “Costs to obtain a contract” for the accounting of commission), selling and administrative expenses are expenses as incurred. These include cost of leasing services which mainly pertain to depreciation and amortization, taxes and licenses and utilities related to the Group’s commercial projects.

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

Contract Balances

Installment contract receivable

An installment contracts receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). It also includes the difference between the considerations received from the customer and the transferred goods or services to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, amount is classified as installment contracts receivable.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract liabilities is shown as part of the “Customers’ advances and deposits” account in the consolidated statements of financial position.

Costs to obtain a contract

The costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Selling and administrative expenses” account under “Costs and expenses” in the consolidated statements of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets

Contract fulfillment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) costs are expected to be recovered. The assessment of this criteria requires the application of judgement particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortizations of contract fulfilment assets and capitalized costs to obtain a contract are included in the “Real estate” and “Selling and administrative” accounts under “Costs and expenses” in the consolidated statements of comprehensive income.

A contract fulfillment asset or capitalized costs capitalized to obtain a contract is derecognized when it is disposed of or when no further economic benefits are expected to flow from its use or disposal. At each reporting date, the Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgement is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

Borrowing Costs

Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate for development and sale”, “Property and equipment” and “Investment properties” accounts in the consolidated statements of financial position). Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are expensed in the period in which they are incurred.

Debt Issuance Costs

Transaction costs incurred in connection with the availments of long-term debt are deferred and amortized using the EIR method over the term of the related loans. These are included in the measurement basis of the related loans.

Pension Liabilities

The Group has an unfunded, noncontributory defined benefit retirement plan covering all of its qualified employees. The Group’s pension liability is the aggregate of the present value of the defined benefit obligation as of the reporting date.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension costs comprise the following:

- Service cost
- Interest on the pension liability
- Remeasurements of pension liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the pension liability is recognized in the consolidated statements of comprehensive income as “Finance costs”.

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. In determining significant risks and benefits of ownership, the Group considers, among others, the significance of the lease term as compared with the EUL of the related asset. Rental income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived.

The Group requires its tenants to pay leasehold rights pertaining to the right to use the leased unit which is reported under “Customers’ advances and deposits” in the consolidated statements of financial position. Upon commencement of the lease, these payments are recognized in the consolidated statements of comprehensive income under “Rental income” on a straight-line basis over the lease term.

Lease modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement

date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred taxes

Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

As at June 30, 2022 and December 31, 2021, the Group has no dilutive potential common shares.

Segment Reporting

The Group's operating business is composed of condominium sales, leasing and hotel, and property management. Financial information on the Group's business segments are presented in Note 21.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or,
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be

required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

Leases

The Group applied the following judgments that significantly affect the determination of the amount and timing of income from lease contracts:

Determination of lease term of contracts with renewal options – Group as a lessee

The Group has several lease contracts that include extension options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for the lease of a parcel of land where one of the Group's investment property is located. The Group assessed that the option to renew the lease contract is reasonably certain to be exercised.

Real estate revenue recognition

Existence of a contract

The Group'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 is not signed by both parties, the other signed documentations such as purchase agreement and reservation application would contain all the criteria to qualify as contract with the customer under PFRS 15.

Management also considers the selling prices of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties in determining the transaction price.

Equity threshold

Part of the Group's assessment process before revenue recognition is to assess the probability that the Group 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 of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as past history with the buyer, and the pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

Revenue recognition and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date.

The promised property covering specific condominium unit and/or parking slot is specifically identified in the contract. The Group is contractually restricted to sell the promised property to another buyer or to direct it for another use. In addition, the Group has the right to enforce payment from the buyer up to the performance completed to date.

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

The Group also determines the actual costs incurred to be recognized as cost of sales by estimating the unbilled costs of incurred on materials, labor and overhead.

Distinction between business combination and property acquisition

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents acquisition of a business or acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets is acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Group's acquisition of 100% of the voting shares of OBPPC in 2021, represents acquisition of assets. While the acquisition of 100% of the voting shares of MPMHC in 2021 represents a business combination.

Distinction between real estate for development and sale, property and equipment and investment properties

The Group determines whether a property qualifies as real estate for development and sale, property and equipment or investment properties by considering whether the property is occupied substantially for use by or in operations of the Group; for sale in the ordinary course of the business; or, held primarily to earn rental income and capital appreciation.

Real estate for development and sale comprise both condominium units for sale and land held for future development, which are properties that are held for sale in the ordinary course of the business. Principally, these are properties that the Group develops and intends to sell before or upon completion of construction.

Properties intended to earn rental and for capital appreciation are classified as investment properties while properties occupied by the Group are considered as property and equipment. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for 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 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.

Impairment testing of financial assets

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group has applied the presumption indicated within PFRS 9 pertaining to the default definition; that is, default of a financial instrument does not occur later than when a financial asset is 90 days past due.

Qualitative criteria

The counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The counterparty is in long-term forbearance;
- The counterparty is deceased;
- The counterparty is insolvent;
- The counterparty is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been granted by the Group relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default, exposure at default and loss given default, including the impact of the COVID-19 pandemic for the expected timing of recoveries, throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Impairment of nonfinancial assets

The Group assesses impairment on its nonfinancial assets (i.e., property and equipment, investment properties and software and brand development costs) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and,
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As at June 30, 2022 and December 31, 2021, carrying values follow:

	2022	2021
Property and equipment (Note 8)	₱3,457,862,209	₱2,979,845,960
Investment properties (Note 9)	17,287,202,545	16,857,563,302
Advances to contractors and suppliers (Notes 7 and 10)	1,693,669,529	1,641,903,507
Deposits on real estate properties (Notes 7 and 10)	85,390,800	85,390,800
Software and brand development costs (Note 10)	1,759,698	2,353,683

Management assessed that there are no indicators of impairment for the Group's nonfinancial assets as at June 30, 2022 and December 31, 2021 except for the hotel property under construction. No impairment loss was recognized in 2022 and 2021 as the recoverable amount is not less than the carrying value of the hotel property as at June 30, 2022 and December 31, 2021. Refer to discussion under estimates.

Management's Use of Estimates

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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of PFRS 13, *Fair Value Measurement*. Investment properties

are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 9.

Estimating NRV of real estate inventories

The Group reviews the NRV of real estate inventories, which are recorded under “Real estate for development and sale” in the consolidated statements of financial position, and compares it with the cost, since assets should not be carried in excess of amounts expected to be realized from sale. Real estate for development and sale are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in light of recent market transactions and having taken suitable external advice. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date. As at June 30, 2022 and December 31, 2021, the Group’s real estate for development and sale which are carried at cost amounted to ₱9,022.25 million and ₱8,745.71 million, respectively (see Note 6).

Revenue recognition

The Group’s revenue from real estate sales are recognized based on the POC method. POC is determined based on the physical proportion of work done on the real estate project which requires technical determination by the Group’s project engineers. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and receivables.

Real estate sales amounted to ₱1,484.53 million, ₱1,442.24 million, ₱2,768.50 million and ₱2,125.81 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively (see Note 21).

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of future taxable profit.

The net deferred tax assets recognized as at June 30, 2022 and December 31, 2021 amounted to ₱197.34 million and ₱132.34 million, respectively. The Group’s unrecognized deferred tax assets amounted to ₱1.66 million and ₱1.40 million as at June 30, 2022 and December 31, 2021, respectively (see Note 18).

Impairment testing of financial assetsProvision for ECL of receivables

The Group determines an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group applies simplified approach in calculating ECL. The Group performs a regular review of the age and status of these accounts which are designed to identify accounts for impairment. The Group considers the following key areas of judgment: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays), including the impact of COVID-19 pandemic, in calculating ECL. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. Assumptions used in the assessment include one year as timing of resale upon completion projects, original selling price, and relevant forward-looking macro-economic assumptions.

As at June 30, 2022 and December 31, 2021, the Group has provided an allowance for impairment losses amounting to ₱17.20 million on its other receivables (see Note 5).

Estimating pension cost and obligation

The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

As at June 30, 2022 and December 31, 2021, the present value of benefit obligation amounted to ₱82.38 million and ₱74.34 million, respectively. Net pension cost amounted to ₱8.04 million, ₱11.06 million, ₱15.70 million and ₱24.03 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively (see Note 17).

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into

financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

As at June 30, 2022 and December 31, 2021, lease liabilities of the Group amounted to ₱362.29 million and ₱280.34 million, respectively (see Note 22).

Evaluation of impairment of hotel property

The Group assesses whether there are any indicators of impairment for its hotel property classified under property and equipment (see Note 8) at each financial reporting date. This is tested for impairment when there are indicators that the carrying amount may not be recoverable.

In view of the ongoing COVID-19 pandemic in 2022, the Group's hotel segment continues to be adversely affected by travel restrictions and delay in the construction activities. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the hotel property. The Group estimates the recoverable amount based on the fair value less costs to complete of the asset, which is equivalent to the construction costs incurred to date while the hotel property is under construction. No impairment loss was recognized in 2022 and 2021. The carrying value of the hotel property under construction amounted to ₱3,300.51 million and ₱2,896.72 million as at June 30, 2022 and December 31, 2021, respectively (see Note 8).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	₱558,993	₱459,000
Cash in banks	1,183,726,103	1,259,656,533
Cash equivalents	7,094,067	7,123,194
	₱1,191,379,163	₱1,267,238,727

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents pertain to short-term bank deposits that earn interest at the prevailing short-term investment rates. Peso denominated placements have an interest rate of 0.75% in 2022 and 0.75% to 1.00% in 2021. The carrying values of cash and cash equivalents approximate their fair values as of reporting date.

Interest income derived from cash in banks and cash equivalents amounted to ₱0.76 million, ₱0.89 million, ₱1.62 million and ₱3.69 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively (see Note 15).

5. Receivables

	2022	2021
Installment contracts receivable - net of unamortized discount	₱2,707,585,417	₱3,490,361,161
Rental receivable	208,837,832	233,688,104
Advances to employees and agents	29,032,767	30,649,935
Due from condominium associations	28,087,293	32,278,420
Others	51,605,697	77,054,418
	3,025,149,006	3,864,032,038
Less allowance for impairment losses	17,203,351	17,203,351
	3,007,945,655	3,846,828,687
Less noncurrent portion of installment contracts receivable	726,312,647	780,292,010
	₱2,281,633,008	₱3,066,536,677

Installment contracts receivable consist of receivables from the sale of real estate properties. These are collectible in equal monthly principal installments over a period ranging from four to seven years depending on the agreement. Installment contracts receivable are generally noninterest-bearing. The corresponding titles to the condominium units sold under this arrangement are transferred to the buyer upon full payment of the contract price.

Rental receivables pertain to receivables from the leasing operation of the Group including the effect of straight-lining. These receivables are noninterest-bearing and are collectible within the normal terms of 30 days.

Advances to employees and agents represent advances for operational purposes and discounts given to clients that are chargeable to agents which are noninterest-bearing and are expected to be liquidated or payable within one year.

Due from condominium associations pertains to utilities, janitorial, security and maintenance expenses paid by the Group in behalf of the condominium association and unpaid balances from management fees for administering properties. These are noninterest-bearing and are payable on demand.

Other receivables include utility charges to contractors, common usage service area charges to tenants and receivables from unit owners which pertains to transfer taxes and other charges initially paid by the Group in behalf of the unit owners. These receivables are noninterest-bearing and are normally settled within one year.

As at June 30, 2022 and December 31, 2021, the allowance for impairment losses on its other receivables amounted to ₱17.20 million. In 2021, allowance for impairment losses amounting ₱0.19 million was written-off. No additional allowance was recognized in 2022 and 2021.

Unamortized discount on installment contracts receivable

In 2022 and 2021, noninterest-bearing installment contracts receivable with nominal amount of ₱520.68 million and ₱1,393.88 million, respectively, were initially recorded at fair value amounting to ₱490.04 million and ₱1,314.06 million, respectively. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments ranging from 1.12% to 6.25% in 2022 and 0.90% to 3.79% in 2021.

Movements in the unamortized discount on installment contracts receivable as at June 30, 2022 and December 31, 2021 follow:

	2022	2021
Balance at beginning of period	₱380,464,506	₱685,892,578
Additions	30,637,826	79,817,384
Accretion (Note 15)	(131,363,163)	(385,245,456)
Balance at end of period	₱279,739,169	₱380,464,506

Receivable financing

The Group enters into various agreements with banks whereby the Group sold its installment contracts receivable with recourse. The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as loans payable (see Note 12). The carrying value of installment contracts receivables sold and the related loans payable accounts amounted to ₱1,101.59 million and ₱1,453.33 million as at June 30, 2022 and December 31, 2021, respectively. These receivables are used as collateral to secure the corresponding loans payables obtained.

6. Real Estate for Development and Sale

This account consists of:

	2022	2021
Condominium units for sale	₱5,454,543,789	₱5,425,976,530
Land held for future development	3,567,710,946	3,319,730,320
	₱9,022,254,735	₱8,745,706,850

The rollforward of this account follows:

	2022	2021
Balance at beginning of period	₱8,745,706,850	₱7,780,358,358
Additions	1,597,350,538	3,452,569,391
Disposals - recognized as cost of real estate sales (Note 16)	(1,313,320,235)	(2,598,803,247)
Transfers from investment properties (Note 9)	240,263,104	111,582,348
Transfer to property and equipment (Note 8)	(247,745,522)	-
Balance at end of period	₱9,022,254,735	₱8,745,706,850

Additions during the year pertain to capitalized construction costs, borrowing costs, and other land acquisition costs incurred on the Group's ongoing projects and land held for future development.

Transfers from investment properties amounting to ₱240.26 million in 2022 and ₱111.58 million in 2021 pertains to the land property intended to be developed for sale. These constitute significant noncash transactions in the consolidated statements of cash flows (see Note 9).

The cost transferred to property and equipment amounting to ₱247.75 million in 2022 pertains to the total area in Admiral Grandsuites allocated for the operation of Admiral Hotel. This constitutes significant noncash transactions in the consolidated statements of cash flows (see Note 8).

Borrowings were used to finance the Group's ongoing projects. The related borrowing costs were capitalized as part of real estate for development and sale. The capitalization rate used to determine

the borrowings eligible for capitalization ranges from 3.25% to 8.37% in 2022 and 3.25% to 8.33% in 2021. Borrowing costs on loans payable capitalized as part of “Real estate for development and sale” amounted to ₱268.10 million and ₱627.39 million for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, respectively (see Note 12).

The Group recorded no provision for impairment and no reversal was recognized in 2022 and 2021.

As at June 30, 2022 and December 31, 2021, the carrying amount of real estate for development and sale used as collateral to secure the Group’s bank loans amounted to ₱5,213.22 million and ₱4,745.40 million, respectively (see Note 12).

7. Other Current Assets

	2022	2021
Advances to contractors and suppliers	₱1,023,169,969	₱912,753,889
Creditable withholding tax	555,224,124	498,380,406
Input VAT	497,556,307	551,803,737
Prepaid expenses	220,224,013	331,706,856
Deposits on real estate properties	28,000,000	28,000,000
Others	38,816,814	30,002,208
	₱2,362,991,227	₱2,352,647,096

Advances to contractors and suppliers represent advances and downpayments for the construction of real estate for development and sale that are recouped every progress billing payment depending on the percentage of accomplishment.

Creditable withholding tax pertains mainly to the amounts withheld from income derived from real estate sales and leasing activities. Creditable withholding tax will be applied against income tax due.

Input VAT represents taxes imposed on the Group for the acquisition of lots, purchase of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount.

Prepaid expenses are attributable to prepayments of rent, insurance premiums, real property taxes and cost to obtain contracts, i.e. commission that is related to the real estate sales.

Deposits on real estate properties represent the current portion of the Group’s advance payments to real estate property owners for the future acquisition and will be recovered upon consummation of the transaction.

The movements for the six-month period ended June 30, 2022 and for the year ended December 31, 2021 of the current and noncurrent portions (see Note 10) of prepaid commission which pertains to the cost to obtain a contract as required by PFRS 15 follows:

	2022	2021
Balance at beginning of period	₱233,280,208	₱265,297,589
Additions	19,150,172	34,490,763
Amortization	(38,853,821)	(66,508,144)
Balance at end of period	₱213,576,559	₱233,280,208

Additions in 2022 and 2021 of ₱19.15 million and ₱34.49 million, respectively, constitute significant noncash transactions in the consolidated statements of cash flows. This represents the capitalized portion of the commission that will be incurred and amortized using the POC method.

8. Property and Equipment

2022							
	Hotel Property Under Construction	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Transportation Equipment	Right- of- Use Assets (Building)	Total
Cost							
At January 1	₱2,896,720,965	₱40,443,797	₱69,924,634	₱74,549,642	₱121,851,792	₱137,303,415	₱3,340,794,245
Additions	403,792,016	691,934	1,095,606	52,442	3,604,286	103,867,811	513,104,095
At June 30	3,300,512,981	41,135,731	71,020,240	74,602,084	125,456,078	241,171,226	3,853,898,340
Accumulated Depreciation and Amortization							
At January 1	–	39,133,084	64,979,145	54,825,414	98,576,844	103,433,798	360,948,285
Depreciation and amortization (Note 16)	–	193,521	1,680,798	3,014,145	7,065,862	23,133,520	35,087,846
At June 30	–	39,326,605	66,659,943	57,839,559	105,642,706	126,567,318	396,036,131
Net Book Value	₱3,300,512,981	₱1,809,126	₱4,360,297	₱16,762,525	₱19,813,372	₱114,603,908	₱3,457,862,209
2021							
	Hotel Property Under Construction	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Transportation Equipment	Right- of- Use Assets (Building)	Total
Cost							
At January 1	₱2,595,036,636	₱40,443,797	₱68,681,916	₱52,438,813	₱119,451,792	₱137,984,386	₱3,014,037,340
Additions	301,684,329	–	1,242,718	22,110,829	2,400,000	–	327,437,876
Reversal of right-of-use assets (Note 22)	–	–	–	–	–	(680,971)	(680,971)
At December 31	2,896,720,965	40,443,797	69,924,634	74,549,642	121,851,792	137,303,415	3,340,794,245
Accumulated Depreciation and Amortization							
At January 1	–	38,763,478	53,901,896	49,357,862	83,137,918	68,701,878	293,863,032
Depreciation and amortization (Note 16)	–	369,606	11,077,249	5,467,552	15,438,926	34,731,920	67,085,253
At December 31	–	39,133,084	64,979,145	54,825,414	98,576,844	103,433,798	360,948,285
Net Book Value	₱2,896,720,965	₱1,310,713	₱4,945,489	₱19,724,228	₱23,274,948	₱33,869,617	₱2,979,845,960

The Group's hotel property pertains to the land and ongoing construction costs of Admiral Hotel. The carrying value of land included in the hotel property under construction amounted to ₱340.75 million as at June 30, 2022 and December 31, 2021. Borrowings were used to finance the Group's ongoing construction of hotel property. The related borrowing costs were capitalized as part of property and equipment. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 3.25% to 7.89% in 2022 and 3.25% to 8.37% in 2021. Total borrowing costs capitalized as part of hotel property amounted to ₱69.14 million and ₱123.52 million for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, respectively (see Note 12).

Additions in 2022 include transferred cost of ₱247.75 million in 2022 related to the total area in Admiral Grand Suites allocated for the operation of Admiral Hotel. This constitutes significant noncash transactions in the consolidated statements of cash flows (see Note 6).

As at June 30, 2022 and December 31, 2021, capital commitments for hotel property under construction amounted to ₱531.72 million and ₱647.40 million, respectively.

The Group's transportation equipment with a carrying value of ₱4.52 million and ₱7.62 million as at June 30, 2022 and December 31, 2021, respectively, were constituted as collateral under chattel mortgage to secure the Group's vehicle financing arrangement with various financial institutions (see Note 12).

9. Investment Properties

	2022					
	Commercial Projects		Construction in Progress		Right-Of-Use Asset (Land)	Total
	Land	Building	Land	Building		
Cost						
At January 1	₱924,805,897	₱5,333,930,258	₱5,307,775,693	₱6,223,196,702	₱222,287,791	₱18,011,996,341
Additions	-	21,774,563	58,500,032	701,981,769	-	782,256,364
Transfer (Note 6)	-	-	(240,263,104)	-	-	(240,263,104)
At June 30	924,805,897	5,355,704,821	5,126,012,621	6,925,178,471	222,287,791	18,553,989,601
Accumulated Depreciation						
At January 1	-	1,116,144,234	-	-	38,288,805	1,154,433,039
Depreciation and amortization (Note 16)	-	105,972,549	-	-	6,381,468	112,354,017
At June 30	-	1,222,116,783	-	-	44,670,273	1,266,787,056
Net Book Value	₱924,805,897	₱4,133,588,038	₱5,126,012,621	₱6,925,178,471	₱177,617,518	₱17,287,202,545
	2021					
	Commercial Projects		Construction in Progress		Right-Of-Use Asset (Land)	Total
	Land	Building	Land	Building		
	Cost					
At January 1	₱937,226,275	₱5,403,223,311	₱5,144,113,916	₱4,524,547,379	₱222,287,791	₱16,231,398,672
Additions	99,161,970	119,324,859	163,661,777	1,698,649,323	-	2,080,797,929
Derecognition	-	(188,617,912)	-	-	-	(188,617,912)
Transfers (Note 6)	(111,582,348)	-	-	-	-	(111,582,348)
At December 31	924,805,897	5,333,930,258	5,307,775,693	6,223,196,702	222,287,791	18,011,996,341
Accumulated Depreciation						
At January 1	-	984,447,744	-	-	25,525,870	1,009,973,614
Depreciation and amortization (Note 16)	-	211,518,045	-	-	12,762,935	224,280,980
Derecognition	-	(79,821,555)	-	-	-	(79,821,555)
At December 31	-	1,116,144,234	-	-	38,288,805	1,154,433,039
Net Book Value	₱924,805,897	₱4,217,786,024	₱5,307,775,693	₱6,223,196,702	₱183,998,986	₱16,857,563,302

Construction in progress includes office building, residential building and land under planning stage of development being constructed as investment properties amounting to ₱12,051.19 million and ₱11,530.97 million as at June 30, 2022 and December 31, 2021, respectively (see Note 22).

Transfers to real estate for development and sale amounting to ₱240.26 million in 2022 and ₱111.58 million in 2021 pertain to the land properties intended to be developed for sale (see Note 6). In 2021, relative to the land property transferred to real estate for development and sale, the Group decided to demolish the old building attached to the land that resulted in the recognition of loss on demolition amounting to ₱108.80 million, equivalent to the carrying value of the demolished building (see Note 16). These constitute significant noncash transactions in the consolidated statements of cash flows.

In September 2021, the Group through GRIC acquired 100% of the voting shares of OBPPC, a company registered in the Philippines whose principal activity is to engage in property development, for a cash consideration of ₱99.79 million. The acquisition of OBPPC was considered as acquisition

of assets and did not result to a goodwill. The purchase price consideration has been allocated to land and other assets amounting to ₱99.16 million and ₱0.63 million, respectively. The land was included in the additions to investment properties in 2021.

Borrowings were used to finance the Group's ongoing construction of investment properties. The related borrowing costs were capitalized as part of investment properties.

The capitalization rate used to determine the borrowings eligible for capitalization ranges from 3.25% to 7.89% in 2022 and 2021. Total borrowing cost capitalized as part of investment properties amounted to ₱231.34 million and ₱460.46 million for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, respectively (see Note 12).

For the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, rental income from these investment properties amounted to ₱562.06 million, ₱486.01 million, ₱1,067.14 million and ₱1,022.47 million, respectively (see Note 22). Depreciation charged to operations for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 amounted to ₱112.35 million, ₱112.95 million, ₱224.28 million and ₱219.04 million, respectively (see Note 16). Selling and administrative expenses, exclusive of depreciation, related to these investment properties amounted to ₱166.96 million, ₱122.69 million, ₱300.53 million and ₱202.27 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

The aggregate fair value of investment properties amounted to ₱27,784.97 million and ₱27,761.06 million as at June 30, 2022 and December 31, 2021, respectively, which were determined based on valuations performed by independent qualified appraisers. The appraisers are industry specialists in valuing these types of properties. The estimated fair value was determined using market data approach that considers the sale of similar or substitute properties and related market data. Under the Market Approach, a higher estimated price per square meter of the subject property would yield higher fair value. The fair value measurement for the Group's investment properties has been categorized as Level 3 based on the inputs to the valuation techniques used.

As at June 30, 2022 and December 31, 2021, capital commitments for investment properties under construction amounted to ₱3,647.71 million and ₱4,147.99 million, respectively.

As at June 30, 2022 and December 31, 2021, the carrying amount of investment properties used to secure the Group's bank loans amounted to ₱11,463.74 million and ₱11,143.50 million, respectively (see Note 12).

10. Other Noncurrent Assets

	2022	2021
Advances to contractors and suppliers	₱670,499,560	₱729,149,618
Prepaid expenses (Note 7)	175,023,295	141,968,971
Utility and security deposits	96,340,902	86,564,858
Deposits on real estate properties	57,390,800	57,390,800
Input VAT	52,061,129	54,743,117
Construction bond deposits	21,722,631	19,989,919
Software and brand development costs	1,759,698	2,353,683
	₱1,074,798,015	₱1,092,160,966

Advances to contractors and suppliers represent advances and down payments for the construction of investment properties and property and equipment that are recouped every progress billing payment depending on the POC.

Prepaid expenses pertain to the noncurrent portion of costs to obtain contracts, i.e. commission that is related to the real estate sales. As disclosed in Note 7, this represents the capitalized portion of the commission that will be incurred and amortized using the POC method. This constitutes significant noncash transactions in the consolidated statements of cash flows in 2022 and 2021.

Utility and security deposits pertain to the initial set-up of services rendered by public utility companies and other various long-term deposits necessary for the construction and development of real estate projects.

Deposits on real estate properties represent the Group's advance payments to real estate property owners for the future acquisition of investment properties and will be recovered upon consummation of the transaction.

Construction bond deposits pertain to the bond for the Group's project developments.

Software costs pertains to the capitalizable cost incurred in the design and implementation of a system. Brand development costs, on the other hand, pertains to the marketing designs that binds the identity of the group of hotels. Amortization of software and brand development cost for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 amounted to ₱0.92 million, ₱2.62 million, ₱4.95 million and ₱4.54 million, respectively (see Note 16).

11. Accounts and Other Payables

	2022	2021
Trade payables:		
Payable to contractors and suppliers	₱1,836,245,438	₱1,727,991,618
Retention payable	979,139,537	918,480,762
Non-trade payable	531,112,196	–
Accrued expenses		
Accrued commission	464,147,444	686,060,434
Accrued interest expense	59,588,627	59,687,072
Other taxes payable	243,792,506	239,059,914
Rental deposit	229,530,175	322,233,121
Liabilities for purchased land	30,420,000	129,581,970
Others	72,480,724	110,157,411
	4,446,456,647	4,193,252,302
Less noncurrent portion of:		
Retention payable	770,577,109	658,486,488
Rental deposit	189,631,283	140,789,272
Accrued commission	145,672,380	104,397,272
Liabilities for purchased land	30,420,000	30,420,000
	1,136,300,772	934,093,032
	₱3,310,155,875	₱3,259,159,270

Payable to contractors and suppliers are attributable to construction costs incurred but not yet paid as of reporting date. These are noninterest-bearing and are normally settled within 30 to 120 days.

Retention payable pertains to the portion of contractors' progress billings which are withheld and will be released after the satisfactory completion of the contractors' work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract arrangements.

Non-trade payable pertains to advances received from minority shareholder of FHPDI for the project development.

Accrued commission represents the commissions to be paid to the marketing agents in relation to the real estate sales. This includes capitalized portion of the commission which has been accrued in 2022 and 2021, respectively. This constitutes significant noncash transactions in the consolidated statements of cash flows in 2022 and 2021.

Accrued interest expense pertains to the incurred but unpaid interest which is normally settled within one to three months.

Other taxes payable consists of taxes withheld by the Group from employees, contractors and suppliers, which are payable within one year.

Rental deposit consists of security deposits on lease and utility deposit payable.

Liabilities for purchased land pertain to outstanding payables for the acquisitions of land. These constitute significant noncash transactions in the consolidated statements of cash flows. These liabilities are noninterest-bearing.

Others consist of non-trade payables and premium payable to SSS, Philhealth and Pag-ibig. These are normally settled within one year.

12. Loans Payable

	Terms	2022	2021
Short-term bank loans	Within 1 year	₱820,000,000	₱1,600,000,000
Long-term loans:			
Bank loans	3 to 10 years	17,842,009,551	17,368,647,625
Receivable financing	1 to 6 years	1,101,593,732	1,453,330,716
Notes payable	3 to 5 years	7,584,814	9,141,351
		19,771,188,097	20,431,119,692
Less current portion		3,523,033,393	3,409,796,317
		₱16,248,154,704	₱17,021,323,375

Short-term Bank Loans

Short-term bank loans represent various secured promissory notes from local banks with annual interest rates ranged from 3.50% to 4.00% and 3.25% to 3.35% in June 30, 2022 and December 31, 2021, respectively. These loans are payable within one year from date of issuance.

These loans were secured with various investment properties owned by the Group which are located in Pasay City and Binondo, Manila. The aggregate carrying amount of these properties used as collateral amounted to ₱416.47 million and ₱421.06 million as at June 30, 2022 and December 31, 2021, respectively (see Notes 6 and 9).

Long-term Loans

Long-term bank loans

In May 2022, PPDC secured a ten-year loan facility amounting to ₱2,500.00 million. The interest rate shall be determined upon drawdown and shall be fixed for ten years. The Group has not yet made any drawdown under this facility as at June 30, 2022.

In February 2021, PPDC secured a five-year loan facility amounting to ₱1,100.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱1,100.00 million as at June 30, 2022 and December 31, 2021 with 4.86% interest rate per annum.

In December 2020, PPDC secured a five-year loan facility amounting to ₱1,100.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱1,100.00 million and ₱500.00 million as at June 30, 2022 and December 31, 2021, respectively with 5.00% interest rate per annum.

In December 2020, PPDC secured a five-year loan facility amounting to ₱1,500.00 million. The facility is available in single drawdown. The outstanding balance of loan under this facility amounted to ₱1,488.75 million and ₱1,500.00 million as at June 30, 2022 and December 31, 2021 with 5.50% interest rate per annum, respectively.

In July 2020, GRIC secured a five-year loan facility from a local bank amounting to ₱450.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱450.00 million as at June 30, 2022 and December 31, 2021 with 4.25% interest rate per annum.

In June 2019, GRIC secured a seven-year loan facility from a local bank amounting to ₱1,150.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱1,125.00 million and ₱930.00 million as at June 30, 2022 and December 31, 2021 with interest rates of 5.26% to 5.70% and 5.05% to 5.26% rate per annum, respectively.

In April 2019, GRIC secured a five-year loan facility from a local bank amounting to ₱1,040.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱800.00 million and ₱1,040.00 million as at June 30, 2022 and December 31, 2021 with interest rates ranging from 5.50% to 6.25% per annum, respectively.

In February 2019, APC secured a six-year and six-months loan facility from a local bank amounting to ₱1,970.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱1,260.00 million and to ₱1,160.00 million as at June 30, 2022 and December 31, 2021, respectively, with interest rates ranging from 4.30% to 8.12% per annum, respectively.

In December 2018, APC secured five-year and six-year loan facilities from a local bank amounting to ₱4,665.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱531.75 million as at June 30, 2022 and December 31, 2021 with 8.37% interest rate per annum.

In December 2018, GRIC secured three-year and five-year loan facilities from a local bank amounting to ₱1,620.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to nil as at June 30, 2022 and December 31, 2021 with 8.28% interest rate per annum.

In December 2018, GRIC secured a four-year and five-year loan facility from a local bank amounting to ₱1,080.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱62.00 million as at June 30, 2022 and December 31, 2021 with 8.33% interest rate per annum.

In December 2017, PPDC secured a seven-year loan facility from a local bank and has been extended for another two years amounting to ₱3,700.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱1,562.16 million as at June 30, 2022 and December 31, 2021 with interest rate of 7.01% interest rate per annum.

In December 2017, BEIC secured a seven-year loan facility from a local bank amounting to ₱450.00 million with 6.00% interest rate per annum. The outstanding balance of loan under this facility amounted to ₱436.50 million as at June 30, 2022 and December 31, 2021.

In December 2015, PPDC secured a 10-year loan facility from a local bank amounting to ₱4,100.00 million. The facility is available in multiple drawdowns with interest rates of 5.50% per annum for the first five years and 5.75% per annum thereafter. The outstanding balance of loan under this facility amounted to ₱3,854.00 million and ₱4,018.00 million as at June 30, 2022 and December 31, 2021, respectively.

In September 2015, GRIC secured a six-year loan facility from a local bank amounting to ₱4,100.00 million. In December 2020, the loan facility has been extended for another two years until December 20, 2023. The facility is available in multiple drawdowns with interest rates ranging from 5.25% to 6.75% interest rates per annum. The outstanding balance of loan under this facility

amounted to ₱3,270.00 million at June 30, 2022 and December 31, 2021.

In January 2013, PPDC secured a 10-year loan facility from a local bank amounting to ₱1,200.00 million. The facility is available in multiple drawdowns with interest rates of 7.07% per annum for the first five years and 7.89% per annum thereafter. Quarterly principal repayments up to three years shall be 0.75% of the drawdown amount with the remaining balance to be paid upon maturity. As at June 30, 2022 and December 31, 2021, the outstanding balance of loans under this facility amounted to ₱886.88 million and ₱901.13 million, respectively.

Unamortized issuance costs deducted from the above-mentioned long-term bank loans as at June 30, 2022 and December 31, 2021 amounted to ₱85.03 million and ₱92.89 million, respectively.

The rollforward analyses of unamortized debt discount and issuance costs on long-term bank loans as at June 30, 2022 and December 31, 2021 follow:

	2022	2021
Balance at beginning of period	₱92,889,674	₱83,128,682
Additions	7,275,000	51,666,693
Amortization	(15,136,926)	(41,905,701)
Balance at end of period	₱85,027,748	₱92,889,674

These term loans were secured with various land and buildings owned by the Group which are located in Roxas Boulevard, Pasay City, Binondo, Manila and Parañaque City, recorded under real estate for development and sale and investment properties. As at June 30, 2022 and December 31, 2021, these properties have an aggregate carrying value amounting to ₱16,705.64 million and ₱15,467.84 million, respectively (see Notes 6 and 9).

Receivable financing

The loans payable on receivable financing as discussed in Note 5 arises from installment contracts receivable sold with recourse by the Group to various local banks with a total carrying amount of ₱1,101.59 million and ₱1,453.33 million as at June 30, 2022 and December 31, 2021, respectively. These loans bear fixed interest rates ranging from 4.00% to 5.88% in 2022 and 4.00% to 6.50% in 2021, payable on equal monthly installments for a period of 1 to 7 years depending on the terms of the installment contracts receivable.

Notes payable

Notes payable represents the car loans availed by the Group. Annual interest rates ranged from 3.90% to 4.72% in 2022 and 3.90% to 4.41% in 2021. The Group's transportation equipment with a carrying value of ₱4.52 million and ₱7.62 million as at June 30, 2022 and December 31, 2021, respectively, are held as collateral to secure the Group's notes payable (see Note 8). Interest expense recognized under "Finance costs" amounted to ₱0.32 million, ₱0.58 million, ₱0.89 million and ₱1.38 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

Borrowing costs

Total borrowing costs arising from loans payable amounted to ₱591.93 million, ₱604.76 million, ₱1,232.40 million and ₱1,213.17 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

Total borrowing costs capitalized under real estate for development and sale, property and equipment and investment properties amounted to ₱568.58 million, ₱593.08 million, ₱1,211.37 million and ₱1,187.34 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended

December 31, 2021 and 2020, respectively (see Notes 6, 8 and 9). Borrowing costs recognized in profit or loss under “Finance costs” in the consolidated statements of comprehensive income amounted to ₱23.35 million, ₱11.68 million, ₱21.03 million and ₱25.83 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021, and 2020, respectively.

Total interest paid (including capitalized interest) for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 amounted to ₱593.32 million, ₱661.62 million, ₱1,275.53 million and ₱1,162.66 million, respectively.

13. Customers’ Advances and Deposits

	2022	2021
Deposits from real estate buyers	₱3,173,677,134	₱2,883,578,898
Deposits from lessees	436,719,309	422,986,264
	3,610,396,443	3,306,565,162
Less noncurrent portion of deposits from lessees	293,209,104	309,961,991
	₱3,317,187,339	₱2,996,603,171

Deposits from real estate buyers

Collections from buyers are initially recognized as customers’ deposits. These deposits will be recognized as revenue in profit or loss once the revenue recognition threshold is met and the related obligations are fulfilled to the real estate buyers.

Deposits from lessees

The Group requires some tenants to pay leasehold rights pertaining to the right to use the leased unit. Deposits from lessees also include advance rental collections that will be applied to rentals depending on the terms of the contract. These payments are recognized in the consolidated statements of comprehensive income as rental income on a straight-line basis over the lease term.

The rental income on leasehold rights amounted to ₱32.10 million, ₱33.26 million, ₱65.76 million and ₱74.28 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

14. Related Party Transactions

The Parent Company, in its regular conduct of business, has entered into transactions with its subsidiaries principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements. Outstanding balances between companies within the Group are unsecured, interest-free and settlement occurs in cash. Related party transactions (RPT) and balances were eliminated in the consolidated financial statements.

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control or are controlled by or under common control, with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the

Parent Company and close members of the family of these individuals, and companies associated with these individuals, also constitute related parties.

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

The Parent Company has an approval requirement such that material (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to 10% or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements.

Key management compensation

The key management personnel of the Group include all directors, executives and senior management. Compensation and benefits of key management personnel for the six-month periods June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 amounted to ₱42.80 million, ₱43.8 million, ₱76.50 million and ₱75.24 million, respectively.

15. Interest and Other Income

	Six-month periods ended		Years ended	
	June 30		December 31	
	2022	2021	2021	2020
Interest income from:				
Amortization of discount on installment contracts receivable (Note 5)	₱131,363,163	₱201,362,993	₱385,245,456	₱534,019,221
Cash and cash equivalents (Note 4)	755,225	891,948	1,620,978	3,691,583
Other income	186,301,671	41,379,516	118,693,554	181,900,291
	₱318,420,059	₱243,634,457	₱505,559,988	₱719,611,095

Other income includes income from forfeitures from cancelled sales and leases, as well as penalties and other surcharges billed against defaulted installment contracts receivable, among others. Income from forfeitures mainly arises from cancellation of reservation fees, amortization payments, deposits and advance rentals net of recovered costs and the balances of buyers and tenants. Other income also includes administrative fees and expenses charged on account of the agents, service fees and other items considered as not material.

Other income from cancelled sales and lease contracts amounted to ₱83.63 million, ₱1.35 million, ₱28.79 million and ₱103.09 million for the six-month periods June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

16. Costs and Expenses

Cost of real estate sales

Cost includes acquisition cost of land, construction costs and capitalized borrowing costs. Cost of real estate sales recognized for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 amounted to ₱1,313.32 million, ₱1,297.34 million, ₱2,598.80 million and ₱2,247.86 million, respectively.

Selling and administrative expenses

	Six-month periods ended June 30		Years ended December 31	
	2022	2021	2021	2020
Salaries, wages and employee benefits (Notes 14 and 17)	₱165,859,217	₱164,117,937	₱298,661,607	₱334,773,392
Depreciation and amortization (Notes 8, 9 and 10)	148,363,168	150,803,179	296,318,103	292,032,970
Taxes and licenses	114,893,430	62,435,635	136,131,498	147,712,735
Utilities	76,808,424	76,501,445	132,975,220	117,110,942
Sales and marketing	67,642,335	81,889,630	123,494,410	77,068,480
Membership dues	13,636,868	10,278,481	25,501,051	14,398,737
Professional fees	12,289,423	13,693,037	23,356,410	20,272,572
Insurance	7,235,572	7,582,777	12,698,447	4,753,678
Office and other supplies	5,854,456	3,968,422	14,959,111	15,214,775
Rental (Note 22)	2,807,682	3,687,778	7,503,916	6,696,142
Representation and entertainment	1,606,945	754,327	6,036,425	5,743,739
Transportation and travel	1,292,964	1,323,898	4,602,419	3,593,653
Loss on demolition (Note 9)	–	–	108,796,357	–
Others	17,166,714	3,408,124	14,808,123	48,519,196
	₱635,457,198	₱580,444,670	₱1,205,843,097	₱1,087,891,011

17. Pension Plan

The Group has an unfunded, noncontributory defined benefit plan covering all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days pay per year of service in accordance with RA No. 7641, *Retirement Pay Law*. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the retirement benefit obligation.

The components of the Group's pension costs (included in "Salaries, wages and employee benefits" under "Selling and administrative expenses" and in "Finance costs") follow:

	Six-month periods ended June 30		Years ended December 31	
	2022	2021	2021	2020
Current service cost	₱6,182,377	₱9,396,726	₱12,364,754	₱19,065,767
Interest cost on benefit obligation	1,861,956	1,668,256	3,336,511	5,692,533
Settlement gain	–	–	–	(725,958)
	₱8,044,333	₱11,064,982	₱15,701,265	₱24,032,342

Movements in the present value of defined benefit obligations (DBO) as at June 30, 2022 and December 31, 2021 follow:

	2022	2021
Balance at beginning of period	₱74,339,722	₱74,717,911
Net benefit cost in profit or loss		
Current service cost	6,182,377	12,364,754
Interest cost	1,861,956	3,336,511
	8,044,333	15,701,265
Remeasurements in OCI		
Actuarial changes arising from experience adjustments	-	(11,030,831)
Actuarial changes arising from changes in financial assumptions	-	(5,234,635)
Actuarial changes arising from changes in demographic assumptions	-	186,012
	-	(16,079,454)
Balance at end of period	₱82,384,055	₱74,339,722

The principal assumptions used to determine pension benefits of the Group follow:

Discount rate	4.99% to 5.01%
Salary increase rate	5.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The average duration of the DBO as of the reporting date is 9.50 to 12.50 years in 2022 and 2021, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting date, assuming all other assumptions are held constant. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease) in DBO	
Discount rates	+150 basis points	(₱12,070,446)
	-150 basis points	15,559,784
Future salary increases	+150 basis points	15,312,424
	-150 basis points	(12,225,660)

The maturity analysis of the undiscounted benefit payments follows:

Less than 1 year	₱4,185,061
More than 1 year to 2 years	-
More than 2 years to 4 years	1,882,314
More than 4 years	63,499,616

18. Income Tax

	Six-month periods ended June 30		Years ended December 31	
	2022	2021	2021	2020
Current:				
RCIT	₱81,880,514	₱32,200,267	₱70,562,886	₱199,019,672
MCIT	416,236	421,700	3,504,726	2,192,474
Final	143,490	161,045	306,191	729,015
	82,440,240	32,783,012	74,373,803	201,941,161
Deferred	18,386,887	28,716,440	27,514,257	(43,468,937)
	₱100,827,127	₱61,499,452	₱101,888,060	₱158,472,224

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of NOLCO that can be claimed as deduction from future taxable profit and MCIT that can be claimed as tax credits against income tax liabilities follow:

<u>NOLCO</u>				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	₱34,596,187	₱–	₱34,596,187	2022
2020	80,422,412	(7,285,806)	73,136,606	2025
2021	316,181,834	(49,897,546)	266,284,288	2026
2022	80,212,162	–	80,212,162	2025
	₱511,412,595	(₱57,183,352)	₱454,229,243	

<u>MCIT</u>				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱703,519	(₱40,574)	₱662,945	2023
2021	3,504,726	(3,286,107)	218,619	2024
2022	416,236	–	416,236	2025
	₱4,624,481	(₱3,326,681)	₱1,297,800	

Net deferred tax assets of the Group as at June 30, 2022 and December 31, 2021 follow:

	2022	2021
Deferred tax assets on:		
Lease liabilities	₱152,771,487	₱101,046,403
NOLCO	67,447,288	53,226,986
Pension liabilities recognized in profit or loss	37,780,848	36,097,318
Difference between tax and book basis of accounting for real estate and leasing transactions	23,670,839	8,949,091
Allowance on impairment losses	4,300,838	4,300,838
Commissions expense per books in excess of actual commissions paid	2,529,169	2,377,687
MCIT	230,748	41,795

	2022	2021
Unamortized discount on installment contracts receivable	80,174	243,217
	288,811,391	206,283,335
Deferred tax liabilities on:		
Right-of-use assets	72,855,757	53,458,072
Pension liabilities recognized in OCI	17,334,981	17,512,387
Difference between tax and book basis of accounting for real estate and leasing transactions	1,278,068	2,757,459
Actual commissions paid in excess of commissions expense per books	–	212,324
	91,468,806	73,940,242
	₱197,342,585	₱132,343,093

Net deferred tax liabilities of the Group as at June 30, 2022 and December 31, 2021 follow:

	2022	2021
Deferred tax assets on:		
Unamortized discount on installment contracts receivable	₱68,055,948	₱94,446,958
Difference between tax and book basis of accounting for real estate and leasing transactions	52,575,003	49,755,558
NOLCO	44,807,873	53,618,945
Commissions expense per books in excess of actual commissions paid	35,231,364	31,852,310
MCIT	402,599	3,503,505
Lease liabilities	202,347	443,219
	201,275,134	233,620,495
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate and leasing transactions	491,589,012	448,886,467
Right-of-use assets	199,599	1,009,079
Unamortized discount on loans payable	6,261,641	7,356,547
Actual commissions paid in excess of commissions expense per books	10,283,617	40,758
	508,333,869	457,292,851
	₱307,058,735	₱223,672,356

The Group has deductible temporary differences for which deferred tax assets have not been recognized since management assessed that no sufficient taxable income is available in the future to allow all or part of deferred tax assets on certain temporary differences to be realized and/or utilized.

NOLCO and MCIT for which no deferred tax assets were recognized amounted to ₱5.68 million and ₱4.39 million as at June 30, 2022 and December 31, 2021, respectively. The Group's unrecognized deferred tax assets on NOLCO and MCIT amounted to ₱1.66 million and ₱1.40 million as at June 30, 2022 and December 31, 2021, respectively.

Statutory reconciliation

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	Six-month periods ended		Years ended	
	June 30		December 31	
	2022	2021	2021	2020
Statutory income tax rate	25.00%	25.00%	25.00%	30.00%
Tax effect of:				
Nondeductible expenses	0.39	0.01	0.62	0.06
Changes in unrecognized deferred tax assets	(1.27)	0.03	0.04	3.12
Impact of CREATE law	–	(3.36)	(5.67)	–
Interest income subject to final tax	(0.01)	(0.02)	(0.08)	(0.07)
Others	0.78	–	(0.36)	(2.03)
Effective income tax rate	24.89%	21.66%	19.55%	31.08%

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives system. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Improperly accumulated earnings tax of 10% is repealed.

Applying the provisions of the CREATE Act, the Group have been subjected to the lower tax rate of 25% to 20% (itemized deduction) of taxable income and 1% MCIT of gross income effective July 1, 2020.

The Group recognized one-time impact of CREATE in the statement of comprehensive income for the year ended December 31, 2021 amounting to ₱29.53 million and ₱2.79 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax assets-net also decreased by ₱14.95 million as at December 31, 2021 due to the lower tax rate.

19. Equity

Capital Stock

The details of the Parent Company's capital stock which consists of common and preferred shares follow:

Common shares

Details of the Parent Company's common shares as at June 30, 2022 and December 31, 2021 follow:

Authorized shares	3,500,000,000
Par value per share	₱1.00
Issued and outstanding shares	1,040,001,000

On August 8, 2007, the Parent Company launched its Initial Public Offering where a total of 86,667,000 common shares were offered at an offering price of ₱8.93 per share. The registration statement was approved on July 30, 2007. The Parent Company has 91 and 95 existing shareholders as of June 30, 2022 and December 31, 2021, respectively.

On November 8, 2013, the Philippine SEC approved the increase in the Parent Company's capital stock by increasing common stock from ₱2.30 billion divided into 2.30 billion shares with par value of ₱1.00 each to ₱3.50 billion divided into 3.50 billion shares with par value of ₱1.00 each.

Preferred shares

The preferred shares are voting, nonparticipating, nonredeemable and are entitled to 8% cumulative dividends. Details of the Parent Company's preferred shares as at June 30, 2022 and December 31, 2021 follow:

Authorized shares	1,300,000,000
Par value per share	₱1.00
Issued and outstanding shares	346,667,000

Cash Dividends

On April 21, 2022, the Parent Company's BOD approved the declaration of cash dividends as follows:

- For preferred shares - 8% dividends per issued and outstanding preferred share; and
- For common shares - ₱0.02 per issued and outstanding common share.

The record date is June 17, 2022 and dividends amounting to ₱48.53 million were paid on July 7, 2022.

On April 7, 2021, the Parent Company's BOD approved the declaration of cash dividends as follows:

- For preferred shares - 8% dividends per issued and outstanding preferred share; and
- For common shares - ₱0.02 per issued and outstanding common share.

The record date is May 27, 2021 and dividends amounting to ₱48.53 million were paid on June 17, 2021.

On June 18, 2020, Parent Company's BOD declared cash dividends as follows:

- For preferred shares - 8% dividends per issued and outstanding preferred share; and

- For common shares - ₱0.09 per issued and outstanding common share.

The record date is August 20, 2020 and dividends amounting to ₱121.33 million were paid on September 10, 2020.

Retained Earnings

The Parent Company's retained earnings available for dividend distribution amounted to ₱2.05 billion and ₱1.57 billion as at June 30, 2022 and December 31, 2021, respectively. The undistributed and unappropriated earnings from subsidiaries amounting to ₱422.60 million and ₱159.38 million as at June 30, 2022 and December 31, 2021, respectively, is not available for dividend distribution until actually declared by the subsidiaries.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

On March 18, 2022, appropriated retained earnings for the project development of The Centrium amounting to ₱450.00 million were released from appropriation.

On December 20, 2021, the BOD approved the appropriation of retained earnings amounting to ₱400.00 million and ₱150.00 million for the project development of Copeton Baysuites and One Legacy, respectively. These appropriations are expected to be released on or before December 31, 2024 and December 31, 2026, respectively. Appropriated retained earnings for the project development of 8 Alonzo amounting to ₱50.00 million in 2017 were released from appropriation in 2021.

In 2021, the Group acquired MPMHC with an appropriated retained earnings of ₱1.20 million as at December 31, 2021. This appropriated retained earnings have been set aside for future expansion of operations within the next five years.

On November 26, 2020, ₱100.00 million out of ₱400.00 million appropriated retained earnings for Cosmo Suites was released and the remaining ₱300.00 million was extended on or before December 31, 2026.

On December 10, 2020, ₱300.00 million and ₱100.00 million appropriated retained earnings for 202 Peaklane and 8 Alonzo, respectively were extended for release on or before December 31, 2024.

On December 10, 2019, retained earnings amounting to ₱650.00 million, ₱300.00 million, ₱200.00 million, ₱150.00 million and ₱70.00 million were appropriated for the project development of the Panorama Manila, Copeton Baysuites, Cornell Parksuites, One Financial Center and One Legacy projects, respectively. These appropriations are expected to be released on December 31, 2023, 2025 and 2026. Appropriated retained earnings for the development of Admiral Hotel working capital amounting to ₱200.00 million were released from appropriation in 2019. Extension of release of the 2018, 2016 and 2015 retained earnings amounting to ₱1,200.00 million, ₱750.00 million and ₱450.00 million for Copeton Baysuites and The Centrium, respectively, on or before December 31, 2023.

In 2018, retained earnings amounting to ₱100.00 million and ₱50.00 million were appropriated for the project development of hotel projects and 8 Alonzo project, respectively. These appropriations are expected to be released gradually until 2023.

In 2017, retained earnings amounting to ₱1,200.00 million, ₱400.00 million and ₱50.00 million were appropriated for the project development of Copeton Baysuites, Cosmo Suites, and 8 Alonzo project, respectively. These appropriations are expected to be released gradually until 2023. Further, the 2014 appropriation for Admiral Hotel amounting to ₱200.00 million was extended for release until 2019.

In 2016, retained earnings amounting to ₱750.00 million and ₱250.00 million were appropriated for the project development of The Centrium and 202 Peaklane, respectively. These appropriations are expected to be released gradually until 2020 and 2021, respectively.

In 2015, retained earnings amounting to ₱450.00 million, ₱50.00 million were appropriated for the project development of The Centrium and 202 Peaklane, respectively. These appropriations are expected to be released gradually until 2020.

In 2014, retained earnings amounting to ₱200.00 million were appropriated for the project development of Admiral Hotel. These appropriations were released gradually are expected to be released gradually until 2017.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The following table shows the components of what the Group considers its capital as at June 30, 2022 and December 31, 2021:

	2022	2021
Capital stock:		
Common stock	₱1,040,001,000	₱1,040,001,000
Preferred stock	346,667,000	346,667,000
Additional paid-in capital	632,687,284	632,687,284
Retained earnings	6,883,061,913	6,631,999,790
	₱8,902,417,197	₱8,651,355,074

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes accounts and other payables, interest-bearing loans and borrowings, and customers' advances and deposits, less cash and cash equivalents. Capital pertains to equity attributable to the equity holders of the parent, excluding OCI.

	2022	2021
Accounts and other payables	₱4,446,456,647	₱4,193,252,302
Lease liabilities	362,289,910	280,342,188
Loans payable	19,771,188,097	20,431,119,692
Customers' advances and deposits	3,610,396,443	3,306,565,162
	28,190,331,097	28,211,279,344
Less cash and cash equivalents	(1,191,379,163)	(1,267,238,727)
Net debt	26,998,951,934	26,944,040,617
Capital (excluding OCI)	8,902,417,197	8,651,355,074
Total capital and net debt	₱35,901,369,131	₱35,595,395,691
Gearing ratio	75%	76%

No changes were made in the Group's objectives, policies or processes the six-month period ended and year ended June 30, 2022 and December 31, 2021.

20. Financial Instruments

Fair Value Information

The carrying amounts of the Group's financial assets (i.e., cash and cash equivalents, due from condominium associations, other receivables, and deposits) and financial liabilities (i.e., accounts payable and other payable and loans payable) approximate their fair values either due to their short-term maturities or re-pricing features of the interest they carry except for the following financial asset as at June 30, 2022 and December 31, 2021:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
Installment contracts receivable	₱2,707,585,417	₱3,423,510,067	₱3,490,361,161	₱5,264,786,716

Financial asset

The fair value of installment contracts receivable, which is based on the level 3 valuation technique is computed using discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date based on the remaining terms to maturity. The discount rates used ranged from 1.42% to 6.37% and 1.02% to 4.63% as at June 30, 2022 and December 31, 2021, respectively, for installment contracts receivable. By using the discounted value of future cash flows, a higher interest rate would yield a lower fair value.

Fair Value Hierarchy

The Group has no financial instruments carried at fair value as at June 30, 2022 and December 31, 2021.

There were no assets or liabilities whose fair value is disclosed using Level 1 and Level 2 valuation techniques.

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, deposits, accounts and other payables, and loans payable, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations.

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The exposures to these risks and how they arise, as well as the Group's objectives, policies and processes for managing the risks and the methods used to measure the risks did not change from prior years.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

The BOD reviews and agrees on policies for managing each of these risks.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either: the inability to sell financial assets quickly at their fair values; the counterparty failing on repayment of a contractual obligation; or the inability to generate cash inflows as anticipated.

The Group's objective is to maintain balance between continuity of funding and flexibility through the use of bank loans. The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. Capital expenditures, operating expenses and working capital requirements are sufficiently funded through cash collections and bank loans. Accordingly, its financial liabilities, obligations and bank loans maturity profile are regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. The Group has sufficient undrawn available credit facilities with financial institutions as at June 30, 2022 and December 31, 2021.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the financial assets and contract assets to manage liquidity as at June 30, 2022 and December 31, 2021:

	2022			Total
	On Demand	Within 1 year	More than 1 year	
Financial Assets				
Cash and cash equivalents	₱1,184,285,096	₱7,094,067	₱–	₱1,191,379,163
Receivables:				
Installment contracts receivable	–	4,899,061,934	3,230,776,867	8,129,838,801
Rental receivable	–	593,304,708	1,511,682,681	2,104,987,389
Due from condominium associations	–	28,087,293	–	28,087,293
Due from agents	–	22,809,475	–	22,809,475
Others*	–	34,402,346	–	34,402,346
Deposits	–	38,816,814	118,063,533	156,880,347
Total Financial Assets	₱1,184,285,096	₱5,623,576,637	₱4,860,523,081	₱11,668,384,814

*Net of allowance for impairment losses

Financial Liabilities

Accounts and other payables:				
Payable to contractors and suppliers	₱–	₱1,836,245,438	₱–	₱1,836,245,438
Retention payable	–	208,562,428	770,577,109	979,139,537
Non-trade payable	–	531,112,196	–	531,112,196
Accrued expenses*	–	338,281,607	–	338,281,607
Rental deposits	–	39,898,892	189,631,283	229,530,175
Others**	–	70,366,330	–	70,366,330
Lease liabilities***	–	65,891,991	452,775,902	518,667,893
Loans payable***	–	4,573,649,819	18,192,068,219	22,765,718,038
Total Financial Liabilities	₱–	₱7,664,008,701	₱19,605,052,513	₱27,269,061,214

*Excludes cost to obtain new contracts

**Others exclude statutory payables

***Includes future interest payment

	2021			Total
	On Demand	Within 1 year	More than 1 year	
Financial Assets				
Cash and cash equivalents	₱1,260,115,533	₱7,123,194	₱–	₱1,267,238,727
Receivables:				
Installment contracts receivable	–	5,320,222,985	4,019,449,239	9,339,672,224
Rental receivable	–	594,249,774	1,633,892,166	2,228,141,940
Due from condominium associations	–	32,278,420	–	32,278,420
Due from agents	–	23,886,913	–	23,886,913
Others*	–	59,851,067	–	59,851,067
Deposits	–	30,002,208	106,554,777	136,556,985
Total Financial Assets	₱1,260,115,533	₱6,067,614,561	₱5,759,896,182	₱13,087,626,276

*Net of allowance for impairment losses

Financial Liabilities

Accounts and other payables:				
Payable to contractors and suppliers	₱–	₱1,727,991,618	₱–	₱1,727,991,618
Retention payable	–	259,994,274	658,486,488	918,480,762
Accrued expenses*	–	544,121,808	–	544,121,808
Rental deposits	–	181,443,849	140,789,272	322,233,121
Others**	–	107,554,774	–	107,554,774
Lease liabilities***	–	50,316,926	383,066,667	433,383,593
Loans payable***	–	4,480,177,021	19,273,015,364	23,753,192,385
Total Financial Liabilities	₱–	₱7,351,600,270	₱20,455,357,791	₱27,806,958,061

*Excludes cost to obtain new contracts

**Others exclude statutory payables

***Includes future interest payment

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risks are primarily attributable to installment contracts receivable, rental receivables and other financial assets. The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to a manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management unit conducts a credit investigation and evaluation of each buyer to establish creditworthiness.

Installment Contracts Receivable - Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for real estate receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject condominium units in case of refusal by the buyer to pay the due installment contracts receivable on time. This risk is further mitigated because the corresponding title to the condominium units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Rental Receivable – 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 being aged and analyzed on a continuous basis to minimize credit risk.

Other financial assets – comprise of cash and cash equivalents, excluding cash on hand. 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 areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available credit ratings. Given the high credit rating 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.

As at June 30, 2022 and December 31, 2021, the Group's maximum exposure to credit risk without considering the effects of collaterals and other credit enhancements follows:

	2022	2021
Cash in banks and cash equivalents	₱1,190,820,170	₱1,266,779,727
Receivables and contract assets:		
Installment contracts receivable	2,707,585,417	3,490,361,161
Rental receivable	208,837,832	233,688,104
Due from condominium associations	28,087,293	32,278,420
Due from agents	22,809,475	23,886,913
Others	51,605,697	77,054,418
Deposits	156,880,347	136,556,985
	₱4,366,626,231	₱5,260,605,728

The subjected condominium units for sale are held as collateral for all installment contracts receivable. The maximum exposure to credit risk, before considering credit exposure, from the

Group's installment contracts receivable amounted to ₱2,707.59 million and ₱3,490.36 million as at June 30, 2022 and December 31, 2021, respectively. The fair value of the related collaterals amounted to ₱15,593.72 million and ₱16,280.92 million as at June 30, 2022 and December 31, 2021, respectively resulting to zero net exposure amounts as at June 30, 2022 and December 31, 2021. The basis for the fair value of the collaterals is the current selling price of the condominium units.

Advance rentals and security deposits amounted to ₱666.25 million and ₱745.22 million as at June 30, 2022 and December 31, 2021, respectively. These collections are higher than rental receivables resulting to zero net exposure as at June 30, 2022 and December 31, 2021.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As at June 30, 2022 and December 31, 2021, the credit quality per class of financial assets are as follows:

	2022					Total
	Neither Past Due nor Impaired		Substandard Grade	Past Due But Not Impaired	Individually Impaired	
	Grade A	Grade B				
Cash in banks and cash equivalents	₱1,190,820,170	₱-	₱-	₱-	₱-	₱1,190,820,170
Receivables:						
Installment contracts receivable	2,682,634,045	-	-	24,951,372	-	2,707,585,417
Rental receivable	193,431,433	-	-	15,406,399	-	208,837,832
Due from condominium associations	28,087,293	-	-	-	-	28,087,293
Due from agents	22,809,475	-	-	-	-	22,809,475
Others	34,402,346	-	-	-	17,203,351	51,605,697
Deposits	156,880,347	-	-	-	-	156,880,347
Total	₱4,309,065,109	₱-	₱-	₱40,357,771	₱17,203,351	₱4,366,626,231

	2021					Total
	Neither Past Due nor Impaired		Substandard Grade	Past Due But Not Impaired	Individually Impaired	
	Grade A	Grade B				
Cash in banks and cash equivalents	₱1,266,779,727	₱-	₱-	₱-	₱-	₱1,266,779,727
Receivables:						
Installment contracts receivable	3,458,537,105	-	-	31,824,056	-	3,490,361,161
Rental receivable	216,045,247	-	-	17,642,857	-	233,688,104
Due from condominium associations	32,278,420	-	-	-	-	32,278,420
Due from agents	23,886,913	-	-	-	-	23,886,913
Others	59,851,067	-	-	-	17,203,351	77,054,418
Deposits	136,556,985	-	-	-	-	136,556,985
Total	₱5,193,935,464	₱-	₱-	₱49,466,913	₱17,203,351	₱5,260,605,728

The credit quality of the financial assets and contract assets was determined as follows:

Cash in banks and cash equivalents are considered Grade A due to the counterparties' low probability of insolvency. The Group transacts only with institutions or banks which have demonstrated financial soundness for several years.

Grade A installment contracts receivable are considered to be of high value where the counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. The Group assessed that there are no financial assets that will fall under this category as the Group transacts with recognized third parties.

Rental receivable, due from condominium associations, other receivables and deposits are considered as Grade A. The credit quality rating of Grade A pertains to receivables with no defaults in payment. The Group determines financial assets as impaired when the probability of recoverability is remote and in consideration of the lapse in the period which the asset is expected to be recovered. As at June 30, 2022 and December 31, 2021, the aging analysis of the Group's past due but not impaired installment contracts receivable and rental receivable follows:

	Neither Past due nor impaired	Past due but not impaired				Total	Impaired	Total
		30 days	30-60 days	61-90 days	90-120 days			
2022								
Installment contracts receivable	₱2,682,634,045	₱1,604,645	₱1,043,337	₱446,523	₱21,856,867	₱24,951,372	₱-	₱2,707,585,417
Rental receivable	193,431,433	2,912,106	2,329,384	394,016	9,770,893	15,406,399	-	208,837,832
2021								
Installment contracts receivable	₱3,458,537,105	₱4,282,221	₱3,071,302	₱1,774,211	₱22,696,322	₱31,824,056	₱-	₱3,490,361,161
Rental receivable	216,045,247	4,629,398	3,543,704	3,079,459	6,390,296	17,642,857	-	233,688,104

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The table below demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on June 30, 2022 and December 31, 2021, with all variables held constant (through the impact on floating rate borrowings):

	Effect on income before income tax			
	Increase (decrease)			
	June 30, 2022		December 31, 2021	
Change in basis points	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
Floating rate borrowings*	(₱179.27)	₱179.27	(₱174.00)	₱174.00

*in millions

21. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The Group considers the following as its reportable segments:

- Condominium sales - development of high-end condominium units for sale to third parties

- Leasing and hotel - development of hotel, commercial units and shopping centers for lease to third parties
- Property management - facilities management and consultancy services covering condominium and building administration

The Chief Executive Officer (CEO) has been identified as the chief operating decision-maker (CODM). The CODM reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group does not report results based on geographical segments because the Group operates only in the Philippines.

The CEO separately monitors the operating results of the Group's business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The financial information about the operations of the reportable segments:

	Six-month period ended June 30, 2022			
	Condominium Sales	Leasing and Hotel	Property Management	Total
REVENUE				
Real estate sales	P1,484,532,354	P-	P-	P1,484,532,354
Rental income	-	562,061,258	-	562,061,258
Management fee	-	-	14,687,725	14,687,725
Interest and other income	168,885,117	146,817,631	2,717,311	318,420,059
	1,653,417,471	708,878,889	17,405,036	2,379,701,396
COSTS AND EXPENSES				
Cost of condominium units	1,313,320,235	-	-	1,313,320,235
Selling and administrative	296,775,038	317,726,824	20,955,336	635,457,198
	1,610,095,273	317,726,824	20,955,336	1,948,777,433
Earnings before interest and taxes	43,322,198	391,152,065	(3,550,300)	430,923,963
Finance costs	14,769,322	11,063,734	-	25,833,056
Income before tax	P28,552,876	P380,088,331	(P3,550,300)	P405,090,907

	As at June 30, 2022			
	Condominium Sales	Leasing and Hotel	Property Management	Total
ASSETS				
Cash and cash equivalents	P977,296,078	P202,785,210	P11,297,875	P1,191,379,163
Receivables	2,788,013,310	215,846,519	4,085,826	3,007,945,655
Real estate for development and sale	9,022,254,735	-	-	9,022,254,735
Other current assets	1,944,409,198	408,777,615	9,804,414	2,362,991,227
Property and equipment	156,395,622	3,301,459,035	7,552	3,457,862,209
Investment properties	-	17,287,202,545	-	17,287,202,545
Other noncurrent assets	265,278,823	809,519,192	-	1,074,798,015
	P15,153,647,766	P22,225,590,116	P25,195,667	P37,404,433,549
LIABILITIES				
Accounts and other payables	P3,485,967,433	P954,128,018	P6,361,196	P4,446,456,647
Lease liabilities	118,071,962	244,217,948	-	362,289,910
Customers' advances and deposits	3,234,310,770	374,856,734	1,228,939	3,610,396,443
Loans payable	15,029,816,611	4,741,371,486	-	19,771,188,097
	P21,868,166,776	P6,314,574,186	P7,590,135	P28,190,331,097

1. Segment assets exclude net deferred tax assets.

2. Segment liabilities exclude income tax payable, other taxes payable, pension liabilities and net deferred tax liabilities.

	Six-month period ended June 30, 2021			
	Condominium Sales	Leasing and Hotel	Property Management	Total
REVENUE				
Real estate sales	₱1,442,240,493	₱–	₱–	₱1,442,240,493
Rental income	–	486,010,661	–	486,010,661
Management fee	–	–	14,925,202	14,925,202
Interest and other income	214,614,154	28,567,118	453,185	243,634,457
	<u>1,656,854,647</u>	<u>514,577,779</u>	<u>15,378,387</u>	<u>2,186,810,813</u>
COSTS AND EXPENSES				
Cost of condominium units	1,297,338,702	–	–	1,297,338,702
Selling and administrative	310,954,155	253,808,845	15,681,670	580,444,670
	<u>1,608,292,857</u>	<u>253,808,845</u>	<u>15,681,670</u>	<u>1,877,783,372</u>
Earnings before interest and taxes	48,561,790	260,768,934	(303,283)	309,027,441
Finance costs	14,980,856	9,960,447	135,484	25,076,787
Income before tax	<u>₱33,580,934</u>	<u>₱250,808,487</u>	<u>(₱438,767)</u>	<u>₱283,950,654</u>

	As at December 31, 2021			
	Condominium Sales	Leasing and Hotel	Property Management	Total
ASSETS				
Cash and cash equivalents	₱1,075,572,341	₱174,400,272	₱17,266,114	₱1,267,238,727
Receivables	3,594,607,949	219,594,492	32,626,246	3,846,828,687
Real estate for development and sale	8,745,706,850	–	–	8,745,706,850
Other current assets	2,125,953,453	214,656,019	12,037,624	2,352,647,096
Property and equipment	81,185,372	2,898,642,739	17,849	2,979,845,960
Investment properties	–	16,857,563,302	–	16,857,563,302
Other noncurrent assets	243,046,702	849,066,264	48,000	1,092,160,966
	<u>₱15,866,072,667</u>	<u>₱21,213,923,088</u>	<u>₱61,995,833</u>	<u>₱37,141,991,588</u>
LIABILITIES				
Accounts and other payables	₱3,257,773,828	₱899,199,460	₱36,279,014	₱4,193,252,302
Lease liabilities	33,630,358	246,711,830	–	280,342,188
Customers' advances and deposits	2,880,547,985	422,184,483	3,832,694	3,306,565,162
Loans payable	10,803,366,339	9,627,753,353	–	20,431,119,692
	<u>₱16,975,318,510</u>	<u>₱11,195,849,126</u>	<u>₱40,111,708</u>	<u>₱28,211,279,344</u>

1. Segment assets exclude net deferred tax assets.

2. Segment liabilities exclude income tax payable, other taxes payable, pension liabilities and net deferred tax liabilities.

Intercompany revenue and costs amounted to ₱340.52 million and ₱117.17 million for the six-month periods ended June 30, 2022 and 2021, respectively.

Capital expenditure with an aggregate amount of ₱2,644.97 million and ₱5,868.13 million for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, respectively, consists of condominium project costs, construction and acquisition cost of investment properties and hotel property, and land acquisitions costs.

Disaggregation of Revenue Information

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different revenue streams and geographical location within the Philippines. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Real estate sales and service income

a. Major revenue streams

Real estate sale pertains only to the sale of high-rise condominium units. This sale is revenue from contract with customer recognized over time and generated mostly in the Luzon area.

Rental income is mainly derived from rental of malls, warehouse spaces and other commercial facilities.

Management fee, which is recognized over time, represents the service fee for administering the condominiums.

Set out below is the reconciliation of contracts with customers with the amounts disclosed in the tables above:

	Six-month period ended June 30, 2022			
	Condominium Sales	Leasing and Hotel	Property Management	Total
Sales to external customers	P1,484,532,354	P562,061,258	P14,687,725	P2,061,281,337
Inter-segment sales	149,924,384	180,646,817	9,946,099	340,517,300
Total	1,634,456,738	742,708,075	24,633,824	2,401,798,637
Inter-segment eliminations	(149,924,384)	(180,646,817)	(9,946,099)	(340,517,300)
Total revenue from contract with customers	P1,484,532,354	P562,061,258	P14,687,725	P2,061,281,337

	Six-month period ended June 30, 2021			
	Condominium Sales	Leasing and Hotel	Property Management	Total
Sales to external customers	P1,547,532,673	P486,010,661	P14,925,202	P2,048,468,536
Inter-segment sales	105,292,180	-	11,874,647	117,166,827
Total	1,442,240,493	486,010,661	26,799,849	1,955,051,003
Inter-segment eliminations	(105,292,180)	-	(11,874,647)	(117,166,827)
Total revenue from contract with customers	P1,442,240,493	P486,010,661	P14,925,202	P1,943,176,356

The Group has no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

Set out below is the amount of revenue recognized from the following:

	2022	2021
Amounts included in contract liabilities at beginning of period	P278,275,683	P768,125,160

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at June 30, 2022 and December 31, 2021 are as follows:

	2022	2021
Within one year	₱2,102,994,287	₱2,394,526,372
More than five years	3,880,004,681	4,137,094,002
	₱5,982,998,968	₱6,531,620,374

The remaining performance obligations are expected to be recognized through continuous development of the Group's real estate for development and sale projects.

22. Commitments

Lease Commitments*Leases - Group as Lessor*

The Group entered into noncancellable lease agreements with third parties covering its investment property portfolio. These leases generally provide for a fixed monthly rental on the Group's warehouse, commercial units, and office spaces. Rent income amounted to ₱562.06 million, ₱486.01 million, ₱1,067.14 million and ₱1,022.47 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively. Interest expense relating to the accretion of security deposit payable amounting to ₱1.20 million, ₱1.20 million, ₱2.35 million and nil for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively.

Future minimum rental receivable under the noncancellable operating lease as at June 30, 2022 and December 31, 2021 are as follows:

	2022	2021
One year	₱593,304,708	₱594,249,774
After one year but not beyond five years	1,508,652,275	1,626,099,648
Beyond five years	3,030,406	7,792,518
	₱2,104,987,389	₱2,228,141,940

Leases - Group as Lessee

The Group has entered into noncancellable lease agreements for the rental of its offices and showroom for a period of one to five years and exhibit booths for a period of one to three months. The lease is renewable upon mutual consent of the contracting parties. Rental expense charged to operations amounted to ₱2.81 million, ₱3.69 million, ₱7.50 million and ₱6.70 million for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020, respectively (see Note 16).

The Group also entered into noncancellable lease agreement for a parcel of land in Parañaque where one of the Group's investment property is located. The lease contract has a lease term of 10 years and is renewable at the sole option of the lessee. Monthly rent shall be fixed for the first two years and will increase by 5% and 7% on the third year to fifth year and on the sixth year to tenth year, respectively.

The following are the amounts recognized in consolidated statements of comprehensive income:

	June 30		December 31	
	2022	2021	2021	2020
Amortization expense of right-of-use assets (Notes 8 and 9)	₱29,514,988	₱23,662,306	₱47,494,855	₱47,529,122
Interest expense on lease liabilities	11,045,263	9,960,447	19,687,563	20,320,334
Rental expense (Note 16)	2,807,682	3,687,778	7,503,916	6,696,142
Total amount recognized in consolidated statements of comprehensive income	₱43,367,933	₱37,310,531	₱74,686,334	₱74,545,598

Rental expense recognized pertains to lease agreements related to short-term leases and leases of low-value assets.

The movements in the lease liabilities as at June 30, 2022 and December 31, 2021 are presented below:

	2022	2021
Beginning balance	₱280,342,188	₱319,021,807
Additions (reversals)	103,867,811	(680,971)
Interest expense	11,045,263	19,687,563
Payments	(32,965,352)	(57,686,211)
Ending balance	₱362,289,910	₱280,342,188

The Group has certain lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business need. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments as at June 30, 2022 and December 31, 2021, relating to period following the exercise date of extension options that are not included in the lease term:

	2022	2021
Less than one year	₱1,138,279	₱7,290,611
After one year but not more than five years	91,156,581	104,012,249
	₱92,294,860	₱111,302,860

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
Less than one year	₱65,891,991	₱50,316,926
After one year but not more than five years	197,551,660	113,530,786
More than five years	255,224,242	269,535,881
	₱518,667,893	₱433,383,593

Public-private partnership (PPP) with the local government of Parañaque City

On July 16, 2019, the Group signed a PPP contract in a form of a joint development agreement (JDA) with the local government of Parañaque City (LGU) for a mixed-use development three-tower project. The established project completion is within 48 months. Based on the JDA, the Group will develop a building with three towers (the Project) over a parcel of land owned by the local

government of Paranaque City which is located in Barangay Tambo, Paranaque, with the Group bearing all the cost related to the land development and construction of the towers. The parcel of land and the constructed building shall be the contribution of the LGU and the Group, respectively to the JDA. The Group and the LGU shall then receive their respective allocation of the building after the project is completed. The agreement shall be effective for a period of 25 years from the date all conditions stated have been satisfied or waived, renewable for another 25 years at the option of the Group.

As at June 30, 2022 and December 31, 2021, the Group incurred construction costs of the building amounting to ₱994.39 million and ₱689.26 million, respectively. These are accounted for as investment properties – construction in progress (see Note 9) since the Group has all interest over the project prior to its completion and will be used as commercial properties.

23. Earnings Per Share

Basic/diluted EPS amounts attributable to equity holders of the Parent Company for the six-month periods ended June 30, 2022 and 2021 and for the years ended December 31, 2021 and 2020 follow:

	June 30		December 31	
	2022	2021	2021	2020
Net income attributable to equity holders of Anchor Land Holdings, Inc.	₱303,445,565	₱230,021,360	₱432,838,636	₱349,648,848
Less dividends on preferred shares (Note 19)	13,866,680	13,866,680	27,733,360	27,733,360
Net income attributable to equity holders of Anchor Land Holdings, Inc. for basic and diluted EPS	289,578,885	216,154,680	405,105,276	321,915,488
Weighted average number of common shares for basic and diluted EPS	1,040,001,000	1,040,001,000	1,040,001,000	1,040,001,000
Basic/diluted EPS	₱0.28	₱0.21	₱0.39	₱0.31

The Parent Company does not have potentially dilutive common shares for the six-month periods ended June 30, 2022 and 2021 and years ended December 31, 2021 and 2020.

24. Changes in Liabilities Arising from Financing Activities

	January 1, 2022	Additions/ Accretion of interest	Net cash flows	June 30, 2022
Loans payable	₱20,431,119,692	₱15,136,926	(₱675,068,521)	₱19,771,188,097
Lease liabilities	280,342,188	114,913,074	(32,965,352)	362,289,910
Dividends payable	–	48,533,380	(48,533,380)	–
Total liabilities arising from financing activities	₱20,711,461,880	₱178,583,380	(₱756,567,253)	₱20,133,478,007

	January 1, 2021	Additions/ Accretion of interest	Net cash flows	December 31, 2021
Loans payable	₱19,310,647,503	₱41,905,698	₱1,078,566,491	₱20,431,119,692
Lease liabilities	319,021,807	19,006,592	(57,686,211)	280,342,188
Dividends payable	–	48,533,380	(48,533,380)	–
Total liabilities arising from financing activities	₱19,629,669,310	₱109,445,670	₱972,346,900	₱20,711,461,880