COVER SHEET

C S 2 0 0 4 1 1 5 9 3

S.E.C. Registration Number

A N C H O R   L A N D   H O L D I N G S ,   I N C .

(Company's Full Name)

1 5 T H   F L O O R ,   L . V . L O C S I N   B L D G .
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	(02) 8988-7988
Contact Person	**Company Telephone Number**

1 2	3 1	1 7 - Q	0 7	0 6
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N/A

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

92		
Total No. of Stockholders	**Domestic**	**Foreign**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

CASHIER

STAMPS

SEC Number **CS200411593**
File Number ___________

ANCHOR LAND HOLDINGS, INC.
Company's Full name

15th 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 (3rd Quarter)
Form Type

____
Amended Designation (if applicable)

September 30, 2023
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 **September 30, 2023**

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. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office **15th 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

Title of Each Class	Number of Shares Outstanding and Amount of Debt Outstanding
Common Shares	**1,040,001,000 Shares**
Preferred Shares	**346,667,000 Shares**
Loans Payable	**₱20,816,500,904**

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

    Yes [**X**] 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 [**X**] No [ ]

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

    Yes [**X**] 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.

Statement of Compliance
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 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. 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 – September 30, 2023 vs. January – September 30, 2022)

The Group's revenue from real estate sales has significantly improved with a 19% increase or ₱384.92 million for the nine-month period ended September 30, 2023, compared to the same period in the previous year. This increase can be attributed to the successful launch of new projects and higher construction accomplishments.

Real estate sales generated during the nine-month period ended September 2023 were mainly from the Group's ongoing projects, namely Cornell Parksuites, 8 Alonzo Parksuites, 202 Peaklane, Copeton Baysuites, Anchor Grandsuites, and the newly launched One Legacy Grandsuites and One Financial Center. The One Legacy Grandsuites represents the Group's biggest residential development project, while the One Financial Center is the Group's first premium corporate building project for sale.

The construction of Juan Luna Logistics Center was completed in the second quarter of 2023 and the turnover of units to the buyers is currently underway. Meanwhile, Anchor Grandsuites is expected to start turnover by the last quarter of 2023. Another nearing completion project is Cosmo Suites, from which the Group anticipates a substantial future revenue contribution in subsequent years.

In terms of rental operations, the Group recorded a double-digit increase of 11% or ₱91.35 million. The increase was primarily due to the improved occupancy of the commercial units in Monarch Parksuites, Solemare Parksuites and One Logistics Center as well as the residential units in Kanlaon Tower and office units in The Centrium.

Revenue from the hotel operations of the Group amounted to ₱200.23 million. The Group commenced hotel operations in the third quarter of 2022 through the Admiral Hotel, a five-star luxury boutique hotel project.

The Group recorded significant increase in finance cost, amounting to ₱140.80 million. This increase in costs is attributed to the ceased capitalization of borrowing costs for the recently completed projects. Consequently, higher interest expenses were recognized during the period.

Overall, the Group recorded a consolidated net income of ₱457.91 million after the abovementioned transactions.

Financial Condition (September 30, 2023 vs. December 31, 2022)

The Group’s total assets as at September 30, 2023, amounted to ₱38,282.19 million, reflecting a decrease of ₱848.42 million. This decrease was primarily caused by the deconsolidation of subsidiaries due to loss of control. Total assets deconsolidated in the Group’s financial statements amounted to ₱3,808.10 million, including investment properties worth ₱3,219.12 million.

However, the impact of the decrease in total assets was set-off by the total capital expenditures of ₱4,879.58 million during the period. After accounting for recognized cost of sales and depreciation, the net effect of these capital expenditures offset the decrease in total assets.

Furthermore, the Group's total liabilities also decreased by ₱1,271.49 million. This downward movement is primarily due to the deconsolidated liabilities amounting to ₱3,878.28 million. Additionally, both the current portion of loans payable and customers' advances and deposits decreased by a total amount of ₱1,394.10 million. As a result, there was a total decrease in current liabilities of ₱3,140.14 million, leading to an improvement in the current ratio. As at September 30, 2023, the current ratio stood at 1.58, representing an improvement from the previous yearend ratio of 1.19, recorded on December 31, 2022.

The movements in equity accounts follow:

- Retained earnings - increase brought by the net income for the nine months ended September 30, 2023.
- Non-controlling interests - decrease due to deconsolidation of subsidiaries.

Material Changes to the Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2023 compared with the Nine Months Ended September 30, 2022 (Increase/Decrease of 5% or more)

Real estate sales increased significantly by 19% or ₱384.92 million. This is mainly attributed to the sales recognized from the newly launched One Legacy Grandsuites and One Financial Center as well as higher revenue recognition from ongoing projects construction accomplishments.

Rental income saw an increase of 11% or ₱91.35 million as a result of increased occupancy from the completed investment properties.

The Group started the operation of the Admiral Hotel and had its soft opening on July 1, 2022. Revenue and cost of hotel operation amounted to ₱200.23 million and ₱127.07 million, respectively, for the nine months ended September 30, 2023.

Management fees increased by 35% or ₱8.10 million due to additional management agreement with Juan Luna Logistics Condominium Corporation, increase in billing rates due to escalation and increase in personnel cost billings.

Cost of real estate sales increased by 10% or ₱169.45 million as brought by the increase in real estate sales during the period. Cost of real estate sales includes actual construction costs incurred during the period and other indirect costs such as cost of borrowings capitalized as real estate inventories.

Selling and administrative expenses increased by 22% or ₱204.98 million due to the higher depreciation from The Centrium and Admiral Hotel, increase in sales and marketing expenses and higher administrative expenses from hotel and building operations.

Finance cost increased by 170% or ₱140.80 million due to the cessation of borrowing costs capitalization for the recently completed projects.

Income before tax and net income increased by 7% and 11%, or ₱40.87 million and ₱44.52 million, respectively, as a result of the abovementioned transactions.

Material Changes to the Balance Sheet as at September 30, 2023 compared to December 31, 2022 (Increase/Decrease of 5% or more)

Receivables (including noncurrent portion) increased by ₱398.96 million primarily due to recognition of notes receivable owed to ALHI by GPVI and additional sales recorded during the period, net of collections from buyers.

Real estate for development and sale increased by 14% or ₱1,624.55 million as a result of project development costs incurred that amounted ₱3,607.15 million, net of recognized cost of sales and transferred costs of ₱1,982.60 million.

Property and equipment increased by 6% or ₱197.69 million due to the right-of-use asset recognized during the period as a result of renewal of leased floors in the head office and additions pertaining to hotel property.

Other assets (including noncurrent portion), investment properties, deferred tax assets, accounts and other payables (including noncurrent portion), and lease liabilities (including noncurrent portion) decreased by 14% or ₱437.16 million, 15% or ₱2,451.87 million, 11% or ₱22.95 million, 26% or ₱1,469.83 million, and 52% or ₱177.48 million, respectively, as a result of deconsolidation of subsidiaries as mentioned above.

The decrease in income tax payable of 37% or ₱52.03 million was due to lower taxable income recognized during the period.

Customers' advances and deposits decreased by 14% or ₱486.84 million due to revenue recognition of the advances received from customers in the prior years.

Deferred tax liabilities increased by 15% or ₱53.17 million mainly due to the increase in deferred taxes related to differences between tax and book basis of accounting for real estate transactions.

Pension liability increased by 18% or ₱11.49 million due to the accrual of pension costs for the period ended.

Non-controlling interests amounted to nil due to deconsolidation of subsidiaries with non-controlling interests.

KEY PERFORMANCE INDICATORS

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

	As at September 30, 2023	As at December 31, 2022
Liquidity Ratio:		
(1) Current Ratio	**1:58 : 1**	1:19 : 1
(2) Debt to Equity Ratio	**2.99 : 1**	3.27 : 1
(3) Asset to Equity Ratio	**3.99 : 1**	4.27 : 1

	For the period ended September 30, 2023	For the period ended September 30, 2022
(4) Earnings before Interest, Taxes, Depreciation and Amortization	**₱1,827.28 million**	₱1,359.67 million
(5) Interest Coverage Ratio	**1.81 : 1**	1.48 : 1
(6) Return on Revenue	**11.4%**	12.2%
(7) Return on Equity	**5%**	5%
(8) Basic Earnings per Share	**₱0.42**	₱0.38

(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 September 30, 2023, 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 September 30, 2023

	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	₱1,934,774,877	₱1,915,700,009	₱5,309,046	₱855,718	₱7,139,846	₱5,770,258	₱–
Notes receivable	521,137,826	521,137,826					
Rental receivable	215,186,944	203,880,482	3,004,176	1,059,165	991,729	6,251,392	–
Advances to employees and agents	50,688,051	50,688,051	–	–	–	–	–
Due from condominium associations	25,535,090	25,535,090	–	–	–	–	–
Others	71,871,171	47,545,366	6,732,376	372,803	15,464	1,811	17,203,351
	₱2,819,193,959	₱2,764,486,824	₱15,045,598	₱2,287,686	₱8,147,039	₱12,023,461	₱17,203,351

PART II. OTHER INFORMATION

For the period ended September 30, 2023, the Group reported the following information on SEC Form 17-C:

Date of Report	Nature of Item Reported
March 29, 2023	Change of Business Address of the Corporation
May 3, 2023	Approval of The Annual Stockholders' Meeting
May 3, 2023	Declaration of Cash Dividends
July 6, 2023	Results of the Annual Stockholders' Meeting
July 6, 2023	Nomination and election of Atty. Monina Jane S. Nazal as Director
July 6, 2023	Results of the Organizational Meeting of the Board of Directors.
October 11, 2023	Approval of the Anti-Money Laundering Manual
October 26, 2023	Appointment of Records Officer

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
September 30, 2023 and December 31, 2022
And Periods Ended September 30, 2023 and 2022
And Years Ended December 31, 2022 and 2021

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,134,252,081**	₱1,291,884,786
Receivables (Note 5)	**1,302,022,060**	1,763,835,262
Real estate for development and sale (Note 6)	**13,474,282,385**	11,849,733,498
Other current assets (Note 7)	**2,334,397,638**	2,576,399,323
	18,244,954,164	17,481,852,869
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**1,499,968,548**	639,190,962
Property and equipment (Note 8)	**3,749,381,021**	3,551,689,998
Investment properties (Note 9)	**14,153,280,438**	16,605,151,587
Deferred tax assets - net (Note 18)	**180,409,550**	203,363,780
Other noncurrent assets (Note 10)	**454,195,869**	649,358,865
	20,037,235,426	21,648,755,192
	₱38,282,189,590	₱39,130,608,061
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 11)	**₱3,226,885,883**	₱4,914,613,630
Lease liabilities - current portion (Note 22)	**37,969,333**	44,254,782
Income tax payable	**89,421,645**	141,452,797
Loans payable - current portion (Note 12)	**5,421,135,367**	6,375,113,384
Customers' advances and deposits - current portion (Note 13)	**2,763,491,209**	3,203,608,812
	11,538,903,437	14,679,043,405
Noncurrent Liabilities		
Accounts and other payables - net of current portion (Note 11)	**1,005,376,037**	787,479,169
Lease liabilities - net of current portion (Note 22)	**124,658,508**	295,849,882
Loans payable - net of current portion (Note 12)	**15,395,365,537**	13,591,355,092
Customers' advances and deposits - net of current portion (Note 13)	**149,314,200**	196,037,973
Deferred tax liabilities - net (Note 18)	**403,478,290**	350,309,731
Pension liabilities (Note 17)	**76,051,037**	64,561,682
	17,154,243,609	15,285,593,529
	₱28,693,147,046	₱29,964,636,934

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (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	**70,628,933**	70,628,933
Retained earnings		
Appropriated	**6,372,200,000**	6,372,200,000
Unappropriated	**1,126,858,327**	724,963,701
	9,589,042,544	9,187,147,918
Non-controlling interests	**–**	(21,176,791)
	9,589,042,544	9,165,971,127
	₱38,282,189,590	₱39,130,608,061

See accompanying Notes to Consolidated Financial Statements.

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

	2023 Unaudited		2022 Unaudited	
	July 1 to September 30	**January 1 to September 30**	July 1 to September 30	January 1 to September 30
REVENUE				
Real estate sales (Note 21)	**₱470,309,482**	**₱2,439,819,013**	₱570,366,625	₱2,054,898,979
Rental income (Notes 9, 13, 21 and 22)	**315,687,191**	**918,831,597**	265,419,213	827,480,471
Management fee (Note 21)	**11,368,464**	**31,169,413**	8,377,992	23,065,717
Hotel operation (Note 21)*	**73,148,415**	**200,225,561**	23,667,871	23,667,871
Interest and other income (Notes 4, 5, 15 and 21)	**135,970,624**	**444,481,577**	141,208,273	459,628,332
	1,006,484,176	**4,034,527,161**	1,009,039,974	3,388,741,370
COSTS AND EXPENSES				
Real estate (Notes 6, 16 and 21)	**336,235,358**	**1,944,944,536**	462,173,232	1,775,493,467
Hotel operation (Notes 16 and 21)*	**47,919,598**	**127,066,945**	37,377,310	37,377,310
Selling and administrative (Notes 16 and 21)	**347,004,053**	**1,142,503,031**	302,068,786	937,525,984
Finance costs (Notes 12, 17, 21 and 22)	**99,026,875**	**223,650,026**	57,018,890	82,851,946
	830,185,884	**3,438,164,538**	858,638,218	2,833,248,707
INCOME BEFORE INCOME TAX	**176,298,292**	**596,362,623**	150,401,756	555,492,663
PROVISION FOR INCOME TAX (Note 18)	**31,835,362**	**138,447,689**	41,267,894	142,095,021
NET INCOME	**144,462,930**	**457,914,934**	109,133,862	413,397,642
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱144,462,930**	**₱457,914,934**	₱109,133,862	₱413,397,642
Net income (loss) attributable to:				
Equity holders of Anchor Land Holdings, Inc.	**₱143,983,840**	**₱460,828,016**	₱111,050,427	₱414,495,992
Non-controlling interests	**479,090**	**(2,913,082)**	(1,916,565)	(1,098,350)
	₱144,462,930	**₱457,914,934**	₱109,133,862	₱413,397,642
Total comprehensive income (loss) attributable to:				
Equity holders of Anchor Land Holdings, Inc.	**₱143,983,840**	**₱460,828,016**	₱111,050,427	₱414,495,992
Non-controlling interests	**479,090**	**(2,913,082)**	(1,916,565)	(1,098,350)
	₱144,462,930	**₱457,914,934**	₱109,133,862	₱413,397,642
Basic/Diluted Earnings Per Share (Note 23)	**₱0.13**	**₱0.42**	₱0.09	₱0.38

See accompanying Notes to Consolidated Financial Statements.
**The commercial operation of Hotel started on July 1, 2022.*

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Parent							
				Other	Retained Earnings (Note 19)		Attributable to	
	Common Stock (Note 19)	Preferred Stock (Note 19)	Additional Paid-in Capital	Comprehensive Income	Appropriated	Unappropriated	Non-controlling Interests	Total
At January 1, 2023	₱1,040,001,000	₱346,667,000	₱632,687,284	₱70,628,933	₱6,372,200,000	₱724,963,701	(₱21,176,791)	₱9,165,971,127
Net income	–	–	–	–	–	460,828,016	(2,913,082)	457,914,934
Total comprehensive income	–	–	–	–	–	460,828,016	(2,913,082)	457,914,934
Acquisition and dilution of non-controlling interests (Note 1)	–	–	–	–	–	–	24,089,873	24,089,873
Dividends declared	–	–	–	–	–	(58,933,390)	–	(58,933,390)
At September 30, 2023	₱1,040,001,000	₱346,667,000	₱632,687,284	₱70,628,933	₱6,372,200,000	₱1,126,858,327	₱–	₱9,589,042,544
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	–	–	–	–	–	414,495,992	(1,098,350)	413,397,642
Total comprehensive income	–	–	–	–	–	414,495,992	(1,098,350)	413,397,642
Acquisition and dilution of 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 September 30, 2022	₱1,040,001,000	₱346,667,000	₱632,687,284	₱52,493,749	₱4,621,200,000	₱2,372,912,340	(₱20,662,589)	₱9,045,298,784
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	–	–	–	–	–	517,547,353	(1,612,552)	515,934,801
Other comprehensive income	–	–	–	18,135,184	–	–	–	18,135,184
Total comprehensive income	–	–	–	18,135,184	–	517,547,353	(1,612,552)	534,069,985
Acquisition and dilution of non-controlling interests (Note 1)	–	–	–	–	–	(3,850,062)	4,750,264	900,202
Dividends declared	–	–	–	–	–	(48,533,380)	–	(48,533,380)
Appropriated during the year	–	–	–	–	1,751,000,000	(1,751,000,000)	–	–
Release from appropriations	–	–	–	–	(450,000,000)	450,000,000	–	–
At December 31, 2022	₱1,040,001,000	₱346,667,000	₱632,687,284	₱70,628,933	₱6,372,200,000	₱724,963,701	(₱21,176,791)	₱9,165,971,127
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
Acquisition and dilution of non-controlling interests	–	–	–	–	–	–	(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

See accompanying Notes to Consolidated Financial Statements.

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

	Nine-month Periods Ended September 30		Years Ended December 31	
	2023 (Unaudited)	2022 (Unaudited)	**2022 (Audited)**	2021 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱596,362,623**	₱555,492,663	₱688,836,172	₱521,113,957
Adjustments for:				
Depreciation and amortization (Notes 8, 9, 10 and 16)	**345,964,455**	245,326,272	336,895,647	296,318,103
Finance costs (Notes 12, 17, 21 and 22)	**223,650,026**	82,851,946	116,660,624	48,792,991
Interest income (Note 15)	**(172,733,521)**	(187,193,388)	(240,429,181)	(386,866,434)
Gain on sale of subsidiaries (Notes 1 and 15)	**(49,779,268)**	–	–	–
Pension costs (Note 17)	**7,965,309**	9,273,566	10,620,412	12,364,754
Loss on demolition (Notes 9 and 16)	–	–	–	108,796,357
Operating income before working capital changes	**951,429,624**	705,751,059	912,583,674	600,519,728
Decrease (increase) in:				
Receivables	**116,030,809**	992,940,203	1,444,802,465	1,482,569,915
Real estate for development and sale	**(1,500,196,336)**	(800,270,709)	(1,187,049,877)	(853,766,144)
Other assets	**13,817,043**	(18,120,333)	330,040,806	(226,394,071)
Increase (decrease) in:				
Accounts and other payables	**2,062,343,094**	1,114,208,237	1,483,722,387	294,626,148
Customers' advances and deposits	**(484,970,267)**	496,967,550	93,081,623	(178,119,190)
Net cash generated from operations	**1,158,453,967**	2,491,476,007	3,077,181,078	1,119,436,386
Interest received	**172,733,521**	187,193,388	240,429,181	386,866,434
Income taxes paid *(including creditable withholding taxes)*	**(255,216,010)**	(91,528,062)	(179,243,317)	(187,473,663)
Interest paid	**(173,836,765)**	(51,397,874)	(86,023,359)	(89,522,599)
Net cash provided by operating activities	**902,134,713**	2,535,743,459	3,052,343,583	1,229,306,558
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	**(189,811,224)**	(243,304,440)	(302,014,046)	(327,437,876)
Investment properties	**(1,041,421,651)**	(1,613,342,129)	(2,109,331,794)	(1,981,635,959)
Software and brand development costs	–	(785,110)	(785,110)	(621,275)
Increase in notes receivable	**(521,137,826)**	–	–	–
Disposal of subsidiaries, net of cash disposed of (Note 1)	**(15,461,197)**	–	–	–
Net cash used in investing activities	**(1,767,831,898)**	(1,857,431,679)	(2,412,130,950)	(2,309,695,110)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availments	**3,740,227,621**	2,497,816,812	3,611,774,480	7,701,903,757
Payments of:				
Lease liabilities (Note 22)	**(57,769,581)**	(51,536,586)	(70,111,071)	(57,686,211)
Loans payable	**(2,915,460,170)**	(3,114,882,452)	(4,108,696,603)	(6,623,337,266)
Dividends (Note 19)	**(58,933,390)**	(48,533,380)	(48,533,380)	(48,533,380)
Net cash provided by (used in) financing activities (Note 24)	**708,064,480**	(717,135,606)	(615,566,574)	972,346,900
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(157,632,705)**	(38,823,826)	24,646,059	(108,041,652)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,291,884,786**	1,267,238,727	1,267,238,727	1,375,280,379
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱1,134,252,081**	₱1,228,414,901	₱1,291,884,786	₱1,267,238,727

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 15th 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 2023 and 2022:

	2023		2022	
	Direct	**Indirect**	Direct	Indirect
Posh Properties Development Corporation (PPDC)	**100.00%**	**–**	100.00%	–
Realty & Development Corporation of San Buenaventura [(b)]	**–**	**100.00%**	–	100.00%
Pasay Metro Center, Inc. [(b)]	**–**	**100.00%**	–	100.00%
Basiclink Equity Investment Corp. (BEIC)[(a)]	**–**	**60.00%**	–	60.00%
Anchor Properties Corporation or APC (formerly Manila Towers Development Corporation)	**100.00%**	**–**	100.00%	–
Admiral Realty Company, Inc. (ARCI)	**–**	**100.00%**	–	100.00%
Gotamco Realty Investment Corporation (GRIC)	**–**	**100.00%**	–	100.00%
Irenealmeda Realty, Inc. [(b)]	**–**	**100.00%**	–	100.00%
Nusantara Holdings, Inc.	**–**	**100.00%**	–	100.00%
Fersan Realty Corporation (FRC) [(c)]	**–**	**100.00%**	–	100.00%
One Binondo Prime Properties Corp. (OBPPC) [(c)]	**–**	**100.00%**	–	100.00%
Globeway Property Ventures, Inc. (GPVI) [(e)]	**–**	**–**	70.00%	–
Anchor Land Hotels & Resorts, Inc. (ALHRI)	**100.00%**	**–**	100.00%	–
Momentum Properties Management Corporation (MPMC)	**100.00%**	**–**	100.00%	–
Eisenglas Aluminum and Glass, Inc. (EAGI) [(b)]	**–**	**100.00%**	–	100.00%
Marathon Properties Management and Holdings, Corporation (MPMHC)	**–**	**100.00%**	–	100.00%
Anchor Land Global Corporation (ALGC)	**100.00%**	**–**	100.00%	–
1080 Soler Corp.	**–**	**100.00%**	–	100.00%
Frontier Harbor Property Development, Inc. (FHPDI) [(d)]	**–**	**–**	–	60.00%
BEIC [(a)]	**–**	**40.00%**	–	40.00%
Teamex Properties Development Corporation (TPDC) [(c)]	**–**	**100.00%**	–	100.00%
Wework Realty Development Corporation (WRDC) [(c)]	**–**	**100.00%**	–	100.00%

[(a)] BEIC is a wholly owned subsidiary of the Parent Company through PPDC and ALGC which own percentage ownership of 60% and 40%, respectively, over BEIC.
[(b)] Ceased commercial operations.
[(c)] Has not yet started commercial operations.
[(d)] In 2023, ALGC sold 57% interest in FHPDI resulting to a loss of control and deconsolidation of a subsidiary. Remaining interest in FHPDI was recorded under "Other Noncurrent Assets".
[(e)] In 2023, ALHI sold 70% interest in GPVI resulting to a loss of control and deconsolidation of a subsidiary.

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, residential units 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.

The following are the changes in the Group’s structure in 2023 and 2022:

For the nine-month periods ended September 30, 2023:

- ALGC sold 57% of the voting shares of FHPDI. The remaining interest in FHPDI amounting to ₱0.08 million is presented under “Other noncurrent assets”.

- ALHI sold 70% of the voting shares of GPVI.

  At the date of disposal, the carrying amounts of FHPDI and GPVI’s net assets were as follows:

	FHPDI	GPVI
Assets		
Cash	₱7,372,365	₱11,701,337
Receivables	–	6,142,633
Other current assets	309,143,379	65,495,601
Investment properties (Note 9)	2,608,502,397	610,622,277
Deferred tax assets	501,962	34,839,517
Other noncurrent assets	144,864,310	8,917,300
	₱3,070,384,413	₱737,718,665
Liabilities		
Accounts and other payables	₱3,070,871,707	₱569,223,695
Customers’ advances and deposits	–	1,871,109
Lease liability (Note 22)	–	236,318,203
	3,070,871,707	807,413,007
Net Liabilities	₱487,294	₱69,694,342

The aggregate consideration received consists of:

	FHPDI	GPVI
Cash consideration received	₱1,425,003	₱2,187,502
NCI	(401,172)	(23,688,701)
Retained interest	75,000	–
	1,098,831	(21,501,199)
Net Liabilities	(487,294)	(69,694,342)
Total Gain on Sale (Note 15)	₱1,586,125	₱48,193,143

Net cash outflow arising on disposal:

	FHPDI	GPVI
Cash consideration received	₱1,425,003	₱2,187,502
Less: cash in banks disposed	7,372,365	11,701,337
	₱5,947,362	₱9,513,835

The above transactions resulted to a loss of control and deconsolidation of FHPDI and GPVI.

For the year-ended December 31, 2022:

- MPMC acquired the 40% non-controlling interests (NCI) in EAGI. 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. As the Group continued to exercise control over FHPDI, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with PFRS 3, *Business Combinations*. 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.

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.

Statement of Compliance

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 PFRSs which were adopted beginning January 1, 2023. 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 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 consolidated financial statements (and interest expense) or to the related asset component (and interest expense).

- 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.

- 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.

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. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 and must be applied retrospectively.

  The Group is currently assessing the impact the amendments will have on current practice.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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:

		Deferral Period
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 decides to avail of any relief. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. 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 calculations 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 ongoing real estate projects resulting in a decrease in beginning retained earnings as well as a decrease in the revenue from real estate sales in 2023.

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 contracts receivable, 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, notes 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 contracts receivable 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:

<u>Loans and borrowings</u>

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 is carried at cost less any impairment in value.

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 and property and equipment).

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, leasing, property management and hotel operation 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 is carried at cost less any impairment in value.

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, leasehold improvements, office equipment, furniture and fixtures, transportation vehicles 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 vehicles	3 - 5
Hotel property	50

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.

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 costs of investment property consist 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 50 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.

<u>Impairment of Nonfinancial Assets</u>
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, investment properties including right-of-use assets and software and brand development cost) 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.

<u>Customers’ Advances and Deposits</u>
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 collections pertaining to the lease of commercial units of the Group. These collections are subsequently recognized as income under "Rental income" on a straight-line basis over the lease term.

Deposits from lessees also consist of collections 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 declarations.

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 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. 1 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 customers pay either a fixed amount or at amount stipulated in the agreement. The revenue is recognized when the related services are rendered.

Hotel operation
Hotel revenues from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center, laundry service, communication service, transportation and parking, and spa services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or 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 the provisions 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 real estate sales
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, 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.

Cost of hotel operation
Cost of hotel operation pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

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 recorded 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.

<u>Contract Balances</u>
Installment contract receivable
An installment contract 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 the equivalent amount of the agreed consideration or before payment is due, the unpaid 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 based on the revenue recognition accounting policy.

The contract liabilities includes excess of collections over the total recognized installment contracts receivable based on POC and collections from 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 of 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 account for the net present value of obligation related to the periodic lease payments. Meanwhile, right-of-use assets are also recognized to represent the economic benefits received by the Group from 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 (IBR) 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.

<u>Income Taxes</u>
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 September 30, 2023 and December 31, 2022, the Group has no dilutive potential common shares.

Segment Reporting
The Group’s operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that serves different markets. The Group’s operating business is composed of condominium sales, leasing, property management and hotel operation. 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 in exercising the option of 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 the option to renew (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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 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.

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 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 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 September 30, 2023 and December 31, 2022, carrying values are as follows:

	2023	2022
Property and equipment (Note 8)	**₱3,749,381,021**	₱3,551,689,998
Investment properties (Note 9)	**14,153,280,438**	16,605,151,587
Advances to contractors and suppliers (Notes 7 and 10)	**1,099,721,307**	1,299,445,547
Deposits on real estate properties (Notes 7 and 10)	**57,390,800**	85,390,800
Software and brand development costs (Note 10)	**603,471**	1,429,300

Management assessed that there are no indicators of impairment for the Group's nonfinancial assets as at September 30, 2023 and December 31, 2022 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 the construction and an estimated 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 September 30, 2023 and December 31, 2022, the Group's real estate for development and sale which are carried at cost amounted to ₱13,474.28 million and ₱11,849.73 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 ₱2,439.82 million, ₱2,054.90 million, ₱2,717.70 million and ₱2,768.50 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, 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 deferred tax assets recognized as at September 30, 2023 and December 31, 2022 amounted to ₱451.23 million and ₱440.67 million, respectively. The Group's unrecognized deferred tax assets amounted to ₱36.28 million and ₱1.66 million as at September 30, 2023 and December 31, 2022, respectively (see Note 18).

Impairment testing of financial assets

Provision 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) in calculating ECL. The amount of ECL 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 September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, the present value of benefit obligation amounted to ₱76.05 million and ₱64.56 million, respectively. Pension cost amounted to ₱11.49 million, ₱12.07 million, ₱14.34 million and ₱15.70 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, 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 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 September 30, 2023 and December 31, 2022, lease liabilities of the Group amounted to ₱162.63 million and ₱340.10 million, respectively (see Note 22).

4. Cash and Cash Equivalents

	2023	2022
Cash on hand	**₱915,500**	₱762,000
Cash in banks	**1,126,054,247**	1,284,007,200
Cash equivalents	**7,282,334**	7,115,586
	₱1,134,252,081	₱1,291,884,786

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 4.75% and 1.50% as at September 30, 2023 and December 31, 2022, respectively. 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 ₱1.26 million, ₱1.16 million, ₱1.48 million and ₱1.62 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively (see Note 15).

5. Receivables

	2023	2022
Installment contracts receivable - net of unamortized discount	**₱1,934,774,877**	₱2,059,548,897
Notes receivable	**521,137,826**	–
Rental receivable	**215,186,944**	208,191,034
Advances to employees and agents	**50,688,051**	33,867,152
Due from condominium associations	**25,535,090**	29,493,674
Others	**71,871,171**	89,128,818
	2,819,193,959	2,420,229,575
Less allowance for impairment losses	**17,203,351**	17,203,351
	2,801,990,608	2,403,026,224
Less noncurrent portion of :		
Installment contracts receivable	**1,031,256,513**	639,190,962
Notes receivable	**468,712,035**	–
	1,499,968,548	639,190,962
	₱1,302,022,060	₱1,763,835,262

Installment contracts receivable consist of receivables from the sale of real estate properties. These are collectible in equal monthly principal installments for a period of one 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.

In 2023, the Group divested 70% of its voting shares in GPVI, resulting in the loss of control over GPVI and its subsequent deconsolidation from the Group's consolidated financial statements. As a result of this transaction, the receivable owed to ALHI by GPVI, which was previously eliminated in the consolidated financial statements, is subsequently disclosed as "Notes receivable" in the 2023 consolidated financial statements.

Furthermore, GPVI and ALHI have subsequently entered into a memorandum of agreement to settle the outstanding balance of ₱521.14 million over a period of six years. The repayment plan consists of equal quarterly installment payments, commencing on March 31, 2024, and carries an 8% annual interest rate.

Rental receivable 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 less than 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 on 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, receivables from unit owners which pertains to transfer taxes and other charges initially paid by the Group in behalf of the unit owners and receivable from guests. These receivables are noninterest-bearing and are normally settled within one year.

As at September 30, 2023 and December 31, 2022, the allowance for impairment losses on its other receivables amounted to ₱17.20 million. No additional allowance was recognized in 2023 and 2022.

Unamortized discount on installment contracts receivable
In 2023 and 2022, noninterest-bearing installment contracts receivable with nominal amount of ₱2,773.99 million and ₱1,024.25 million, respectively, were initially recorded at fair value amounting to ₱2,388.86 million and ₱922.79 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 4.12% to 6.94% in 2023 and 1.12% to 6.74% in 2022.

Movements in the unamortized discount on installment contracts receivable as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Balance at beginning of period	**₱242,974,218**	₱380,464,506
Additions	**385,131,678**	101,463,391
Accretion (Note 15)	**(171,742,224)**	(238,953,679)
Balance at end of period	**₱456,363,672**	₱242,974,218

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 receivable sold and the related loans payable accounts amounted to ₱416.67 million and ₱808.37 million as at September 30, 2023 and December 31, 2022, 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:

	2023	2022
Condominium units for sale	**₱11,628,837,256**	₱8,008,270,245
Land held for future development	**1,845,445,129**	3,841,463,253
	₱13,474,282,385	₱11,849,733,498

The rollforward of this account is as follows:

	2023	2022
Balance at beginning of period	**₱11,849,733,498**	₱8,745,706,850
Additions	**3,607,151,007**	3,508,476,821
Disposals - recognized as cost of real estate sales (Note 16)	**(1,944,944,536)**	(2,311,905,168)
Transfers from (to) investment properties (Note 9)	**(37,657,584)**	2,155,200,517
Transfer to property and equipment (Note 8)	–	(247,745,522)
Balance at end of period	**₱13,474,282,385**	₱11,849,733,498

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.

The cost transferred to investment properties amounting to ₱37.66 million in 2023 pertains to the commercial areas of Juan Luna Logistics Center while the cost transferred from investment properties amounting to ₱2,155.20 million in 2022 pertain to the land properties and ongoing building construction 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 portion of Admiral Grandsuites allocated for the operation of Admiral Hotel. This constitutes significant noncash transaction 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 4.13% to 9.74% and 3.25% to 8.95% in 2023 and 2022, respectively. Borrowing costs on loans payable capitalized as part of "Real estate for development and sale" amounted to ₱661.30 million and ₱671.04 million for the nine-month periods ended September 30, 2023 and for the year ended December 31, 2022, respectively (see Note 12).

The Group has not recognized any provisions for impairment as at September 30, 2023 and December 31, 2022.

As at September 30, 2023 and December 31, 2022, the carrying amount of real estate for development and sale used as collateral to secure the Group's bank loans amounted to ₱9,580.41 million and ₱8,482.06 million, respectively (see Note 12).

7. Other Current Assets

	2023	2022
Advances to contractors and suppliers	**₱971,704,834**	₱979,196,530
Creditable withholding tax	**716,119,501**	610,295,720
Input VAT	**473,922,195**	641,085,849
Prepaid expenses	**134,123,479**	285,937,656
Deposits on real estate properties	–	28,000,000
Others	**38,527,629**	31,883,568
	₱2,334,397,638	₱2,576,399,323

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 POC.

Creditable withholding tax pertains mainly to the amounts withheld from income derived from real estate sales, leasing, property management and hotel operation. Creditable withholding tax will be applied against income tax due.

Input VAT represents taxes imposed to the Group for the land acquisitions, purchases of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. Any excess input VAT as at reporting period will be used as tax credits against future output VAT liabilities. Management has estimated that all input VAT is recoverable at its full amount.

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

The Group recognizes the commission of marketing agents as prepaid expense upon obtaining contracts with buyers, as required by PFRS 15. This is amortized or charged to expense in the period in which the related revenue is recognized as earned (based on POC). The related liability recognized related to the cost to obtain contracts are recorded in accrued commission (see Note 11).

The movements in prepaid commission as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Balance at beginning of period	**₱188,905,287**	₱233,280,208
Additions	**102,289,377**	28,586,171
Amortization	**(108,769,016)**	(72,961,092)
Balance at end of period	**182,425,648**	188,905,287
Less noncurrent portion (Note 10)	**103,911,406**	80,218,148
	₱78,514,242	₱108,687,139

Deposits on real estate properties represent the current portion of the Group’s advance payments to real estate property owners for future property acquisitions and is expected to be recovered upon consummation of the purchase transactions.

8. Property and Equipment

	2023						
	Hotel Property	**Leasehold Improvements**	**Office Equipment**	**Furniture and Fixtures**	**Transportation Vehicles**	**Right- of- Use Assets (Building)**	**Total**
Cost							
At January 1	**₱3,429,238,935**	**₱52,652,606**	**₱67,356,635**	**₱80,425,265**	**₱126,643,761**	**₱244,943,365**	**₱4,001,260,567**
Additions	**139,440,711**	**35,188,438**	**3,970,686**	**3,679,916**	**10,980,537**	**99,024,440**	**292,284,728**
At September 30	**3,568,679,646**	**87,841,044**	**71,327,321**	**84,105,181**	**137,624,298**	**343,967,805**	**4,293,545,295**
Accumulated Depreciation and Amortization							
At January 1	**20,347,271**	**39,659,584**	**63,216,501**	**65,344,345**	**111,825,591**	**149,177,277**	**449,570,569**
Depreciation and amortization (Note 16)	**41,376,202**	**4,852,067**	**1,500,144**	**5,303,834**	**9,316,933**	**32,244,525**	**94,593,705**
At September 30	**61,723,473**	**44,511,651**	**64,716,645**	**70,648,179**	**121,142,524**	**181,421,802**	**544,164,274**
Net Book Value	**₱3,506,956,173**	**₱43,329,393**	**₱6,610,676**	**₱13,457,002**	**₱16,481,774**	**₱162,546,003**	**₱3,749,381,021**

	2022						
	Hotel Property	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Transportation Vehicles	Right- of- Use Assets (Building)	Total
Cost							
At January 1	₱2,896,720,965	₱40,443,797	₱65,465,668	₱79,008,608	₱121,851,792	₱137,303,415	₱3,340,794,245
Additions (Note 6)	532,517,970	12,208,809	1,890,967	1,416,657	4,791,969	107,639,950	660,466,322
At December 31	3,429,238,935	52,652,606	67,356,635	80,425,265	126,643,761	244,943,365	4,001,260,567
Accumulated Depreciation and Amortization							
At January 1	–	39,133,084	60,714,723	59,089,836	98,576,844	103,433,798	360,948,285
Depreciation and amortization (Note 16)	20,347,271	526,500	2,501,778	6,254,509	13,248,747	45,743,479	88,622,284
At December 31	20,347,271	39,659,584	63,216,501	65,344,345	111,825,591	149,177,277	449,570,569
Net Book Value	₱3,408,891,664	₱12,993,022	₱4,140,134	₱15,080,920	₱14,818,170	₱95,766,088	₱3,551,689,998

The Group’s hotel property pertains to the land and construction costs of Admiral Hotel. The carrying value of land included in the hotel property amounted to ₱340.75 million as at September 30, 2023 and December 31, 2022. 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 5.50% to 8.07% in 2023 and 3.25% to 7.89% in 2022. Total borrowing costs capitalized as part of hotel property amounted to ₱21.79 million and ₱98.80 million for the nine-month periods ended September 30, 2023 and for the year ended December 31, 2022, respectively (see Note 12).

Additions in 2022 include transferred cost of ₱247.75 million related to the portion of Admiral Grandsuites allocated for the operation of Admiral Hotel. These constitute significant noncash transactions in the consolidated statements of cash flows (see Note 6).

The Group’s transportation vehicles with a carrying value of ₱7.31 million and ₱5.29 million as at September 30, 2023 and December 31, 2022, 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

	2023					
	Commercial Projects		**Construction in Progress**		**Right-Of-Use**	
	Land	**Building**	**Land**	**Building**	**Asset (Land)**	**Total**
Cost						
At January 1	**₱3,145,074,896**	**₱10,030,342,839**	**₱2,562,914,961**	**₱2,045,528,010**	**₱222,287,791**	**₱18,006,148,497**
Additions	**–**	**72,544,005**	**149,852,921**	**757,743,936**	**–**	**980,140,862**
Deconsolidation of subsidiaries (Note 1)	**–**	**(611,102,395)**	**–**	**(2,608,502,397)**	**(222,287,791)**	**(3,441,892,583)**
Transfer (Note 6)	**–**	**37,657,584**	**–**	**–**	**–**	**37,657,584**
At September 30	**3,145,074,896**	**9,529,442,033**	**2,712,767,882**	**194,769,549**	**–**	**15,582,054,360**
Accumulated Depreciation and Amortization						
At January 1	**–**	**1,349,945,170**	**–**	**–**	**51,051,740**	**1,400,996,910**
Depreciation and amortization (Note 16)	**–**	**242,036,297**	**–**	**–**	**8,508,624**	**250,544,921**
Deconsolidation of subsidiaries (Note 1)	**–**	**(163,207,545)**	**–**	**–**	**(59,560,364)**	**(222,767,909)**
At September 30	**–**	**1,428,773,922**	**–**	**–**	**–**	**1,428,773,922**
Net Book Value	**₱3,145,074,896**	**₱8,100,668,111**	**₱2,712,767,882**	**₱194,769,549**	**₱–**	**₱14,153,280,438**

	2022					
	Commercial Projects		Construction in Progress		Right-Of-Use	
	Land	Building	Land	Building	Asset (Land)	Total
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	–	103,282,361	117,982,699	1,928,087,613	–	2,149,352,673
Transfers (Note 6)	2,220,268,999	4,593,130,220	(2,862,843,431)	(6,105,756,305)	–	(2,155,200,517)
At December 31	3,145,074,896	10,030,342,839	2,562,914,961	2,045,528,010	222,287,791	18,006,148,497
Accumulated Depreciation and Amortization						
At January 1	–	1,116,144,234	–	–	38,288,805	1,154,433,039
Depreciation and amortization (Note 16)	–	233,800,936	–	–	12,762,935	246,563,871
At December 31	–	1,349,945,170	–	–	51,051,740	1,400,996,910
Net Book Value	₱3,145,074,896	₱8,680,397,669	₱2,562,914,961	₱2,045,528,010	₱171,236,051	₱16,605,151,587

The construction of The Centrium was completed in 2022 which constitutes the transfer from construction in progress to commercial projects amounting to ₱6,813.40 million.

The cost transferred from real estate for development and sale amounting to ₱37.66 million in 2023 pertains to the commercial areas of Juan Luna Logistics Center while the transfers to real estate for development and sale amounting to ₱2,155.20 million in 2022 pertain to the land properties and ongoing building constructions 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 One Shopping Center 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.

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

Rates with the capitalization ranging from 4.13% to 9.74% in 2023 and 3.25% to 8.42% in 2022. Total borrowing costs capitalized as part of investment properties amounted to ₱100.40 million and ₱349.73 million for the nine-month periods ended September 30, 2023 and for the year ended December 31, 2022, respectively (see Note 12).

For the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, rental income from these investment properties amounted to ₱918.83 million, ₱827.48 million, ₱1,093.09 million and ₱1,067.14 million, respectively (see Note 22). Depreciation charged to operations for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 amounted to ₱250.54 million, ₱185.55 million, ₱246.56 million and ₱224.28 million respectively (see Note 16). Selling and administrative expenses, exclusive of depreciation, related to these investment properties amounted to ₱369.36 million, ₱449.05 million, ₱463.19 million and ₱349.08 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

The aggregate fair value of investment properties amounted to ₱24,690.17 million as at September 30, 2023, 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 September 30, 2023 and December 31, 2022, the carrying amount of investment properties used to secure the Group's bank loans amounted to ₱9,741.20 million and ₱9,842.29 million, respectively (see Note 12).

10. **Other Noncurrent Assets**

	2023	2022
Prepaid expenses (Note 7)	**₱128,139,869**	₱105,265,948
Advances to contractors and suppliers (Note 7)	**128,016,473**	320,249,017
Utility and security deposits	**118,445,002**	97,885,423
Deposits on real estate properties (Note 7)	**57,390,800**	57,390,800
Construction bond deposits	**12,262,712**	16,762,712
Input VAT (Note 7)	**9,262,542**	50,375,665
Software and brand development costs	**603,471**	1,429,300
Others	**75,000**	–
	₱454,195,869	₱649,358,865

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.

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

Software costs pertains to the capitalizable costs incurred in the design and implementation of a system. Brand development costs, on the other hand, pertain to the marketing designs that binds the identity of the group of hotels. Amortization of software and brand development cost for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 amounted to ₱0.83 million, ₱1.38 million, ₱1.71 million and ₱4.95 million, respectively (see Note 16).

11. Accounts and Other Payables

	2023	2022
Trade payables:		
Payable to contractors and suppliers	**₱2,152,930,223**	₱1,800,773,692
Retention payable	**1,055,486,693**	1,007,946,465
Accrued expenses:		
Accrued commission	**415,945,067**	379,517,028
Accrued interest expense	**84,350,858**	58,544,079
Other accrued expenses	**38,440,551**	103,262,570
Rental deposit	**272,138,233**	235,407,922
Other taxes payable	**136,168,423**	236,223,308
Liabilities for purchased land	**30,420,000**	30,420,000
Non-trade payable	–	1,772,926,903
Others	**46,381,872**	77,070,832
	4,232,261,920	5,702,092,799
Less noncurrent portion of:		
Retention payable	**528,254,864**	458,024,288
Accrued commission	**230,734,659**	136,006,766
Rental deposit	**215,966,514**	163,028,115
Liabilities for purchased land	**30,420,000**	30,420,000
	1,005,376,037	787,479,169
	₱3,226,885,883	₱4,914,613,630

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.

Accrued commission pertains to the recognized liability to the marketing agents upon obtaining the contracts with the buyers, as required by PFRS 15. The related assets are recorded in prepaid expenses (see Notes 7 and 10).

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

Other accrued expenses pertains to accruals related to the unbilled goods and services already delivered or rendered to the Group.

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

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

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

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

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

12. Loans Payable

	Terms	**2023**	2022
Short-term bank loans	Within 1 year	**₱100,000,000**	₱2,020,000,000
Long-term loans:			
Bank loans	3 to 10 years	**20,291,325,973**	17,131,900,463
Receivable financing	1 to 7 years	**416,668,579**	808,372,209
Notes payable	5 years	**8,506,352**	6,195,804
		20,816,500,904	19,966,468,476
Less current portion		**5,421,135,367**	6,375,113,384
		₱15,395,365,537	₱13,591,355,092

<u>Short-term Bank Loans</u>
Short-term bank loans represent various secured promissory notes from local banks with annual interest rates of 7.00% and 5.75% to 6.88% as at September 30, 2023 and December 31, 2022, respectively. These loans are payable within one year from date of issuance.

These loans were secured with various 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 ₱411.15 million and ₱418.07 million as at September 30, 2023 and December 31, 2022, respectively (see Notes 6 and 9).

<u>Long-term Loans</u>
Long-term bank loans
In September 2023, PPDC secured a five-year loan facility amounting to ₱800.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱200.00 million as at September 30, 2023 with 8.05% interest rate per annum.

In September 2023, APC restructured its 2018 loan facility with a bank, extending the maturity date until September 2029. As part of the restructuring, the Group also increased the facility amount by ₱1,600.00 million, resulting in a total facility amount of ₱6,265.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱315.25 million and ₱65.25 million as at September 30, 2023 and December 31, 2022, with interest rates ranging from 7.63% to 8.37% and 8.37% per annum, respectively.

In May 2022, PPDC secured a ten-year loan facility amounting to ₱2,500.00 million. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱2,375.00 million and ₱600.00 million as at September 30, 2023 and December 31, 2022, respectively, with interest rates ranging from 7.16% to 8.29% and 8.10% to 8.29% interest rate per annum, respectively.

In May 2022, PPDC restructured its 2017 loan facility with a bank, extending the maturity date until December 21, 2026. The facility is available in multiple drawdowns. The outstanding balance of loan under this facility amounted to ₱2,670.27 million and ₱1,770.27 million as at September 30, 2023 and December 31, 2022 with interest rate ranging from 7.01% to 8.07% per annum.

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 ₱1,000.00 million and ₱1,100.00 million as at September 30, 2023 and December 31, 2022, respectively, 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 as at September 30, 2023 and December 31, 2022 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 ₱1,432.50 million and ₱1,466.25 million as at September 30, 2023 and December 31, 2022, respectively, with 5.50% interest rate per annum.

In December 2020, GRIC restructured its 2015 loan facility with a bank amounting to ₱4,100.00 million, extending the maturity date by 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 ₱3,070.00 million as at September 30, 2023 and December 31, 2022.

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 ₱430.00 million and ₱450.00 million as at September 30, 2023 and December 31, 2022, respectively, 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 ₱1,100.00 million and ₱1,125.00 million as at September 30, 2023 and December 31, 2022 with interest rates of 9.74% and 7.63% to 8.95% 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 as at September 30, 2023 and December 31, 2022 with interest rates ranging from 6.25% to 7.00% and 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 ₱1,870.00 million and ₱1,380.00 million as at September 30, 2023 and December 31, 2022, respectively, with interest rates ranging from 4.30% to 8.23% and 4.30% to 8.12% per annum, respectively.

In December 2018, GRIC secured three-year and five-year loan facilities from a local bank amounting to ₱1,620.00 million. The facilities are available in multiple drawdowns. The outstanding balance of loan under these facilities amounted to nil as at September 30, 2023 and December 31, 2022.

In December 2018, GRIC secured four-year and five-year loan facilities 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 nil as at September 30, 2023 and December 31, 2022.

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 ₱432.00 million as at September 30, 2023 and December 31, 2022.

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 ₱3,608.00 million and ₱3,854.00 million as at September 30, 2023 and December 31, 2022, respectively.

Unamortized issuance costs deducted from the above-mentioned long-term bank loans at September 30, 2023 and December 31, 2022 amounted to ₱111.69 million and ₱80.87 million, respectively.

The rollforward analyses of unamortized debt discount and issuance costs on long-term bank loans as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Balance at beginning of period	**₱80,870,038**	₱92,889,674
Additions	**56,089,468**	20,251,271
Amortization	**(25,264,978)**	(32,270,907)
Balance at end of period	**₱111,694,528**	₱80,870,038

These term loans were secured with various land and buildings owned by the Group which are located in Pasay City, Binondo, Manila and Parañaque City, recorded under real estate for development and sale and investment properties. As at September 30, 2023 and December 31, 2022, these properties have an aggregate carrying value amounting to ₱18,910.46 million and ₱17,906.28 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 ₱416.67 million and ₱808.37 million as at September 30, 2023 and December 31, 2022, respectively. These loans bear fixed interest rates ranging from 4.13% to 7.50% in 2023 and 4.13% to 7.00% in 2022, 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 4.20% to 4.72% in 2023 and 3.90% to 4.72% in 2022. The Group's transportation vehicles with a carrying value of ₱7.31 million and ₱5.29 million as at September 30, 2023 and December 31, 2022, respectively, are held as collateral to secure the Group's notes payable (see Note 8). Interest expense recognized under "Finance costs" amounted to ₱0.28 million, ₱0.45 million, ₱0.57 million and ₱0.89 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

Borrowing costs
Total borrowing costs arising from loans payable amounted to ₱984.60 million, ₱894.08 million, ₱1,203.88 million and ₱1,232.40 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

Total borrowing costs capitalized under real estate for development and sale, property and equipment and investment properties amounted to ₱783.49 million, ₱836.14 million, ₱1,119.57 million and ₱1,211.37 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, 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 ₱201.11 million, ₱57.94 million, ₱84.31 million and ₱21.03 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

Total interest paid (including capitalized interest) for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 amounted to ₱957.33 million, ₱887.54 million, ₱1,205.59 million and ₱1,273.99 million, respectively.

13. Customers' Advances and Deposits

	2023	2022
Deposits from real estate buyers	**₱2,703,077,283**	₱3,092,697,887
Deposits from lessees	**209,728,126**	306,948,898
	2,912,805,409	3,399,646,785
Less noncurrent portion of deposits from lessees	**149,314,200**	196,037,973
	₱2,763,491,209	₱3,203,608,812

Deposits from real estate buyers
Deposits from real estate buyers includes excess of collections over the total recognized installment contracts receivable based on POC. These also includes collections from customers for which revenue recognition has not yet commenced. These deposits will be recognized as revenue in the consolidated statements of comprehensive income in accordance with the Group's revenue recognition policy.

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 ₱47.06 million, ₱47.83 million, ₱63.50 million and ₱65.76 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, 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 directors, executives and senior management. Compensation and benefits of key management personnel for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 amounted to ₱64.70 million, ₱61.89 million, ₱73.30 million and ₱76.50 million, respectively.

15. Interest and Other Income

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Interest income from:				
Amortization of discount on installment contracts receivable (Note 5)	**₱171,472,224**	₱186,035,009	₱238,953,679	₱385,245,456
Cash and cash equivalents (Note 4)	**1,261,297**	1,158,379	1,475,502	1,620,978
Gain on sale of subsidiaries (Note 1)	**49,779,268**	–	–	–
Other income	**221,968,788**	272,434,944	314,321,211	118,693,554
	₱444,481,577	₱459,628,332	₱554,750,392	₱505,559,988

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 ₱60.35 million, ₱96.76 million, ₱87.28 million and ₱28.79 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, 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 nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 amounted to ₱1,944.94 million, ₱1,775.49 million, ₱2,311.91 million and ₱2,598.80 million, respectively.

Cost of hotel operation

	Nine-month periods ended September 30		Year ended December 31
	2023	2022*	2022*
Food and beverage	**₱41,922,508**	₱18,142,566	₱38,029,323
Salaries, wages and employee benefits	**36,766,709**	14,196,846	19,497,499
Depreciation and amortization (Note 8)	**33,278,617**	5,016,524	13,453,322
Others	**15,099,111**	21,374	10,641,704
	₱127,066,945	₱37,377,310	₱81,621,848

** The commercial operation of Hotel started on July 1, 2022.*

Selling and administrative expenses

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Depreciation and amortization (Notes 8, 9 and 10)	**₱312,685,838**	₱240,309,748	₱323,442,325	₱296,318,103
Salaries, wages and employee benefits (Notes 14 and 17)	**244,685,401**	223,770,604	285,883,875	279,420,221
Sales and marketing	**162,170,209**	99,047,108	133,035,080	123,494,410
Taxes and licenses	**156,671,690**	155,845,147	209,576,647	136,131,498
Utilities	**145,182,596**	120,582,542	161,870,915	126,617,991
Membership dues	**30,453,890**	26,071,868	36,406,329	31,858,280
Professional fees	**30,254,274**	31,454,229	42,547,733	42,597,796
Insurance	**17,828,455**	11,731,922	17,069,723	12,698,447
Supplies	**15,906,727**	10,071,414	23,756,700	14,959,111
Rental (Note 22)	**5,232,508**	3,933,409	5,646,390	7,503,916
Transportation and travel	**4,226,740**	2,291,574	6,438,909	4,602,419
Representation and entertainment	**2,929,533**	3,924,854	12,537,815	6,036,425
Loss on demolition (Note 9)	**–**	–	–	108,796,357
Others	**14,275,170**	8,491,565	22,792,219	14,808,123
	₱1,142,503,031	₱937,525,984	₱1,281,004,660	₱1,205,843,097

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") are as follows:

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Current service cost	**₱7,965,309**	₱9,273,566	₱10,620,412	₱12,364,754
Interest cost on benefit obligation	**3,524,046**	2,792,933	3,723,910	3,336,511
	₱11,489,355	₱12,066,499	₱14,344,322	₱15,701,265

Movements in the present value of defined benefit obligations (DBO) as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Balance at beginning of period	**₱64,561,682**	₱74,339,722
Net benefit cost in profit or loss		
Current service cost	**7,965,309**	10,620,412
Interest cost	**3,524,046**	3,723,910
	11,489,355	14,344,322
Remeasurements in OCI		
Actuarial changes arising from experience adjustments	–	(6,588,602)
Actuarial changes arising from changes in financial assumptions	–	(17,533,760)
	–	(24,122,362)
Balance at end of period	**₱76,051,037**	₱64,561,682

The principal assumptions used to determine pension benefits of the Group are as follows:

Discount rate	**7.23% to 7.28%**
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 7.60 to 10.30 years in 2023 and 2022.

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	**(₱8,756,487)**
	-150 basis points	**10,896,475**
Future salary increases	+150 basis points	**10,985,587**
	-150 basis points	**(9,042,713)**

The maturity analysis of the undiscounted benefit payments follows:

Less than 1 year	**₱4,676,777**
More than 1 year to 2 years	**1,208,524**
More than 2 years to 4 years	**615,030**
More than 4 years	**115,091,274**

18. Income Tax

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Current:				
RCIT	**₱95,755,989**	₱82,980,853	₱121,538,490	₱70,562,886
MCIT	**1,664,645**	2,906,956	1,437,016	3,504,726
Final	**245,745**	223,281	296,355	306,191
	97,666,379	86,111,090	123,271,861	74,373,803
Deferred	**40,781,310**	55,983,931	49,629,510	27,514,257
	₱138,447,689	₱142,095,021	₱172,901,371	₱101,888,060

The Group has incurred NOLCO in taxable years 2021 and 2020, which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

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 are as follows:

NOLCO

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱79,433,213	₱25,689,338	₱53,743,875	2025
2021	134,299,667	80,648,656	53,651,011	2026
2022	174,618,312	617,440	174,000,872	2025
2023	159,965,979	–	159,965,979	2026
	₱548,317,171	₱106,955,434	₱441,361,737	

MCIT Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱662,946	₱–	₱662,946	2023
2021	1,222	–	1,222	2024
2022	1,437,016	1,404,597	32,419	2025
2023	1,664,645	–	1,664,645	2026
	₱3,765,829	₱1,404,597	₱2,361,232	

Net deferred tax assets of the Group as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Deferred tax assets on:		
Pension liabilities recognized in profit or loss	**₱42,555,737**	₱39,683,398
Lease liabilities	**107,267,004**	144,288,019
Unamortized discount on installment contracts receivable	**920,507**	24,491
NOLCO	**71,376,623**	86,861,401
Difference between tax and book basis of accounting for real estate and leasing transactions	**16,336,449**	16,192,731
Allowance on impairment losses	**4,300,838**	4,300,838
Commissions expense per books in excess of actual commissions paid	**2,625,648**	2,533,310
MCIT	**35,501**	158,441
	245,418,307	294,042,629
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate and leasing transactions	**1,260,269**	1,102,829
Right-of-use assets	**40,086,397**	65,846,793
Unamortized discount on loans payable	**119,113**	186,249
Pension liabilities recognized in OCI	**23,542,978**	23,542,978
	65,008,757	90,678,849
	₱180,409,550	₱203,363,780

Net deferred tax liabilities of the Group as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Deferred tax assets on:		
Unamortized discount on installment contracts receivable	**₱113,237,911**	₱59,342,466
Lease liabilities	**561,567**	904,738
Difference between tax and book basis of accounting for real estate and leasing transactions	**29,520,165**	33,842,332
Commissions expense per books in excess of actual commissions paid	**57,829,569**	42,273,362
NOLCO	**3,001,486**	8,991,338
MCIT	**1,659,670**	1,277,486
	205,810,368	146,631,722
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate and leasing transactions	**575,273,421**	466,537,124
Right-of-use assets	**550,104**	903,741
Unamortized discount on loans payable	**27,804,519**	20,031,260
Actual commissions paid in excess of commissions expense per books	**5,660,614**	9,469,328
	609,288,658	496,941,453
	₱403,478,290	₱350,309,731

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 ₱144.52 million and ₱5.68 million as at September 30, 2023 and December 31, 2022, respectively. The Group's unrecognized deferred tax assets on NOLCO and MCIT amounted to ₱36.28 million and ₱1.66 million as at September 30, 2023 and December 31, 2022, respectively.

Statutory reconciliation

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

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Statutory income tax rate	**25%**	25%	25%	25%
Tax effect of:				
Nondeductible expenses	**0.21**	0.25	0.67	0.62
Changes in unrecognized deferred tax assets	**6.06**	(0.41)	1.07	0.04
Interest income subject to final tax	**(0.01)**	(0.01)	(0.01)	(0.08)
Impact of CREATE law	**–**	–	–	(5.67)
Others	**(8.04)**	0.75	(1.63)	(0.36)
Effective income tax rate	**23.22%**	25.58%	25.10%	19.55%

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 laws pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. However, 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 further reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- 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 to June 30, 2023.

The Group recognized one-time impact of CREATE in the consolidated 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 September 30, 2023 and December 31, 2022 are as follows:

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

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.

On June 15, 2012, the SEC approved the increase in the Parent Company's capital stock by increasing common stock from ₱1.00 billion divided into 1.00 billion shares with par value of ₱1.00 each to ₱2.30 billion divided into 2.30 billion shares with par value of ₱1.00 each.

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 92 and 90 existing shareholders as of September 30, 2023 and December 31, 2022, respectively.

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 September 30, 2023 and December 31, 2022 are as follows:

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

On September 15, 2011, the Parent Company conducted stock rights offering of up to ₱346.67 million on the 8%, voting, preferred shares on a pre-emptive basis to holders of common shares of the Parent Company as of September 15, 2011 at an offer price of ₱1.00 per preferred share. Subsequently, on January 20, 2012, the SEC approved the increase in authorized capital stock relating to the creation of preferred shares.

<u>Cash Dividends</u>
On May 3, 2023, Parent Company's BOD declared cash dividends as follows:

- For preferred shares - 8% dividends per issued and outstanding preferred share; and
- For common shares - ₱0.03 per issued and outstanding common share.

The record date is June 11, 2023 and dividends amounting to ₱58.93 million were paid on June 16, 2023.

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 June 28, 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.

Retained Earnings

The Parent Company's retained earnings available for dividend distribution amounted to ₱1.06 billion and ₱1.00 billion as at September 30, 2023 and December 31, 2022, respectively. The undistributed and unappropriated earnings from subsidiaries amounting to ₱862.41 million and ₱323.55 million as at September 30, 2023 and December 31, 2022, respectively, is not available for dividend distribution until actually declared by the subsidiaries.

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

On December 16, 2022, retained earnings amounting to ₱1,000.00 million, ₱200.00 million, ₱400.00 million, ₱100.00 million, ₱50.00 million and ₱1.00 million were appropriated for the project investment and working capital support of Admiral Hotel and the project development of the Panorama Manila, Copeton Baysuites, One Financial Center and One Legacy projects and for the expansion of operation of MPMHC, respectively. These appropriations are expected to be released on or before December 31, 2025, 2026 and 2027. The BOD also approved the extension of release of the 2017, 2018 and 2019 retained earnings amounting to ₱1,500.00 million, ₱100.00 million and ₱50.00 million for Copeton Baysuites, Admiral Hotel and 8 Alonzo, respectively, on or before December 31, 2025.

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 appropriated retained earnings of ₱1.20 million as at December 31, 2021. These 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.

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 September 30, 2023 and December 31, 2022:

	2023	2022
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	**7,499,058,327**	7,097,163,701
	₱9,518,413,611	₱9,116,518,985

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.

	2023	2022
Accounts and other payables	**₱4,232,261,920**	₱5,702,092,799
Lease liabilities	**162,627,841**	340,104,664
Loans payable	**20,816,500,904**	19,966,468,476
Customers' advances and deposits	**2,912,805,409**	3,399,646,785
	28,124,196,074	29,408,312,724
Less cash and cash equivalents	**(1,134,252,081)**	(1,291,884,786)
Net debt	**26,989,943,993**	28,116,427,938
Capital (excluding OCI)	**9,518,413,611**	9,116,518,985
Total capital and net debt	**₱36,508,357,604**	₱37,232,946,923
Gearing ratio	**74%**	76%

No changes were made in the Group's objectives, policies or processes during the nine-month periods ended and year ended September 30, 2023 and December 31, 2022.

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, notes receivable, other receivables, and deposits) and financial liabilities (i.e., accounts and other payables 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 September 30, 2023 and December 31, 2022:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset				
Installment contracts receivable	**₱1,934,774,877**	**₱2,395,781,049**	₱2,059,548,897	₱2,233,073,366

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 5.64% to 6.47% and 3.92% to 6.56% as at September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022.

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 September 30, 2023 and December 31, 2022.

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 September 30, 2023 and December 31, 2022:

	2023			
	On Demand	**Within 1 year**	**More than 1 year**	**Total**
Financial Assets				
Cash and cash equivalents	**₱1,126,969,747**	**₱7,282,334**	**₱–**	**₱1,134,252,081**
Receivables:				
Installment contracts receivable	**–**	**2,974,678,885**	**7,917,968,503**	**10,892,647,388**
Rental receivable	**–**	**852,955,675**	**1,792,313,021**	**2,645,268,696**
Notes receivable	**–**	**82,659,386**	**578,615,702**	**661,275,088**
Due from condominium associations	**–**	**25,535,090**	**–**	**25,535,090**
Others*	**–**	**54,667,820**	**–**	**54,667,820**
Deposits	**–**	**24,108,329**	**130,707,714**	**154,816,043**
Total Financial Assets	**₱1,126,969,747**	**₱4,021,887,519**	**₱10,419,604,940**	**₱15,568,462,206**

**Net of allowance for impairment losses*

	On Demand	**Within 1 year**	**More than 1 year**	**Total**
Financial Liabilities				
Accounts and other payables:				
Payable to contractors and suppliers	**₱–**	**₱2,152,930,223**	**₱–**	**₱2,152,930,223**
Retention payable	**–**	**527,231,829**	**528,254,864**	**1,055,486,693**
Accrued expenses*	**–**	**243,173,989**	**127,477,198**	**370,651,187**
Rental deposits	**–**	**56,171,719**	**215,966,514**	**272,138,233**
Others**	**–**	**43,386,970**	**–**	**43,386,970**
Lease liabilities***	**–**	**47,635,858**	**138,898,153**	**186,534,011**
Loans payable***	**–**	**6,200,557,049**	**18,334,391,168**	**24,534,948,217**
Total Financial Liabilities	**₱–**	**₱9,271,087,637**	**₱19,344,987,897**	**₱28,616,075,534**

**Excludes cost to obtain new contracts*
********Others exclude statutory payables*
****Includes future interest payment*

	2022			
	On Demand	Within 1 year	More than 1 year	Total
Financial Assets				
Cash and cash equivalents	₱1,284,769,200	₱7,115,586	₱–	₱1,291,884,786
Receivables:				
Installment contracts receivable	–	4,678,467,059	10,005,545,646	14,684,012,705
Rental receivable	–	751,679,102	1,613,438,129	2,365,117,231
Due from condominium associations	–	29,493,674	–	29,493,674
Others*	–	76,108,589	–	76,108,589
Deposits	–	24,815,939	114,648,135	139,464,074
Total Financial Assets	₱1,284,769,200	₱5,567,679,949	₱11,733,631,910	₱18,586,081,059

**Net of allowance for impairment losses*

	On Demand	Within 1 year	More than 1 year	Total
Financial Liabilities				
Accounts and other payables:				
Payable to contractors and suppliers	₱–	₱1,800,773,692	₱–	₱1,800,773,692
Retention payable	–	549,922,177	458,024,288	1,007,946,465
Non-trade payable	–	1,772,926,903	–	1,772,926,903
Accrued expenses*	–	310,805,978	69,367,662	380,173,640
Rental deposits	–	72,379,807	163,028,115	235,407,922
Others**	–	74,843,076	–	74,843,076
Lease liabilities***	–	54,566,591	430,936,306	485,502,897
Loans payable***	–	7,459,403,717	15,628,474,996	23,087,878,713
Total Financial Liabilities	₱–	₱12,095,621,941	₱16,749,831,367	₱28,845,453,308

**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 receivable 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 September 30, 2023 and December 31, 2022, the Group's maximum exposure to credit risk without considering the effects of collaterals and other credit enhancements follows:

	2023	2022
Cash in banks and cash equivalents	**₱1,133,336,581**	₱1,291,122,786
Receivables and contract assets:		
Installment contracts receivable	**1,934,774,877**	2,059,548,897
Notes receivable	**521,137,826**	–
Rental receivable	**215,186,944**	208,191,034
Due from condominium associations	**25,535,090**	29,493,674
Others	**54,667,820**	76,108,589
Deposits	**154,816,043**	139,464,074
	₱4,039,455,181	₱3,803,929,054

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 ₱1,934.77 million and ₱2,059.55 million as at September 30, 2023 and December 31, 2022, respectively. The fair value of the related collaterals amounted to ₱12,508.72 million and ₱14,985.80 million as at September 30, 2023 and December 31, 2022, respectively resulting to zero net exposure amounts as at September 30, 2023 and December 31, 2022. The basis for the fair value of the collaterals is the current selling price of the condominium units.

The collections of advance rentals and security deposits amounted to ₱469.73 million and ₱610.37 million as at September 30, 2023 and December 31, 2022, respectively, were higher than rental receivable resulting to zero net exposure as at September 30, 2023 and December 31, 2022.

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

As at September 30, 2023 and December 31, 2022, the credit quality per class of financial assets are as follows:

	2023			
	Neither Past Due nor Impaired			
	Grade A	**Past Due But Not Impaired**	**Individually Impaired**	**Total**
Cash in banks and cash equivalents	**₱1,133,336,581**	**₱–**	**₱–**	**₱1,133,336,581**
Receivables:				
Installment contracts receivable	**1,915,700,009**	**19,074,868**	**–**	**1,934,774,877**
Notes receivable	**521,137,826**	**–**	**–**	**521,137,826**
Rental receivable	**203,880,482**	**11,306,462**	**–**	**215,186,944**
Due from condominium associations	**25,535,090**	**–**	**–**	**25,535,090**
Others	**47,545,366**	**7,122,454**	**17,203,351**	**71,871,171**
Deposits	**154,816,043**	**–**	**–**	**154,816,043**
Total	**₱4,001,951,397**	**₱37,503,784**	**₱17,203,351**	**₱4,056,658,532**

	2022			
	Neither Past Due nor Impaired			
	Grade A	Past Due But Not Impaired	Individually Impaired	Total
Cash in banks and cash equivalents	₱1,291,122,786	₱–	₱–	₱1,291,122,786
Receivables:				
Installment contracts receivable	2,039,748,508	19,800,389	–	2,059,548,897
Rental receivable	183,998,729	24,192,305	–	208,191,034
Due from condominium associations	29,493,674	–	–	29,493,674
Others	70,641,180	5,467,409	17,203,351	93,311,940
Deposits	139,464,074	–	–	139,464,074
Total	₱3,754,468,951	₱49,460,103	₱17,203,351	₱3,821,132,405

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, notes receivable, 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 September 30, 2023 and December 31, 2022, the aging analysis of the Group's past due but not impaired installment contracts receivable, rental receivable and other receivables follows:

	Neither Past due nor impaired	**Past due but not impaired**					**Impaired**	**Total**
		30 days	**30-60 days**	**61-90 days**	**90-120 days**	**Total**		
2023								
Installment contracts receivable	**₱1,915,700,009**	**₱5,309,046**	**₱855,718**	**₱7,139,846**	**₱5,770,258**	**₱19,074,868**	**₱–**	**₱1,934,774,877**
Rental receivable	**203,880,482**	**3,004,176**	**1,059,165**	**991,729**	**6,251,392**	**11,306,462**	–	**215,186,944**
Other receivables	**47,545,366**	**6,732,376**	**372,803**	**15,464**	**1,811**	**7,122,454**	**17,203,351**	**71,871,171**
2022								
Installment contracts receivable	₱2,039,748,508	₱10,207,767	₱1,219,474	₱1,953,737	₱ 6,419,411	₱19,800,389	₱–	₱2,059,548,897
Rental receivable	183,998,729	3,370,219	2,521,138	2,255,996	16,044,952	24,192,305	–	208,191,034
Other receivables	70,641,180	5,449,450	17,959	–	–	5,467,409	17,203,351	93,311,940

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 September 30, 2023 and December 31, 2022, with all variables held constant (through the impact on floating rate borrowings):

	Effect on income before income tax			
	Increase (decrease)			
	September 30, 2023		December 31, 2022	
Change in basis points	**+ 100 basis points**	**-100 basis points**	+ 100 basis points	-100 basis points
Floating rate borrowings*	**(₱16.17)**	**₱16.17**	(₱39.53)	₱39.53

**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 - commercial units and shopping centers for lease to third parties
- Property management - facilities management and consultancy services covering condominium and building administration
- Hotel operation - management of hotel business operations

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:

	Nine-month periods ended September 30, 2023					
	Condominium Sales	**Leasing**	**Property Management**	**Hotel operation**	**Intersegment Eliminating Adjustments**	**Total**
REVENUE						
Real estate sales	**₱2,439,819,013**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,439,819,013**
Rental income	**–**	**1,051,145,544**	**–**	**–**	**(132,313,947)**	**918,831,597**
Management fee	**–**	**–**	**46,313,583**	**–**	**(15,144,170)**	**31,169,413**
Hotel operation	**–**	**–**	**–**	**200,225,561**	**–**	**200,225,561**
Interest and other income	**301,228,531**	**142,413,311**	**538,942**	**300,793**	**–**	**444,481,577**
	2,741,047,544	**1,193,558,855**	**46,852,525**	**200,526,354**	**(147,458,117)**	**4,034,527,161**
COSTS AND EXPENSES						
Cost of condominium units	**₱1,944,944,536**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,944,944,536**
Hotel operation	**–**	**–**	**–**	**127,066,945**	**–**	**127,066,945**
Selling and administrative	**454,897,490**	**619,901,524**	**39,283,380**	**175,878,754**	**(147,458,117)**	**1,142,503,031**
	2,399,842,026	**619,901,524**	**39,283,380**	**302,945,699**	**(147,458,117)**	**3,214,514,512**
Earnings before interest and taxes	**341,205,518**	**573,657,331**	**7,569,145**	**(102,419,345)**	**–**	**820,012,649**
Finance costs	**109,413,910**	**114,051,634**	**184,482**	**–**	**–**	**223,650,026**
Income before tax	**₱231,791,608**	**₱459,605,697**	**₱7,384,663**	**(₱102,419,345)**	**₱–**	**₱596,362,623**

	As at September 30, 2023					
	Condominium Sales	**Leasing**	**Property Management**	**Hotel operation**	**Intersegment Eliminating Adjustments**	**Total**
ASSETS						
Cash and cash equivalents	**₱839,621,463**	**₱205,827,419**	**₱27,706,513**	**₱61,096,686**	**₱–**	**₱1,134,252,081**
Receivables	**2,025,802,380**	**761,401,924**	**10,196,076**	**10,877,383**	**(6,287,155)**	**2,801,990,608**
Real estate for development and sale	**13,474,282,385**	**–**	**–**	**–**	**–**	**13,474,282,385**
Other current assets	**2,258,478,524**	**30,948,288**	**11,724,778**	**33,246,048**	**–**	**2,334,397,638**
Property and equipment	**240,794,732**	**17,278**	**–**	**3,508,569,011**	**–**	**3,749,381,021**
Investment properties	**–**	**14,153,280,438**	**–**	**–**	**–**	**14,153,280,438**
Other noncurrent assets	**239,827,160**	**213,881,171**	**39,509**	**448,029**	**–**	**454,195,869**
	₱19,078,806,644	**₱15,365,356,518**	**₱49,666,876**	**₱3,614,237,157**	**(₱6,287,155)**	**₱38,101,780,040**
LIABILITIES						
Accounts and other payables	**₱3,385,068,727**	**₱787,849,988**	**₱4,914,902**	**₱60,715,458**	**(₱6,287,155)**	**4,232,261,920**
Lease liabilities	**162,627,841**	**–**	**–**	**–**	**–**	**162,627,841**
Customers' advances and deposits	**2,644,319,705**	**255,590,850**	**1,327,940**	**11,566,914**	**–**	**2,912,805,409**
Loans payable	**16,530,112,997**	**3,904,591,563**	**–**	**381,796,344**	**–**	**20,816,500,904**
	₱22,722,129,270	**₱4,948,032,401**	**₱6,242,842**	**₱454,078,716**	**(₱6,287,155)**	**₱28,124,196,074**

	Nine-month periods ended September 30, 2022					
	Condominium Sales	Leasing	Property Management	Hotel operation	Intersegment Eliminating Adjustments	Total
REVENUE						
Real estate sales	₱2,054,898,979	₱–	₱–	₱–	₱–	₱2,054,898,979
Rental income	–	947,080,385	–	–	(119,599,914)	827,480,471
Management fee	–	–	39,490,765	–	(16,425,048)	23,065,717
Hotel operation	–	–	–	23,667,871	–	23,667,871
Interest and other income	268,710,284	187,927,966	2,739,459	250,623	–	459,628,332
	2,323,609,263	1,135,008,351	42,230,224	23,918,494	(136,024,962)	3,388,741,370
COSTS AND EXPENSES						
Cost of condominium units	₱1,775,493,467	₱–	₱–	₱–	₱–	₱1,775,493,467
Hotel operation	–	–	–	37,377,310	–	37,377,310
Selling and administrative	303,504,756	634,599,986	42,694,610	92,751,594	(136,024,962)	937,525,984
	2,078,998,223	634,599,986	42,694,610	130,128,904	(136,024,962)	2,750,396,761
Earnings before interest and taxes	244,611,040	500,408,365	(464,386)	(106,210,410)		638,344,609
Finance costs	44,141,236	38,615,281	95,429	–	–	82,851,946
Income before tax	₱200,469,804	₱461,793,084	(₱559,815)	(₱106,210,410)	₱–	₱555,492,663

	As at December 31, 2022					
	Condominium Sales	Leasing	Property Management	Hotel operation	Intersegment Eliminating Adjustments	Total
ASSETS						
Cash and cash equivalents	₱921,820,116	₱318,556,027	₱25,480,758	₱26,027,885	₱–	₱1,291,884,786
Receivables	1,979,814,826	419,412,423	4,332,275	7,692,049	(8,225,349)	2,403,026,224
Real estate for development and sale	11,849,733,498	–	–	–	–	11,849,733,498
Other current assets	1,595,492,404	950,240,054	10,336,313	20,330,552	–	2,576,399,323
Property and equipment	142,249,629	18,131	1,078	3,409,421,160	–	3,551,689,998
Investment properties	–	16,605,151,587	–	–	–	16,605,151,587
Other noncurrent assets	475,959,436	172,404,325	–	995,104	–	649,358,865
	₱16,965,069,909	₱18,465,782,547	₱40,150,424	₱3,464,466,750	(₱8,225,349)	₱38,927,244,281
LIABILITIES						
Accounts and other payables	3,147,924,062	2,501,780,885	4,888,692	55,724,509	(8,225,349)	5,702,092,799
Lease liabilities	98,973,598	241,131,066	–	–	–	340,104,664
Customers' advances and deposits	3,349,065,024	48,302,665	1,293,940	985,156	–	3,399,646,785
Loans payable	17,073,462,902	2,601,256,270	–	291,749,304	–	19,966,468,476
	₱23,669,425,586	₱5,392,470,886	₱6,182,632	₱348,458,969	(₱8,225,349)	₱29,408,312,724

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 amounted to ₱147.46 million, ₱136.02 million, ₱146.15 million and ₱19.26 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

Capital expenditures with an aggregate amount of ₱4,879.58 million, ₱4,501.29 million, ₱6,070.55 million, ₱5,868.13 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 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 in the Luzon and Mindanao 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.

   Hotel operation pertains to room rentals, food and beverage sales, and other ancillary services.

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

	Nine-month periods ended September 30, 2023				
	Condominium Sales	**Leasing**	**Hotel operation**	**Property Management**	**Total**
Sales to external customers	**₱2,439,819,013**	**₱918,831,597**	**₱200,225,561**	**₱31,169,413**	**₱3,590,045,584**
Inter-segment sales	**–**	**132,313,947**	**–**	**15,144,170**	**147,458,117**
Total	**2,439,819,013**	**1,051,145,544**	**200,225,561**	**46,313,583**	**3,737,503,701**
Inter-segment eliminations	**–**	**(132,313,947)**	**–**	**(15,144,170)**	**(147,458,117)**
Total revenue from contract with customers	**₱2,439,819,013**	**₱918,831,597**	**₱200,225,561**	**₱31,169,413**	**₱3,590,045,584**

	Nine-month periods ended September 30, 2022				
	Condominium Sales	Leasing	Hotel operation	Property Management	Total
Sales to external customers	₱2,054,898,979	₱827,480,471	₱23,667,871	₱23,065,717	₱2,929,113,038
Inter-segment sales	–	119,599,914	–	16,425,048	136,024,962
Total	2,054,898,979	947,080,385	23,667,871	39,490,765	3,065,138,000
Inter-segment eliminations	–	(119,599,914)	–	(16,425,048)	(136,024,962)
Total revenue from contract with customers	₱2,054,898,979	₱827,480,471	₱23,667,871	₱23,065,717	₱2,929,113,038

Hotel operation

Disaggregation of each source of revenue from contracts with customers is presented below:

	Nine-month periods ended September 30		Year ended December 31
	2023	2022*	2022*
Food and beverage	**₱110,793,667**	₱16,597,066	₱51,521,120
Room accommodation	**84,746,665**	6,825,827	27,371,727
Others	**4,685,229**	244,978	891,579
	₱200,225,561	₱23,667,871	₱79,784,426

** The commercial operation of Hotel started on July 1, 2022.*

The Group recognizes revenue from room accommodation and services of other operating department of the hotel over time while revenue from sale of food and beverage, souvenirs and others are recognized at a point in time.

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:

	2023	2022
Amounts included in contract liabilities at the beginning of the period	**₱1,999,869,330**	₱956,542,440

<u>*Performance obligations*</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Within one year	**₱472,970,689**	₱2,176,413,346
More than five years	**4,799,876,145**	2,953,774,929
	₱5,272,846,834	₱5,130,188,275

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 ₱918.83 million, ₱827.48 million, ₱1,093.09 million and ₱1,067.14 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively. Interest expense relating to the accretion of security deposit payable amounted to ₱1.85 million, ₱1.80 million, ₱2.41 million and ₱2.35 million for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021, respectively.

Future minimum rental receivable under the noncancellable operating lease as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
One year	**₱839,775,320**	₱732,018,216
After one year but not beyond five years	**1,729,175,204**	1,613,438,129
Beyond five years	**63,137,817**	–
	₱2,632,088,341	₱2,345,456,345

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.

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:

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Amortization expense of right-of-use assets (Notes 8 and 9)	**₱40,753,149**	₱44,011,955	₱58,506,414	₱47,494,855
Interest expense on lease liabilities	**17,586,521**	16,707,714	22,233,597	19,687,563
Rental expense (Note 16)	**5,232,508**	3,933,409	5,646,390	7,503,916
Total	**₱63,572,178**	₱64,653,078	₱86,386,401	₱74,686,334

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 September 30, 2023 and December 31, 2022 are presented below:

	2023	2022
Beginning balance	**₱340,104,664**	₱280,342,188
Additions	**99,024,440**	107,639,950
Interest expense	**17,586,521**	22,233,597
Payments	**(57,769,581)**	(70,111,071)
Deconsolidation of a subsidiary (Note 1)	**(236,318,203)**	–
	162,627,841	340,104,664
Less noncurrent portion of lease liabilities	**124,658,508**	295,849,882
	₱37,969,333	₱44,254,782

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 September 30, 2023 and December 31, 2022, relating to period following the exercise date of extension options that are not included in the lease term:

	2023	2022
Less than one year	**₱–**	₱19,826,799
After one year but not more than five years	**56,417,745**	72,131,502
More than five years	**212,684,722**	116,310,628
	₱269,102,467	₱208,268,929

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

	2023	2022
Less than one year	**₱47,635,858**	₱54,566,591
After one year but not more than five years	**138,898,153**	190,023,704
More than five years	**–**	240,912,602
	₱186,534,011	₱485,502,897

23. Earnings Per Share

Basic/diluted EPS amounts attributable to equity holders of the Parent Company for the nine-month periods ended September 30, 2023 and 2022 and for the years ended December 31, 2022 and 2021 follow:

	Nine-month periods ended September 30		Years ended December 31	
	2023	2022	2022	2021
Net income attributable to equity holders of Anchor Land Holdings, Inc.	**₱460,828,016**	₱414,495,992	₱517,547,353	₱432,838,636
Less dividends on preferred shares (Note 19)	**20,800,020**	20,800,020	27,733,360	27,733,360
Net income attributable to equity holders of Anchor Land Holdings, Inc. for basic and diluted EPS	**440,027,996**	393,695,972	489,813,993	405,105,276
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	**₱0.42**	₱0.38	₱0.47	₱0.39

The Parent Company does not have potentially dilutive common shares for the nine-month periods ended September 30, 2023 and 2022 and years ended December 31, 2022 and 2021.

24. Changes in Liabilities Arising from Financing Activities

	January 1, 2023	**Noncash transactions**	**Net cash flows**	**September 30, 2023**
Loans payable	**₱19,966,468,476**	**₱25,264,977**	**₱824,767,451**	**₱20,816,500,904**
Lease liabilities	**340,104,664**	**(119,707,242)**	**(57,769,581)**	**162,627,841**
Dividends payable	**–**	**58,933,390**	**(58,933,390)**	**–**
Total liabilities arising from financing activities	**₱20,306,573,140**	**(₱35,508,875)**	**₱708,064,480**	**₱20,979,128,745**

	January 1, 2022	Noncash transactions	Net cash flows	December 31, 2022
Loans payable	₱20,431,119,692	₱32,270,907	(₱496,922,123)	₱19,966,468,476
Lease liabilities	280,342,188	129,873,547	(70,111,071)	340,104,664
Dividends payable	–	48,533,380	(48,533,380)	–
Total liabilities arising from financing activities	₱20,711,461,880	₱210,677,834	(₱615,566,574)	₱20,306,573,140