



SECURITIES AND EXCHANGE COMMISSION

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Company Name: ETON PROPERTIES PHILIPPINES, INC.

Industry Classification: J66940

Company Type: Stock Corporation

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Janine Elizabeth R. Gaces

From: eafs@bir.gov.ph
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Company TIN: **000-438-132**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

SGV & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read 'Lucio C. Tan'.

Lucio C. Tan
Chairman

A handwritten signature in black ink, appearing to read 'Ramon S. Pascual'.

Ramon S. Pascual
President

A handwritten signature in blue ink, appearing to read 'Wilfredo Z. Pineda'.

Wilfredo Z. Pineda
Chief Financial Officer

Republic of the Philippines)

CITY OF MAKATI) S.S.

Personally appeared before me the following persons known to me and known to be the same persons who executed the foregoing and they acknowledged to me that the same is their free and voluntary act and deed, in the capacities in which they appear.

The parties presented their respective competent evidence of identity as follows:

<u>Name</u>	<u>TIN/SSS/Passport/Driver's License No.</u>	<u>Date & Place of Issue</u>
Lucio C. Tan	X01-52-000850	July 17, 2016/Quezon City
Ramon S. Pascual		
Wilfredo Z. Pineda	03-5991498-6	

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on this
FEB 23 2022 day of _____, 2022 At CITY OF MAKATI.

Doc. No. PM

Page No. 26

Book No. VII

Series of 2022

Milagros B. Salvador-Umadhay
ATTY. MILAGROS B. SALVADOR-UMADHAY
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-161 UNTIL DECEMBER 31, 2022
ROA NO. 691177 IBP O.R. 198093/ 1.10.2022
MAKATI PTR NO. 3857626/ 1.7.2022
MCLE VI-0014348
8TH FLOOR PNB CENTER
610 AYALA AVENUE MAKATI CITY

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

E	T	O	N		P	R	O	P	E	R	T	I	E	S		P	H	I	L	I	P	P	I	N	E	S	,		
I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S									

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

8	/	F		A	L	L	I	E	D		B	A	N	K		C	E	N	T	E	R	,		6	7	5	4	
A	Y	A	L	A		A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y	,			
M	E	T	R	O		M	A	N	I	L	A	,		P	H	I	L	I	P	P	I	N	E	S				

Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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COMPANY INFORMATION

Company's Email Address

EPPI_SEC_mailbox@eton.com.ph

Company's Telephone Number

(632) 8548-4000

Mobile Number

0917-1010-358

No. of Stockholders

1,668

Annual Meeting (Month / Day)

4/21

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Wilfredo M. Pielago

Email Address

EPPI_SEC_mailbox@eton.com.ph

Telephone Number/s

(632) 8548-4000

Mobile Number

0917-1010-358

CONTACT PERSON'S ADDRESS**8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City**

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8/F Allied Bank Center, 6754 Ayala Avenue
Makati City, Metro Manila, Philippines

Opinion

We have audited the consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021, which are expected to be made available to us after that date.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs and issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

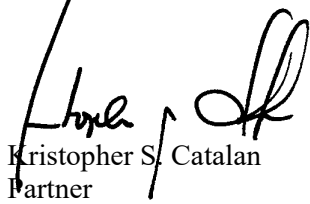
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

Tax Identification No. 233-299-245

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109712-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-109-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8853479, January 3, 2022, Makati City

February 23, 2022



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 17)	₱2,179,108,363	₱1,407,273,712
Trade and other receivables (Notes 6 and 17)	1,895,479,765	1,678,222,260
Real estate inventories (Note 7)	4,158,419,704	4,140,024,825
Other current assets (Note 8)	1,452,051,842	1,606,932,851
Total Current Assets	9,685,059,674	8,832,453,648
Noncurrent Assets		
Receivables - net of current portion (Note 6)	88,514,047	632,103,555
Investment properties (Note 9)	21,291,373,182	20,882,736,426
Property and equipment (Note 10)	773,648,541	822,306,826
Right-of-use assets (Note 27)	234,771,266	247,586,055
Deferred income tax assets - net (Note 24)	8,253,394	8,733,016
Other noncurrent assets (Note 11)	302,689,115	396,017,589
Total Noncurrent Assets	22,699,249,545	22,989,483,467
TOTAL ASSETS	₱32,384,309,219	₱31,821,937,115
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	₱3,475,341,163	₱3,467,003,653
Customers' deposits (Note 13)	955,097,869	997,714,294
Current portion of:		
Loans payable (Notes 14 and 17)	1,682,981,051	845,122,559
Lease liabilities (Note 27)	43,796,733	16,965,395
Deposits and other current liabilities (Note 16)	317,331,174	229,089,463
Income tax payable	8,582,123	49,284
Total Current Liabilities	6,483,130,113	5,555,944,648
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 14 and 17)	4,453,385,836	5,246,613,375
Payables to landowners (Notes 15 and 17)	1,061,190,858	1,061,190,858
Lease liabilities - net of current portion (Note 27)	464,799,982	477,074,262
Deferred income tax liabilities - net (Note 24)	103,047,314	196,439,163
Other noncurrent liabilities (Notes 16 and 23)	595,032,147	643,211,617
Total Noncurrent Liabilities	6,677,456,137	7,624,529,275
Total Liabilities	13,160,586,250	13,180,473,923

(Forward)



	December 31	
	2021	2020
Equity (Note 25)		
Capital stock	₱5,723,017,872	₱5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Accumulated remeasurements on retirement benefits (Note 23)	64,380,137	32,366,135
Retained earnings (Note 25)	5,229,670,297	4,679,424,522
Treasury shares	(7,955)	(7,955)
Total Equity	19,223,722,969	18,641,463,192
TOTAL LIABILITIES AND EQUITY	₱32,384,309,219	₱31,821,937,115

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE (Note 4)			
Rental income (Notes 9 and 27)	₱1,614,216,585	₱1,757,700,827	₱1,707,833,363
Rooms and other operated departments	220,186,409	205,182,683	181,862,482
Real estate sales	137,666,528	641,688,855	1,424,597,666
	1,972,069,522	2,604,572,365	3,314,293,511
COSTS AND EXPENSES			
Cost of rental income (Notes 2, 9, 10, 11 and 27)	732,791,004	674,438,650	667,182,187
Cost of rooms and other operated departments (Note 21)	93,255,206	108,425,233	129,621,689
Cost of real estate sales (Note 7)	55,053,102	239,524,318	663,788,693
Selling expenses (Note 19)	25,525,890	32,055,508	111,616,454
General and administrative expenses (Note 20)	740,881,329	584,141,096	675,260,330
	1,647,506,531	1,638,584,805	2,247,469,353
OTHER INCOME (CHARGES) - Net			
Finance charges (Notes 18 and 27)	(257,230,830)	(272,686,173)	(364,339,771)
Interest income (Notes 5 and 18)	13,173,791	19,847,363	105,948,308
Foreign exchange gains (losses) - net	4,149,693	(4,292,774)	(2,228,301)
Other income - net (Note 22)	578,374,718	454,966,525	472,537,334
	338,467,372	197,834,941	211,917,570
INCOME BEFORE INCOME TAX	663,030,363	1,163,822,501	1,278,741,728
PROVISION FOR INCOME TAX (Note 24)			
Current	214,398,686	229,291,476	264,979,692
Deferred	(101,614,098)	132,430,241	113,378,237
	112,784,588	361,721,717	378,357,929
NET INCOME	₱550,245,775	₱802,100,784	₱900,383,799
BASIC/DILUTED EARNINGS PER SHARE (Note 26)	₱0.0961	₱0.1402	₱0.1573

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET INCOME	₱550,245,775	₱802,100,784	₱900,383,799
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on defined benefit obligations (Note 23)	40,205,467	5,663,721	(87,350,040)
Deferred income tax effect	(8,191,465)	(1,699,116)	26,205,012
	32,014,002	3,964,605	(61,145,028)
TOTAL COMPREHENSIVE INCOME	₱582,259,777	₱806,065,389	₱839,238,771

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Accumulated Remeasurements on Retirement Benefits (Note 23)	Retained Earnings (Note 25)	Treasury Shares (Note 25)	Total
BALANCES AS AT DECEMBER 31, 2018	₱5,723,017,872	₱8,206,662,618	₱89,546,558	₱2,976,939,939	(₱7,955)	₱16,996,159,032
Net income for the year	–	–	–	900,383,799	–	900,383,799
Other comprehensive loss	–	–	(61,145,028)	–	–	(61,145,028)
Total comprehensive income (loss)	–	–	(61,145,028)	900,383,799	–	839,238,771
BALANCES AS AT DECEMBER 31, 2019	5,723,017,872	8,206,662,618	28,401,530	3,877,323,738	(7,955)	17,835,397,803
Net income for the year	–	–	–	802,100,784	–	802,100,784
Other comprehensive income	–	–	3,964,605	–	–	3,964,605
Total comprehensive income	–	–	3,964,605	802,100,784	–	806,065,389
BALANCES AS AT DECEMBER 31, 2020	5,723,017,872	8,206,662,618	32,366,135	4,679,424,522	(7,955)	18,641,463,192
Net income for the year	–	–	–	550,245,775	–	550,245,775
Other comprehensive income	–	–	32,014,002	–	–	32,014,002
Total comprehensive income	–	–	32,014,002	550,245,775	–	582,259,777
BALANCES AS AT DECEMBER 31, 2021	₱5,723,017,872	₱8,206,662,618	₱64,380,137	₱5,229,670,297	(₱7,955)	₱19,223,722,969

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱663,030,363	₱1,163,822,501	₱1,278,741,728
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 27)	413,849,943	408,182,521	402,200,736
Interest expense and other finance charges - net of capitalized interest (Note 18)	257,230,830	272,686,173	364,339,771
Provision for expected credit losses (Notes 20 and 28)	131,169,489	186,183	—
Retirement benefits cost (Notes 21 and 23)	37,606,309	28,201,280	11,315,608
Day 1 gain on security deposit (Note 22)	(18,199,314)	(35,820)	(30,269,327)
Interest income (Note 18)	(13,173,791)	(19,847,363)	(105,948,308)
Gain on loan contract modification (Note 14)	(7,335,811)	—	—
Unrealized foreign exchange losses (gains) - net	(4,191,693)	4,292,774	2,228,301
Gain on retirement and disposal of property and equipment (Notes 10 and 22)	(2,938,250)	(4,575,086)	(362,393)
Gain on lease contract modification (Notes 17 and 27)	(2,627,142)	—	—
Operating income before working capital changes	1,454,420,933	1,852,913,163	1,922,246,116
Decrease (increase) in:			
Trade and other receivables	190,572,745	(711,632,713)	105,913,013
Real estate inventories	(18,394,879)	220,267,668	615,294,894
Other assets (current and noncurrent)	195,355,956	27,834,804	9,076,267
Increase (decrease) in:			
Trade and other payables	18,300,417	(104,509,002)	266,318,241
Customers' deposits	(42,616,425)	19,096,536	(136,488,469)
Deposits and other liabilities	47,291,579	23,693,233	58,532,956
Cash generated from operations	1,844,930,326	1,327,663,689	2,840,893,018
Income taxes paid, including final tax and creditable withholding taxes	(157,041,515)	(164,593,987)	(228,168,609)
Interest received	16,217,501	19,052,980	111,199,703
Net cash from operating activities	1,704,106,312	1,182,122,682	2,723,924,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 9 and 18)	(573,246,234)	(745,696,590)	(1,498,609,428)
Property and equipment (Note 10)	(25,401,202)	(11,257,974)	(19,455,772)
Software (Note 11)	(3,323,253)	(2,593,054)	(17,782,888)
Proceeds from disposal of property and equipment	4,840,697	4,097,298	1,529,675
Net cash used in investing activities	(597,129,992)	(755,450,320)	(1,534,318,413)

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Note 14)	₱1,700,000,000	₱1,800,000,000	₱—
Payments of:			
Loans payable (Notes 14 and 32)	(1,645,930,000)	(1,975,400,000)	(932,300,000)
Interest (Notes 14, 15 and 17)	(373,956,807)	(377,682,784)	(516,133,134)
Debt issue costs (Note 14)	(12,750,000)	(13,500,000)	—
Lease liabilities (Note 27)	(6,696,555)	(4,640,825)	(1,685,063)
Payables to landowners (Notes 15 and 17)	—	(767,758,189)	(55,926,349)
Net cash used in financing activities	(339,333,362)	(1,338,981,798)	(1,506,044,546)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,191,693	(4,292,774)	(2,228,301)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	771,834,651	(916,602,210)	(318,667,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,407,273,712	2,323,875,922	2,642,543,070
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱2,179,108,363	₱1,407,273,712	₱2,323,875,922

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Eton Properties Philippines, Inc. (“Eton” or the “Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name “Balabac Oil Exploration & Drilling Co., Inc.” to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Philippine SEC approved the Parent Company’s registration and licensing as a listed company.

On August 19, 1996, the Parent Company’s Articles of Incorporation (the “Articles”) was amended to: (a) change the Parent Company’s primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company’s Board of Directors (BOD) adopted the following amendments: (a) change the corporate name to Eton Properties Philippines, Inc.; (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

The above amendments were adopted by the Parent Company’s shareholders on April 19, 2007 and approved by the Philippine SEC on June 8, 2007.

On October 6, 2009, the Parent Company’s BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of ₱3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1,600 million shares to Paramount at ₱2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap (see Note 25). As approved by the Philippine SEC in July 2011, the property was recognized by the Parent Company at the value of ₱4,000.0 million (see Note 25).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (“Saturn”) had ownership interest of 55.07% and 42.39%, respectively, in Eton.

On September 17, 2012, LT Group, Inc. (LTG)’s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., British Virgin Island (BVI)-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to ₱1,350.8 million and ₱521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of ₱1.00 per share, which were issued to LTG from the increase in Paramount’s and Saturn’s authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG’s advances to Paramount and Saturn amounting to ₱1,350.8 million and ₱490.0 million, respectively. On the same dates, Paramount



and Saturn filed their application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon the Philippine SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the controlling shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of the Parent Company traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to ₱3,150.0 million and ₱2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of ₱2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

On March 2, 2015, the Parent Company's BOD approved the increase of its authorized capital stock from ₱5.0 billion divided into 5.0 billion common shares with a par value of ₱1.00 per share to ₱8.0 billion divided into 8.0 billion common shares with a par value of ₱1.00 per share. On September 28, 2015, Eton filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3.0 billion common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of ₱2.72 per share.

As of December 31, 2021 and 2020, Eton is 56.88% owned by Paramount. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.

Subsidiaries

Below are the Parent Company's ownership interests in its subsidiaries:

Subsidiaries	Percentage of Ownership
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
Eton Hotels & Leisure, Inc. (EHLI) [formerly FirstHomes, Inc.]	100%
Eton Properties Management Corporation (EPMC)	100%



BCI was incorporated and registered with the Philippine SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of its capital stock from 20,000 shares to 100,000,000 shares at ₱1.00 par value per share and the subscription of the Parent Company for 24,995,000 shares, which, in addition to 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from ₱20,000 divided into 20,000 common shares with a par value of ₱1.00 per share to ₱800,000,000 divided into 800,000,000 common shares with a par value of ₱1.00 per share. On December 23, 2014, BCI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 7, 2015. Out of the increase in authorized capital stock, 199,995,000 common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

ECI was incorporated and registered with the Philippine SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from ₱100,000,000 divided into 100,000,000 common shares with a par value of ₱1.00 per share to ₱1,000,000,000 divided into 1,000,000,000 common shares with a par value of ₱1.00 per share. On December 23, 2014, ECI filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on January 6, 2015. Out of the increase in authorized capital stock, 225,000,000 common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

On October 15, 2010, EHLI was incorporated and registered with the Philippine SEC under the name of “FirstHomes, Inc.” as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of ₱1.3 million. On November 7, 2019, the BOD of EHLI adopted the following amendments: (a) change the corporate name to Eton Hotels & Leisure, Inc.; (b) change the primary purpose to include to manage and operate hotels, resorts, apartelles, serviced apartments and other hospitality facilities, buildings, houses, apartments and other structures and immovable and personal property. The amendments were adopted by EHLI’s stockholders on May 18, 2020 and approved by the Philippine SEC on October 29, 2021.

EPMC was incorporated and registered with the Philippine SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures.

On June 14, 2017, the BOD of EPMC approved the increase in its authorized capital stock from ₱1,000,000 divided into 1,000,000 common shares with a par value of ₱1.00 per share to ₱20,000,000 divided into 20,000,000 common shares with a par value of ₱1.00 per share. The increase in authorized capital stock was approved by the Philippine SEC on September 19, 2017. Out of the increase in authorized capital stock, 4,750,000 common shares have been subscribed by the Parent Company.

On December 4, 2019, the Board of Directors of EPPI approved the additional investment/purchase of 15.0 million shares of EPMC, with par value of ₱1.00 per share, amounting to ₱15.0 million.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries’ registered business address is 8/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the “Group”) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were authorized for issuance by the BOD on February 23, 2022.



2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared under the historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic:

Deferral of the provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

- a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04); and
- b. Treatment of land in the determination of the percentage-of-completion (POC).

Item b was already implemented by the Group prior to the issuance of the PIC Q&A 2018-12 and the Group continued its accounting treatment despite the deferral mentioned.

Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the *Changes in Accounting Policy* section.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- 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 Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.



The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. The financial statements of the subsidiaries were prepared for the same reporting years as the Parent Company which were presented as at and the years ended December 31, 2021 and 2020.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

The Group adopted these amendments beginning January 1, 2021.

- *Adoption of PIC Q&A 2018-12-H, PFRS 15 - Accounting for Common Usage Service (CUSA) Charges*

On February 14, 2018, PIC Q&A 2018-12-H was issued providing guidance on accounting for common usage service which concludes that real estate developers are generally acting as principal for CUSA charges. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-12-H was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-12-H and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The Group assessed itself as principal for CUSA and air-conditioning charges, and as an agent for electricity and water usage. Accordingly, the Group presented the revenue from provision of CUSA and air conditioning services and its related costs on a gross basis as part of "Other income - net" and "Cost of rental income", respectively.

The adoption did not impact the consolidated statements of financial position and consolidated statements of cash flows.

Consolidated statement of income for the year ended December 31, 2021 (in millions):

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	
Cost of rental income	₱732.8	₱440.9	₱291.9
Other income - net	578.4	286.5	291.9



Consolidated statement of income for the year ended December 31, 2020 (in millions):

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	
Cost of rental income	₱674.4	₱466.5	₱207.9
Other income - net	455.0	247.1	207.9

Consolidated statement of income for the year ended December 31, 2019 (in millions):

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	
Cost of rental income	₱667.2	₱446.9	₱220.3
Other income - net	472.5	252.2	220.3

- Adoption of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies should adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group as it records the repossessed inventory at cost and the fair market value less cost to repossess is approximate the amount of the cost of repossessed inventory at the date of repossession. As the Group has been reporting repossessed inventories as allowed under approach 1, there is no change in accounting upon adoption of the PIC Q&A.

- Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases*, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.



The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The Group adopted the amendments beginning January 1, 2021. The amendments have no significant impact to the Group.

Group adopted the amendment below beginning April 1, 2021.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The amendment has no impact to the Group since there were no concessions granted to the Group in 2021.

Future Changes in Accounting Policy

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will 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, 2022

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities



that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.



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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.



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

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

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

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

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 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 follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as 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

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04 on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02 on determining which uninstalled materials should not be included in calculating the POC.



On July 8, 2021, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A providing real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach. With this, real estate companies are finally able to fully comply with PFRS 15 and revert to full PFRS financial reporting for the calendar year 2021.

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC No. 8-2021.

The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12-D (as amended by PIC Q&A 2020-04) in determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements in case a full retrospective approach is applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach). The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. The Group has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.

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

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

The amendments clarify:

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

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



Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. 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 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 Financial Reporting Standards Council 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 continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2021 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.



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.

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 nonfinancial 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.

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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 assets or liability and the level of the fair value hierarchy.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

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



All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities, and retirement benefits liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, 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.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2021 and 2020, the Group's financial assets pertain to financial assets at amortized cost (debt instrument).



Subsequent measurement

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 solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash in banks and cash equivalents, trade and other receivables and refundable 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 statement of financial position) when:

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

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in consolidated statement of income, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty



- If the modification results in the asset no longer considered “solely payment for principal and interest.”

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (EIR) (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Impairment of financial assets

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

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

For trade and other receivables and refundable deposits, 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 has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For contracts receivables (CR) presented under “Trade and other receivables”, the Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given CR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.



In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on interest rate, unemployment rate and inflation rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda Law, and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

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 the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities pertain to loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in consolidated statement of income 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 charges in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.



Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in consolidated statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the consolidated statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has currently enforceable rights of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all counterparties.

Real Estate Inventories

Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).



Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units;
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to consolidated statement of income.

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

Advances to Contractors and Suppliers

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages while advances to suppliers pertain mainly to the advance payments for the purchase of material and supplies. Advances to contractors is recouped every progress billing payment based on the percentage of accomplishment of each contract package. Advances to contractors related to the construction of the Group's investment properties are classified as part of noncurrent assets while advances to contractors related to construction of real estate inventories are classified as current assets.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Other current assets" account in the consolidated statement of financial position.

Value-added Tax (VAT)

Revenues, expenses, and assets 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 statement 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 statement of financial position to the extent of the recoverable amount.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing



costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use. Construction in progress 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.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

Category	Years
Buildings	20 to 40
Condominium units	40
Land improvements	5

Depreciation of investment properties ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

Transfers to investment property are made when there is a change in use, as evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when there is a change in use, as evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment comprised construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use. Construction in progress 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.



Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

Category	Years
Serviced apartments:	
Condominium units	40
Furniture, fixtures and equipment	3 to 15
Transportation equipment	5
Furniture, fixtures and equipment	3 to 10
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5, and the date the asset is derecognized.

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

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software's estimated useful life of five years.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, right-of-use asset and software, 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 calculated as the higher of the asset's fair value less costs to sell 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 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

An assessment is made at each financial reporting date as to whether there is an 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 consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Security Deposits

Security deposits, included in "Deposits and other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When 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 shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Real estate sales

The Group derives its real estate sales from sale of residential lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its



contract with the buyers, the 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. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers. Based on the monthly project accomplishment report approved by the site project manager which integrates the surveys of performance to date of the construction activities.

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate sales recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

Costs to obtain contract

The incremental 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 expenses" account in the consolidated statement of income.

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

Rental income

Rental income under non-cancellable leases of investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants recorded as "Rental dues" presented as part of "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of rental income

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes depreciation of the investment properties being leased out, rental expense on the land where the property for lease is located, real property taxes and other directly attributable costs.

Rooms and other operated departments

Revenue from room rentals and other ancillary services are recognized at point in time or when the services are rendered. Revenue from other ancillary services include, among others, business center related services and car rentals, food packages, laundry service, telephone service, and spa/gym services.



Costs of services

Costs of services include expenses incurred by the Group for the generation of revenue from room rentals and other ancillary services. Costs of services are expensed as incurred.

Interest income

Interest income is recognized as it accrues.

Other income and other expenses

Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales, and marketing fees.

Expense Recognition

Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and general and administrative expenses

Selling expenses are costs incurred to sell real estate inventories of the Group, which includes commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the "Investment properties" account in the consolidated statement of financial position. 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 recognized as an expense in the period in which they are incurred.

Retirement Benefits Cost

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Retirement benefits costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.



Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursements is virtually certain.

Income Taxes

Current income tax

Current income 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 at the financial reporting date.

Deferred income tax

Deferred income tax is determined at the financial reporting date using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

The carrying amount of deferred income tax assets is reviewed at each financial 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 income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred income 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 financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.



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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Leases

The Group as Lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



Right-of-use assets. 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 amortization 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 its estimated useful life and the lease term as follow:

Category	Years
Land	20 to 40
Leasehold improvements	5 or term of the lease, whichever is shorter

Right-of-use assets are subject to impairment. Refer to the accounting policies in the Impairment of Nonfinancial Assets section.

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 Company applies the short-term lease recognition exemption to its short-term leases of billboard and advertisement space (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 (i.e., printer) that are considered of low value (i.e., below ₱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.



The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized in the consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under "Other income" account in the consolidated statement of income.

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 (e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term).

In case of a lease modification, the lessor shall account for any such modification by recognizing 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. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Provisions and Contingencies

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They 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. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.



Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments 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 amounts recognized in the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect of any change in accounting estimates is reflected in the consolidated financial statements as they become reasonably determinable.

Revenue recognition

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output/input method as the measure of progress in determining real estate revenue; (e) determination of the actual costs incurred as cost of sales; and (f) recognition of cost to obtain a contract.

a) Existence of a contract

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



b) Revenue recognition method 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 is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that the 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 customer.

c) Identifying performance obligation

The Group has various contracts to sell covering residential lots and condominium units. The Group concluded that there is one performance obligation in each of these contracts because: (i) for residential lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering house or condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Provision for expected credit losses of cash and cash equivalents, trade and other receivables and refundable deposits

The Group uses a provision matrix to calculate ECLs for trade and other receivables, except for contract receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, property collaterals and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates.

The Group uses vintage analysis approach to calculate ECLs for contract receivables. The vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. The Group uses low credit risks simplification for cash and cash equivalents and refundable deposits.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., inflation rate) and ECLs are significant estimates. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables and refundable deposits is disclosed in Note 28.



Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases of its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income recognized by the Group amounted to ₱1,614.2 million, ₱1,757.7 million and ₱1,707.8 million in 2021, 2020 and 2019, respectively (see Notes 9 and 27).

Lease modification - as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

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

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

Refer to Note 27 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Classification of properties

The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment property comprises land, condominium units and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group's investment properties and real estate inventories amounted to ₱21,291.4 million and ₱4,158.4 million as of December 31, 2021 and ₱20,882.7 million and ₱4,140.0 million as of December 31, 2020, respectively (see Notes 7 and 9).

Distinction between investment properties and owner-occupied properties

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

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



whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The carrying values of the Group's investment properties and property and equipment amounted to ₱21,291.4 million and ₱773.6 million as of December 31, 2021 and ₱20,882.7 million and ₱822.3 million as of December 31, 2020, respectively (see Notes 9 and 10).

Determination of fair value of financial and nonfinancial instruments

Where the fair values of financial and nonfinancial instruments recorded or disclosed in the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values (see Notes 9 and 28).

Provisions and contingencies

The Group is currently involved in legal proceedings. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. The Group did not recognize any provision in 2021 and 2020.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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 as follows:

Revenue and cost recognition

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the 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.

Real estate sales and cost of real estate sales amounted to ₱137.7 million and ₱55.1 million in 2021, ₱641.7 million and ₱239.5 million in 2020 and ₱1,424.6 million and ₱663.8 million in 2019, respectively.

Estimation of allowance for expected credit losses of debt instruments at amortized cost

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior, known market factors that affect the collectability of the accounts. The Group recognized allowance for impairment on its contracts receivables; lease receivables and refundable deposits amounting nil, ₱189.0 million, ₱6.0 million as of December 31, 2021, respectively, and ₱0.6 million, ₱57.6 million, ₱5.6 million as of December 31, 2020, respectively (see Notes 6 and 28).



Measurement of net realizable value of real estate inventories

The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. 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 the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2021 and 2020, real estate inventories, which are carried at cost, amounted to ₱4,158.4 million and ₱4,140.0 million, respectively (see Note 7).

Estimation of useful lives of investment properties excluding land and construction in progress, property and equipment, right-of-use assets, and software

The Group estimates the useful lives of its depreciable investment properties, property and equipment, right-of-use assets and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment, right-of-use assets and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment, right-of-use assets and software would increase depreciation and amortization expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of depreciable investment properties, property and equipment, right-of-use assets and software in 2021 and 2020. The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment, right-of-use assets and software amounted to ₱8,975.7 million, ₱773.6 million, ₱234.8 million and ₱8.2 million as of December 31, 2021, respectively, and ₱9,211.3 million, ₱822.3 million, ₱247.6 million and ₱12.4 million as of December 31, 2020, respectively (see Notes 9, 10, 11 and 27).

Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount

The Group evaluates its nonfinancial assets, which include investment properties, property and equipment, right-of-use assets, and software, for any impairment in value. This includes considering certain indications of impairment such as 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 and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its investment properties, property and equipment, right-of-use assets, and software amounting to ₱21,291.4 million, ₱773.6 million, ₱234.8 million and ₱8.2 million as of December 31, 2021, respectively, and ₱20,882.7 million, ₱822.3 million, ₱247.6 million and ₱12.4 million as of December 31, 2020, respectively, approximate their recoverable amounts (see Notes 9, 10, 11 and 27).



Estimation of retirement benefits costs and liability

The determination of the Group's retirement benefits costs and liability is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2021 and 2020, retirement benefits liability amounted to ₱141.1 million and ₱143.7 million, respectively. Retirement benefits cost amounted to ₱37.6 million, ₱28.2 million and ₱11.0 million in 2021, 2020 and 2019, respectively (see Note 23).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and makes adjustments to it 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 income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2021 and 2020, the Group recognized deferred income tax assets amounting to ₱235.5 million and ₱217.2 million, respectively (see Note 24).

4. Segment Information

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenues and segment expenses are measured in accordance with PFRSs.

The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segment assets is the same as those described in the summary of significant accounting and financial reporting policies.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that those economic benefits will flow to the Group and that the revenue can be reliably measured. The Group does not have revenue from transaction with a single external customer, which amount to 10% or more of the Group's revenues.

Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.



The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units;
- Leasing activities - development of Business Process Outsourcing (BPO) buildings, and commercial spaces and condominium units for lease; and
- Serviced apartments - operations of rooms and other operated departments at “The Mini Suites” in Eton Tower Makati.

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

2021

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱137,666,528	₱1,614,216,585	₱220,186,409	₱–	₱1,972,069,522
Direct costs	(55,053,102)	(732,791,004)	(93,255,206)	–	(881,099,312)
Gross profit	82,613,426	881,425,581	126,931,203	–	1,090,970,210
Selling, general and administrative expenses	(23,594,403)	–	–	(742,812,816)	(766,407,219)
Operating income	59,019,023	881,425,581	126,931,203	(742,812,816)	324,562,991
Interest income	4,401,497	–	–	8,772,294	13,173,791
Other income (charges) - net	(52,237,010)	255,303,850	(3,732,930)	383,190,501	582,524,411
Finance charges	–	–	–	(257,230,830)	(257,230,830)
Provision for income tax	–	–	–	(112,784,588)	(112,784,588)
Segment profit	₱11,183,510	₱1,136,729,431	₱123,198,273	(₱720,865,439)	₱550,245,775
Other information					
Segment assets	₱6,117,764,720	₱12,971,143,160	₱868,447,410	₱12,426,953,929	₱32,384,309,219
Segment liabilities	₱2,108,151,710	₱1,160,740,080	₱36,426,170	₱9,855,268,290	₱13,160,586,250
Segment additions to property and equipment, investment properties and software (Notes 9, 10 and 11)					
	₱–	₱732,949,657	₱–	₱–	₱732,949,657
Depreciation and amortization	45,935,225	314,345,101	53,569,617	–	413,849,943

2020

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱641,688,855	₱1,757,700,827	₱205,182,683	₱–	₱2,604,572,365
Direct costs	(239,524,318)	(674,438,650)	(108,425,233)	–	(1,022,388,201)
Gross profit	402,164,537	1,083,262,177	96,757,450	–	1,582,184,164
Selling, general and administrative expenses	(28,568,043)	–	–	(587,628,561)	(616,196,604)
Operating income	373,596,494	1,083,262,177	96,757,450	(587,628,561)	965,987,560
Interest income	4,528,868	–	–	15,318,495	19,847,363
Other income (charges) - net	(16,853,200)	219,410,406	12,522,935	235,593,610	450,673,751
Finance charges	–	–	–	(272,686,173)	(272,686,173)
Provision for income tax	–	–	–	(361,721,717)	(361,721,717)
Segment profit	₱361,272,162	₱1,302,672,583	₱109,280,385	(₱953,688,470)	₱802,100,784
Other information					
Segment assets	₱6,485,348,153	₱13,157,108,390	₱857,977,895	₱11,321,502,677	₱31,821,937,115
Segment liabilities	₱2,169,779,605	₱899,966,707	₱32,623,664	₱10,078,103,947	₱13,180,473,923
Segment additions to property and equipment, investment properties and software (Notes 9, 10 and 11)					
	₱11,919,762	₱906,080,178	₱1,931,266	₱–	₱919,931,206
Depreciation and amortization	30,486,723	322,190,948	55,504,850	–	408,182,521



2019

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	₱1,424,597,666	₱1,707,833,363	₱181,862,482	₱—	₱3,314,293,511
Direct costs	(663,788,693)	(667,182,187)	(129,621,689)	—	(1,460,592,569)
Gross profit	760,808,973	1,040,651,176	52,240,793	—	1,853,700,942
Selling, general and administrative expenses	(101,545,050)	—	—	(685,331,734)	(786,876,784)
Operating income	659,263,923	1,040,651,176	52,240,793	(685,331,734)	1,066,824,158
Interest income	7,622,941	—	—	98,325,367	105,948,308
Other income (charges) - net	(54,378,733)	187,819,037	13,441,069	323,427,660	470,309,033
Finance charges	—	—	—	(364,339,771)	(364,339,771)
Provision for income tax	—	—	—	(378,357,929)	(378,357,929)
Segment profit	₱612,508,131	₱1,228,470,213	₱65,681,862	(₱1,006,276,407)	₱900,383,799
Other information					
Segment assets	₱6,485,023,714	₱12,176,934,241	₱734,354,747	₱12,431,380,548	₱31,827,693,250
Segment liabilities	₱2,473,487,917	₱872,932,010	₱12,846,748	₱10,633,028,772	₱13,992,295,447
Segment additions to property and equipment, investment properties and software (Notes 9, 10 and 11)					
	₱38,012,369	₱1,651,590,991	₱296,174	₱—	₱1,689,899,534
Depreciation and amortization	58,571,631	297,735,706	45,893,399	—	402,200,736

The Company's disaggregation of each sources of revenue from contracts with customers are presented below:

	2021	2020	2019
Segments			
Leasing activities	₱1,614,216,585	₱1,757,700,827	₱1,707,833,363
Serviced apartments	220,186,409	205,182,683	181,862,482
Residential developments	137,666,528	641,688,855	1,424,597,666
	₱1,972,069,522	₱2,604,572,365	₱3,314,293,511
Timing of revenue			
Over time	₱1,751,883,110	₱2,399,389,682	₱3,132,431,029
Point in time	220,186,412	205,182,683	181,862,482
	₱1,972,069,522	₱2,604,572,365	₱3,314,293,511

5. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	₱1,000,943,453	₱639,565,398
Cash equivalents	1,178,164,910	767,708,314
	₱2,179,108,363	₱1,407,273,712

Cash in banks earn interest at the prevailing bank deposit rates (see Note 18). Cash equivalents earn interest at the prevailing short-term investment rates ranging from 0.25% to 3.50% in 2021 and 2020 and 0.10% to 6.00% in 2019.

Interest income from cash and cash equivalents amounted to ₱8.8 million, ₱15.3 million and ₱98.3 million in 2021, 2020 and 2019, respectively (see Note 18).



6. Trade and Other Receivables

	2021	2020
Contracts receivables	₱834,250,615	₱1,165,660,669
Receivables from buyers	529,680,629	460,064,791
Lease receivables	313,516,480	314,084,896
Receivables from tenants	61,156,189	22,046,442
Receivable from related party (Note 17)	25,000,000	25,000,000
Others	409,384,822	381,650,839
	2,172,988,735	2,368,507,637
Less allowance for expected credit losses (Note 28)	188,994,923	58,181,822
	1,983,993,812	2,310,325,815
Less noncurrent portion of contracts receivables	88,514,047	632,103,555
	₱1,895,479,765	₱1,678,222,260

- a. Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

Interest from contracts receivables amounted to ₱4.4 million, ₱4.5 million and ₱7.6 million in 2021, 2020 and 2019, respectively (see Note 18).

- b. Receivables from buyers include receivables relating to registration of titles, turnover fees and advances paid for on behalf of buyers whereas receivables from tenants represent charges to tenants for utilities normally collectible within a year.
- c. Other receivables include accrued interest receivable pertaining to interest earned from cash and cash equivalents and contracts receivables. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

7. Real Estate Inventories

	2021	2020
Condominium and residential units	₱182,071,758	₱176,900,238
Land held for development	217,541,962	217,541,962
Subdivision projects under development	3,758,805,984	3,745,582,625
	₱4,158,419,704	₱4,140,024,825

- a. A summary of the movements in real estate inventories is set out below:

	2021	2020
Beginning of year	₱4,140,024,825	₱4,362,518,951
Development costs incurred (Notes 12, 15 and 17)	73,447,981	17,030,192
Disposals and others	(55,053,102)	(239,524,318)
End of year	₱4,158,419,704	₱4,140,024,825

- b. Real estate inventories recognized as part of cost of real estate sales amounted to ₱55.1 million, ₱239.5 million and ₱663.8 million in 2021, 2020 and 2019, respectively.



8. Other Current Assets

	2021	2020
Input VAT	₱940,070,819	₱993,311,306
Deferred rent assets	240,463,727	309,209,687
Creditable withholding taxes	122,203,132	171,027,464
Advances to contractors and suppliers (Notes 11 and 17)	107,263,997	98,109,615
Prepayments	40,400,627	33,048,321
Others	1,649,540	2,226,458
	₱1,452,051,842	₱1,606,932,851

- Deferred rent asset is used to record rental income on a straight-line basis over the lease term.
- Advances to contractors are recouped every settlement of progress billings based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.
- Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit and real estate taxes.

9. Investment Properties

2021					
	Land (Note 14)	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	₱8,350,848,839	₱9,177,236,595	₱1,715,446,515	₱3,320,556,969	₱22,564,088,918
Additions	–	59,916,670	–	644,308,532	704,225,202
End of year	8,350,848,839	9,237,153,265	1,715,446,515	3,964,865,501	23,268,314,120
Accumulated Depreciation					
Beginning of year	–	1,597,192,082	84,160,410	–	1,681,352,492
Depreciation (Note 20)	–	249,653,221	45,935,225	–	295,588,446
End of year	–	1,846,845,303	130,095,635	–	1,976,940,938
Net Book Values	₱8,350,848,839	₱7,390,307,962	₱1,585,350,880	₱3,964,865,501	₱21,291,373,182

2020					
	Land (Note 14)	Land Improvements and Buildings	Condominium Units	Construction in Progress	Total
Cost					
Beginning of year	₱8,340,155,114	₱9,139,918,174	₱1,715,446,515	₱2,462,488,937	₱21,658,008,740
Additions	10,693,725	37,318,421	–	858,068,032	906,080,178
End of year	8,350,848,839	9,177,236,595	1,715,446,515	3,320,556,969	22,564,088,918
Accumulated Depreciation					
Beginning of year	–	1,346,736,127	38,099,074	–	1,384,835,201
Depreciation (Note 20)	–	250,455,955	46,061,336	–	296,517,291
End of year	–	1,597,192,082	84,160,410	–	1,681,352,492
Net Book Values	₱8,350,848,839	₱7,580,044,513	₱1,631,286,105	₱3,320,556,969	₱20,882,736,426



- a. Rental income and direct operating expenses arising from the investment properties amounted to ₱1,614.2 million and ₱732.8 million in 2021, ₱1,757.7 million and ₱674.4 million in 2020, and ₱1,707.8 million and ₱667.2 million in 2019, respectively.

Depreciation of investment properties amounting to ₱289.9 million, ₱287.9 million and ₱284.4 million were recognized as part of cost of rental income in 2021, 2020 and 2019, respectively.

- c. Borrowing costs capitalized as cost of investment properties in 2021, 2020 and 2019 amounted to ₱131.0 million, ₱160.4 million and ₱153.0 million, respectively (see Notes 14, 15 and 18).
- d. Construction in progress pertains to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three to five years and depends heavily on the size of the assets. As of December 31, 2021, the ongoing projects of the Group are WestEnd Square, Eton City Square and NXTower 1. As of December 31, 2020, the ongoing projects of the Group are WestEnd Square, Eton City Square, NXTower and West Wing.
- e. The estimated fair value of land, condominium units, and buildings for lease are as follows:

Property	Approach	Fair Value	Valuation Report Date
Land and land improvements	Market approach	₱37,297,522,000	December 31, 2021
Condominium units	Market approach	4,668,510,374	December 31, 2021
Buildings for lease	Cost approach	15,367,678,874	December 31, 2021
		₱57,333,711,248	

The estimated fair value of the land and condominium units was arrived at using the Market Approach. In this approach, the value of the land and building were based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. For the valuation of the buildings for lease, the Cost Approach method of valuation is used. This method is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. In estimating the cost of replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

The valuations were performed by Philippine SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13, *Fair Value Measurement*.

The fair values of land and condominium units for lease were updated to reflect the value of comparable property registered within the vicinity as of December 31, 2021. The valuation of the buildings for lease has been updated to reflect utilization from the dates of the latest valuation. Fair values of land and land improvements and condominium and valuation of the buildings for lease amounted to ₱57,333.71 million and ₱35,771.63 million, respectively, as of December 31, 2021.



10. Property and Equipment

	2021				
	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	₱992,376,116	₱54,010,801	₱223,175,232	₱24,508,264	₱1,294,070,413
Additions	–	3,948,214	21,334,024	118,964	25,401,202
Disposals	–	(7,142,721)	–	–	(7,142,721)
End of year	992,376,116	50,816,294	244,509,256	24,627,228	1,312,328,894
Accumulated Depreciation and Amortization					
Beginning of year	195,956,873	44,689,328	207,282,693	23,834,693	471,763,587
Depreciation and amortization (Note 20)	53,569,617	4,813,026	15,096,928	579,916	74,059,487
Disposals	–	(7,142,721)	–	–	(7,142,721)
End of year	249,526,490	42,359,633	222,379,621	24,414,609	538,680,353
Net Book Values	₱742,849,626	₱8,456,661	₱22,129,635	₱212,619	₱773,648,541

	2020				
	Serviced Apartments	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Beginning of year	₱990,444,851	₱70,547,322	₱213,978,867	₱24,377,920	₱1,299,348,960
Additions	1,931,265	–	9,196,365	130,344	11,257,974
Retirement/Disposal	–	(16,536,521)	–	–	(16,536,521)
End of year	992,376,116	54,010,801	223,175,232	24,508,264	1,294,070,413
Accumulated Depreciation and Amortization					
Beginning of year	140,452,023	55,216,432	189,936,601	23,156,597	408,761,653
Depreciation and amortization (Note 20)	55,504,850	5,654,641	17,346,092	678,096	79,183,679
Retirement/Disposal	–	(16,181,745)	–	–	(16,181,745)
End of year	195,956,873	44,689,328	207,282,693	23,834,693	471,763,587
Net Book Values	₱796,419,243	₱9,321,473	₱15,892,539	₱673,571	₱822,306,826

In 2021 and 2020, the Group sold certain property and equipment with total book values of nil and ₱0.4 million, respectively, for ₱2.9 million and ₱4.9 million, respectively. There were no unpaid purchases of property and equipment as of December 31, 2021 and 2020.

In 2021, 2020 and 2019, the Group recognized depreciation and amortization of equipment and leasehold improvements used in leasing activities amounting to ₱14.0 million, ₱16.4 million and ₱12.5 million, respectively, as part of “Cost of rental income”.

11. Other Noncurrent Assets

	2021	2020
Advances to contractors and suppliers (Note 17)	₱147,016,062	₱214,746,241
Refundable deposits - net	141,216,872	162,363,932
Software	8,174,010	12,357,223
Deferred input VAT	3,382,171	3,650,193
Others	2,900,000	2,900,000
	₱302,689,115	₱396,017,589

- Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.



- b. The rollforward analysis of the Group's software follows:

	2021	2020
Cost		
Beginning of year	₱83,892,149	₱81,299,095
Additions	3,323,253	2,593,054
End of year	87,215,402	83,892,149
Accumulated Amortization		
Beginning of year	71,534,926	64,727,032
Amortization (Note 20)	7,506,466	6,807,894
End of year	79,041,392	71,534,926
Net Book Values	₱8,174,010	₱12,357,223

In 2021, 2020 and 2019, the Group recognized as part of "Cost of rental income" the amortization of software used in leasing activities amounting to ₱0.36 million.

12. Trade and Other Payables

	2021	2020
Accounts payable	₱1,109,036,177	₱1,148,407,084
Retentions payable	613,124,045	630,023,201
Taxes payable	318,209,165	316,965,968
Accrued expenses:		
Real estate development costs	1,011,196,077	1,022,530,674
Utilities, outside services and others	270,331,483	185,669,603
Interest	153,444,216	163,407,123
	₱3,475,341,163	₱3,467,003,653

- a. Accounts payable includes amount payable to contractors for the construction and development costs. Retention payable pertains to the amount withheld from progress billings of the contractors as a guaranty for any claims against them. Accounts payable and retentions payable are normally settled within the Group's normal operating cycle.
- b. Accrued expenses represent various accruals of the Group for its expenses and real estate projects. Accrued real estate development costs are construction-related accruals for the real estate projects of the Group.

13. Customers' Deposits

Customers' deposits represent payments received from buyers of condominium and residential units and are measured equal to the amounts received from customers. These will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group.

As of December 31, 2021 and 2020, customers' deposits amounted to ₱995.1 million and ₱997.7 million, respectively.



14. Loans Payable

	2021	2020
Bank loans	₱6,166,970,000	₱6,112,900,000
Less unamortized debt issue costs	30,603,113	21,164,066
	6,136,366,887	6,091,735,934
Less current portion	1,682,981,051	845,122,559
Noncurrent portion	₱4,453,385,836	₱5,246,613,375

- a. In 2018, Parent Company entered into an unsecured term loan agreement with Bank of the Philippine Islands (BPI) amounting to ₱5,000.0 million to finance the construction of the Parent Company's projects. On July 31, 2018, ₱500.0 million was initially drawn and an additional ₱1,000.0 million on September 26, 2018. The term loan with BPI has a nominal rate of 6.8% and 7.9% for the first and second drawdown, respectively. However, on March 30, 2020, the Parent Company has paid in full the principal amount of the first two drawdowns. In 2021 and 2020, the Parent Company availed loan drawdowns totaling to ₱1,700.0 million and ₱1,800.0 million, respectively, with a nominal rate of 5% for each of the drawdown. Principal repayments will commence a year from the date of initial borrowing and due quarterly, while interest payments are due quarterly.
- b. In 2016, the Parent Company entered into a loan agreement with Philippine National Bank (PNB) amounting to ₱4,500.0 million secured by a certain parcel of land located in Sta. Rosa, Laguna and an office building in Ortigas Avenue, Quezon City. In the same year, the Parent Company availed of the loan in two drawdowns totaling ₱2,000.0 million. In 2017, the Parent Company had a third drawdown of the loan with the amount of ₱2,490.0 million, bringing the total cash received through PNB loan to ₱4,490.0 million. The term loans with PNB bears nominal interest rate of 5.0% for five (5) years and subject to annual repricing for the last two (2) years of the term. The loan will mature on May 31, 2023. Principal repayments will commence two years from the date of initial drawdown and due quarterly while interest payments are due quarterly starting August 31, 2016 (see Notes 9 and 17).

In 2021, the Parent Company has loan prepayments amounting to ₱1,167.4 million and the interest rate was repriced from 5.0% to 4.75%. As a result, the Group recognized gain on contract modification amounting to ₱7.3 million, presented as part of "Other income - net" in the consolidated statements of income (see Note 22).

- c. The Parent Company entered into an unsecured term loan agreement with Asia United Bank (AUB), in 2016, amounting to ₱1,500.0 million to finance the construction of the Parent Company's projects. The term loans with AUB bear nominal interest rate of 5.0% and will mature on September 28, 2023. Principal repayments commenced two years from the date of availment and due quarterly while interest payments are due quarterly starting December 28, 2016.
- d. The Parent Company is required to comply with certain non-financial covenants and maintain certain financial ratios, such as current ratio, debt service cost coverage and debt equity ratio, and comply with non-financial covenants for each bank loan. As at December 31, 2021 and 2020, the Parent Company is in compliance with the financial and non-financial loan covenants.



The debt issue costs representing fees, taxes and other charges incurred in obtaining the loan were deferred and amortized using the effective interest method. The amortization of debt issue cost is recognized as part of “Finance charges” account in the consolidated statements of income.

Movements in the unamortized debt issue costs of bank loans are as follows:

	2021	2020
Balances at beginning of year	₱21,164,066	₱22,600,683
Additions	12,750,000	13,500,000
Amortization (Note 18)	(10,646,764)	(14,936,617)
Gain on contract modification (Note 22)	7,335,811	—
Balances at end of year	₱30,603,113	₱21,164,066

Interest expense related to loans payable amounted to ₱184.0 million, ₱151.8 million, and ₱253.3 million, net of capitalized portion of ₱131.0 million, ₱150.3 million and ₱139.5 million in 2021, 2020 and 2019, respectively (see Notes 9, 15 and 18).

15. Payables to Landowners

	2021	2020
Three-year floating rate promissory note, quarterly installment	₱1,061,190,858	₱1,061,190,858

- a. On various dates in 2014, ECI and BCI executed ₱1,061.2 million promissory notes, subject to interest rate of PDSTF 3 years + 0.50%, to various landowners in relation to their purchased parcels of land located in Sta. Rosa, Laguna with total purchase price of ₱1.4 billion. The promissory notes are due on the third year of its execution date. In June 2017, the payment of the various promissory notes was extended for another three years. In 2020, various landowners requested for extension, and the payment of the various promissory notes was extended for another three years.
- b. In 2017, the Parent Company reclassified the outstanding notes payable to Asia Brewery, Incorporated (ABI) amounting to ₱444.0 million from “Due to related parties” to “Payable to landowners”. In December 2020, the principal amount of the note payable was fully paid by the Parent Company.
- c. In December 2015, the Parent Company executed contracts to sell, subject to interest rate of 6%, to PNB, a related party, amounting to ₱754.0 million in relation to its purchase of parcels of land located in San Juan City, Pasig City and Pasay City with a total purchase price of ₱984.0 million. The promissory note is payable quarterly for five years from execution of the note. In December 2020, the principal amount of the note payable was fully paid by the Parent Company.
- d. Interest expense related to payables to landowners amounted to ₱50.3 million and ₱62.7 million, net of capitalized portion of ₱10.1 million and ₱13.5 million in 2020 and 2019, respectively (nil in 2021) (see Notes 9 and 18).



16. Other Noncurrent Liabilities

	2021	2020
Security deposits	₱641,857,535	₱588,966,496
Advance rentals	86,976,029	67,994,117
Deferred rental income	42,395,735	71,607,287
Retirement benefits liability (Note 23)	141,134,022	143,733,180
	912,363,321	872,301,080
Less current portion of:		
Security deposits	291,007,937	217,142,862
Advance rentals	26,323,237	11,946,601
	317,331,174	229,089,463
	₱595,032,147	₱643,211,617

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which are refundable at the end of the lease term. Security deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term based on the lease contract.

Deferred rental income consists of advance rental payment from land and commercial leasing.

17. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The table below shows the details of the Group's transactions with related parties.

	Financial Statement Account	Amount/Volume		Outstanding Balance		Terms and Conditions
		2021	2020	2021	2020	
Subsidiaries of LTG	Cash and cash equivalents	₱562,785,605	₱750,128,751	₱1,699,164,255	₱1,136,378,650	Deposits and placements; interest-bearing
	Payable to landowners	–	–	(149,364,930)	(149,364,930)	Unsecured; interest-bearing
	Lease liabilities	5,320,668	14,481,836	(40,966,047)	(35,645,379)	Unsecured; noninterest-bearing
	Loans payable	1,167,400,000	381,650,000	(2,020,500,000)	(3,187,900,000)	Secured; interest-bearing
Entities under Common Control	Payables to related parties	72,000,000	96,000,000	–	(7,760,000)	Management fee; noninterest-bearing
	Advances to contractors	–	–	641,898	641,898	Unsecured; noninterest-bearing
Parent Company	Receivable from related party	–	25,000,000	25,000,000	25,000,000	Noninterest-bearing



As of December 31, 2021 and 2020, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Subsidiaries of LTG

- Portion of the Group's cash and cash equivalents is deposited with PNB.
- In 2017 and 2016, the Parent Company entered into an unsecured term loan agreement with PNB amounting to ₱2,490.0 million and ₱2,000.0 million, respectively, to finance the construction of the Parent Company's projects. Total outstanding payables amounting to ₱2,020.5 million and ₱3,187.9 million were recorded under "Loans payable" in the consolidated statements of financial position as of December 31, 2021 and 2020, respectively (see Note 14).
- In 2016 and 2015, the Parent Company purchased parcels of land from PNB for its future projects. The total price of the parcels of land amounted to ₱1,900.0 million and ₱1,394.0 million, respectively. Outstanding payable amounting to ₱323.8 million was recorded under "Payables to landowners" as of December 31, 2019. In December 2020, the outstanding payable was fully paid by the Parent Company.
- In 2014, ECI purchased parcels of land from related parties amounting to ₱201.8 million. Total outstanding payables amounting to ₱149.4 million were recorded as part of "Payables to landowners" as of December 31, 2021 and 2020 (see Note 15).
- On October 1, 2013, the Parent Company purchased a parcel of land from ABI with total lot area of 10,000 square meters for ₱600.0 million. Of this amount, the Group paid ₱156.0 million as down payment and issued a promissory note for the remaining balance of ₱444.0 million with a 3.95% interest rate per annum. In December 2020, the outstanding payable was fully paid by the Parent Company.
- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former. In 2021, PNB assigned all the rights and interests in the lease agreement to PNB Holdings Corporation. In the same year, the Group and PNB Holdings Corporation executed a lease agreement to increase the lease payments beginning 2021. As a result, the Group recognized gain on lease contract modification amounting to ₱2.6 million (see Note 27).
- In 2021, the Group entered into service contract agreements with PNB Holdings Corporation. Total service fees recognized by the Group included in "Service fees" amounted to ₱130.4 million (see Note 22).

Transactions with Entities under Common Control

- The Group has outstanding advances to Grandspan Development Corporation pertaining to the development of the Group's projects and is included as part of "Other current assets" account. These advances were used to fund development costs and are charged as part of "Real estate inventories" account (see Notes 7, 8 and 11).



- In 2011, the Group entered into a management contract agreement with Basic Holdings Corporation. Total management fee recognized by the Group included in “Outside services” amounted to ₱72.0 million, ₱96.0 million and ₱73.9 million in 2021, 2020 and 2019, respectively (see Note 20).

Transactions with Parent Company

- The Group has noninterest-bearing advances to its ultimate parent, Tangent Holding Corporation, amounting to ₱25.0 million as of December 31, 2021 and 2020 (see Note 6).

The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

Amounts owed by:	Amounts owed to:	Terms and Conditions	2021	2020
ECI	EPPI	Advances; noninterest-bearing	₱710,134,191	₱608,961,786
EHLI	EPPI	-do-	51,751,016	51,157,056
ECI	BCI	-do-	50,784,169	51,733,203
EPMC	EPPI	-do-	9,210,560	38,570
BCI	EPPI	-do-	2,123,613	733,524
EPMC	BCI	-do-	8,000	—

Key Management Personnel

Compensation of key management personnel are as follows:

	2021	2020	2019
Salaries and wages	₱16,804,408	₱16,293,464	₱14,031,030
Retirement benefits costs	7,630,545	4,556,980	2,271,471
	₱24,434,953	₱20,850,444	₱16,302,501

18. Interest Income and Finance Charges

	2021	2020	2019
Interest income:			
Cash and cash equivalents (Note 5)	₱8,772,294	₱15,318,495	₱98,325,367
Contracts receivables (Note 6)	4,401,497	4,528,868	7,622,941
	₱13,173,791	₱19,847,363	₱105,948,308
Finance charges			
Interest expense on:			
Loans payable (Note 14)	₱314,952,291	₱302,078,443	₱392,788,177
Lease liabilities (Note 27)	40,438,053	41,870,959	42,116,703
Payables to landowners (Note 15)	18,075,809	60,436,225	76,069,633
Security deposits	13,569,134	9,279,077	5,943,986
	387,035,287	413,664,704	516,918,499
Capitalized interest in investment properties (Notes 9, 14 and 15)	(130,978,968)	(160,383,588)	(152,981,564)
	256,056,319	253,281,116	363,936,935
Bank charges and others	1,174,511	19,405,057	402,836
	₱257,230,830	₱272,686,173	₱364,339,771



Capitalization rates for general borrowing in 2021, 2020 and 2019 were 5.16%, 5.33% and 5.85%, respectively, and capitalization rates for specific borrowing in 2021, 2020 and 2019 were 3.95%, 5.11% and 3.95%, respectively (see Notes 9, 14 and 15). Others include penalties and surcharges which are individually not material as to amounts.

19. Selling Expenses

	2021	2020	2019
Commissions	₱23,594,403	₱28,568,043	₱101,545,050
Advertising and promotions	1,931,487	3,487,465	10,071,404
	₱25,525,890	₱32,055,508	₱111,616,454

20. General and Administrative Expenses

	2021	2020	2019
Personnel costs (Note 21)	₱225,494,105	₱200,043,355	₱192,981,562
Provision for ECL (Note 28)	131,169,490	186,183	—
Outside services (Note 17)	118,850,122	136,258,742	124,976,566
Depreciation and amortization (Notes 10 and 11)	95,198,880	85,648,031	86,566,021
Taxes and licenses	70,004,601	82,810,912	111,745,045
Repairs and maintenance	44,463,621	40,077,342	58,317,960
Communication, light and water	12,558,937	13,156,613	27,137,497
Professional fees	8,807,107	7,395,392	15,450,949
Office supplies	4,313,362	2,339,997	3,069,988
Travel and transportation	4,054,657	3,061,124	24,840,231
General insurance	3,118,132	3,305,862	6,083,634
Entertainment, amusement and recreation	1,550,901	1,361,757	8,853,166
Others	21,297,414	8,495,786	15,237,711
	₱740,881,329	₱584,141,096	₱675,260,330

Others include expenditures training and seminar fees, membership fees and research and development costs which are individually not material.

21. Personnel Costs

	2021	2020	2019
Salaries and wages	₱159,448,779	₱144,474,619	₱153,403,984
Employee benefits	58,259,062	60,242,279	43,468,653
Retirement benefits cost (Note 23)	37,606,309	28,201,280	10,969,896
	₱255,314,150	₱232,918,178	₱207,842,533

The Group recognized ₱29.8 million, ₱32.9 million and ₱14.7 million personnel cost under “Cost of rooms and other operated departments” in 2021, 2020 and 2019, respectively.



22. Other Income - Net

	2021	2020	2019
Rental dues	₱424,003,840	₱427,257,511	₱408,112,041
Service fees (Note 17)	163,321,975	31,915,511	24,170,203
Loss on cancelled contracts	(52,237,010)	(16,853,200)	(54,378,733)
Penalty income and late payment charges	2,500,244	3,975,340	6,707,032
Others - net (Note 14)	40,785,669	8,671,363	87,926,791
	₱578,374,718	₱454,966,525	₱472,537,334

Rental dues pertain to income arising from charges and expenses recharged to tenants. Loss on cancelled contracts represents the loss incurred by the Group as a result of cancellation of contracts to sell by the buyer or the Group in general.

Others include gain or loss on disposal of property and equipment, gain on contract modification, day 1 gain on security deposits and miscellaneous income.

23. Retirement Benefits

RA No. 7641 (“Retirement Pay Law”), an Act Amending Article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

On June 26, 2018, the Board of Directors approved the new retirement plan for the Group’s employees. The key differences between the new and old retirement plans are as follows:

- The new retirement plan provides early retirement benefit.
- The old retirement plan provides an employee 17.50 days final basic salary for every year of service with a fraction of six months considered as one year, while the new retirement plan provides 22.5 day-final monthly salary for every year of service upon normal or late retirement and a percentage of the accrued retirement benefits for early retirement.

The Group is in a Multi-Employer Retirement plan which is noncontributory and based on the final salary defined benefit type.

The retirement fund of the Group is maintained by PNB as the trustee bank. The Group’s transactions with the fund mainly pertain to contribution made for the year. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations.

The tables on the next page summarize the components of the net retirement benefits costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position.



	2021		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱144,748,437	(₱1,015,257)	₱143,733,180
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	31,683,722	—	31,683,722
Interest cost (income)	5,964,213	(41,626)	5,922,587
	37,647,935	(41,626)	37,606,309
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:			
Change in financial assumptions	(31,475,178)	—	(31,475,178)
Experience adjustments	(8,769,321)	—	(8,769,321)
Return on plan asset	—	39,032	39,032
	(40,244,499)	39,032	(40,205,467)
Ending balances	₱142,151,873	(₱1,017,851)	₱141,134,022

	2020		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱129,733,063	(₱1,005,206)	₱128,727,857
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	21,050,604	—	21,050,604
Interest cost (income)	7,206,364	(55,688)	7,150,676
	28,256,968	(55,688)	28,201,280
Benefits paid directly by the Company	(1,440,224)	—	(1,440,224)
Settlement benefits paid directly by the Company	(6,092,012)	—	(6,092,012)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:			
Change in financial assumptions	(1,435,186)	45,637	(1,389,549)
Change in demographic assumptions	50,867,680	—	50,867,680
Experience adjustments	(55,141,852)	—	(55,141,852)
	(5,709,358)	45,637	(5,663,721)
Ending balances	₱144,748,437	(₱1,015,257)	₱143,733,180



	2019		
	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Accrued Retirement Benefits
Beginning balances	₱31,753,633	₱—	₱31,753,633
Net retirement benefits costs recognized in the consolidated statement of income:			
Current service cost	8,560,241	—	8,560,241
Interest cost (income)	2,448,205	(38,550)	2,409,655
	11,008,446	(38,550)	10,969,896
Benefits paid directly by the Company	(345,712)	—	(345,712)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from:			
Change in financial assumptions	387,750	33,344	421,094
Change in demographic assumptions	65,208,466	—	65,208,466
Experience adjustments	21,720,480	—	21,720,480
	87,316,696	33,344	87,350,040
Contributions	—	(1,000,000)	(1,000,000)
Ending balances	₱129,733,063	(₱1,005,206)	₱128,727,857

The retirement benefits liabilities recognized as part of “Other noncurrent liabilities” in the consolidated statements of financial position amounted to ₱141.1 million and ₱143.7 million as of December 31, 2021 and 2020, respectively (see Note 16).

The fair value of the plan assets amounting to ₱1.0 million is comprised of financial assets measured at fair value through profit or loss. Actual return on plan assets amounted to ₱2,594, ₱10,051 and ₱5,216 in 2021, 2020 and 2019, respectively.

The principal assumptions used in determining retirement benefits cost as of December 31 follow:

	2021	2020	2019
Discount rate	5.20%	4.10%	5.54%
Salary increase rate	10.00%	10.00%	10.00%
Average future working years of service	13.4	13.3	27.0

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2021		2020		2019	
Discount rate	+1.0%	(₱22,482,963)	+1.0%	(₱24,990,901)	+0.5%	(₱11,294,255)
	-1.0%	28,267,530	-1.0%	30,140,973	-0.5%	12,809,898
Future salary increase rate	+1.0%	26,628,432	+1.0%	25,435,937	+1.0%	25,738,907
	-1.0%	(21,785,370)	-1.0%	(66,059,220)	-1.0%	(20,936,014)



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

	2021	2020	2019
Less than 1 year	₱4,639,645	₱3,052,431	₱4,493,280
More than 1 year up to 5 years	22,203,133	19,009,302	8,627,125
More than 5 years up to 10 years	55,384,791	70,174,558	38,027,368

There is no expected contribution to the plan assets in 2022.

24. Income Taxes

a. Details of the Group's provision for current income tax follow:

	2021	2020	2019
RCIT	₱231,532,562	₱224,079,368	₱244,411,922
Final	1,782,272	4,407,485	20,567,770
MCIT	596,853	804,623	—
Adjustment in the current period for income tax of prior period	(19,513,001)	—	—
	₱214,398,686	₱229,291,476	₱264,979,692

b. The Group's recognized net deferred income tax liability as of December 31, 2021 and 2020 follow:

	2021	2020
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Difference between ROU and lease liability	₱68,456,362	₱73,936,081
Retirement benefits liability	56,743,552	63,003,288
Allowance for estimated credit losses	48,740,200	19,137,392
Advance rentals	21,744,008	17,747,391
Accrued expenses	14,878,542	13,100,370
Accrued commission	14,291,365	17,451,386
Deferred rent income	10,598,934	13,480,583
	235,452,963	217,240,620
Deferred income tax liabilities on:		
Capitalized borrowing cost	(169,893,587)	(164,578,614)
Difference between tax basis and book basis of accounting for real estate transactions	(61,631,037)	(111,375,674)
Deferred rental income	(60,115,932)	(91,487,748)
Day 1 gain on security deposits	(8,447,578)	(13,094,899)
Unamortized portion of debt issue cost	(1,047,923)	(4,750,540)
Others	(7,650,778)	(3,157,156)
	(308,786,835)	(388,444,631)
Deferred income tax liability on gains arising from changes in actuarial assumptions directly recognized in equity	(21,460,046)	(16,502,136)
	(₱94,793,920)	(₱187,706,147)



As of December 31, 2021 and 2020, the Group has not recognized deferred income tax assets on the carryforward benefits of NOLCO and excess MCIT totaling to ₱13.4 million and ₱11.6 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities reflected in the consolidated balance sheets are as follows:

	2021	2020
Deferred income tax assets - net	₱8,253,394	₱8,733,016
Deferred income tax liabilities - net	(103,047,314)	(196,439,163)
	(₱94,793,920)	(₱187,706,147)

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

Details of the Group’s excess MCIT and NOLCO follow:

Excess MCIT

Year Incurred	Beginning balance	Additions	Applied	Balance as of December 31, 2021	Available Until
2020	₱603,468	₱—	₱—	₱603,468	2023
2021	—	596,853	—	596,853	2024
	₱603,468	₱596,853	₱—	₱1,200,321	

NOLCO

Year Incurred	Beginning balance	Additions	Applied	Balance as of December 31, 2021	Available Until
2020	₱36,638,496	₱—	₱—	₱36,638,496	2025
2021	—	12,229,003	—	12,229,003	2026
	₱36,638,496	₱12,229,003	₱—	₱48,867,499	

- d. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2021	2020	2019
Provision for income tax at the statutory income tax rate	₱165,757,593	₱349,146,750	₱383,622,519
Adjustments for:			
Change in income tax rates	(57,833,269)	—	—
Movement in temporary differences, NOLCO and excess MCIT for which no deferred income tax assets were recognized	3,654,104	2,097,981	18,554,135
Nondeductible expenses	1,616,963	10,665,050	10,679,429
Interest income subjected to final tax	(410,801)	(188,064)	(8,929,839)
Application of NOLCO for which no deferred income tax asset was recognized in prior years	—	—	(25,568,315)
Provision for income tax	₱112,784,588	₱361,721,717	₱378,357,929



e. Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021 a reduction in Provision for income tax (current and deferred), Deferred tax on other comprehensive income directly charged to Equity and Deferred income tax liabilities - net and deferred tax asset - net amounting to ₱57.8 million, ₱1.9 million, ₱61.2 million, and ₱1.5 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

25. Equity

Capital Stock

Details of the Parent Company's capital stock as of December 31, 2021 and 2020 are as follows:

	Number of Shares	Amount
Authorized capital stock at ₱1 par value		
Beginning and end of year	8,000,000,000	₱8,000,000,000
Issued and outstanding capital stock at ₱1 par value		
Issued capital stock	5,723,017,872	₱5,723,017,872
Treasury shares	(10,000)	(7,955)
Outstanding capital stock	5,723,007,872	₱5,723,009,917

On May 12, 1988, the Philippine SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of ₱300.0 million divided into 18 billion Class "A" shares with par value of ₱0.01 per share and 12.0 billion Class "B" shares with par value of ₱0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the ₱300.0 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the Philippine SEC approved the increase in the authorized capital stock of the Parent Company from ₱300.0 million to ₱1.0 billion divided into 60.0 billion Class "A" shares with par value of ₱0.01 per share and 40.0 billion Class "B" shares with par value of ₱0.01 per share.



The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the Philippine SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from ₱0.01 per share to ₱1.00 per share. The amendment was approved by the Philippine SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from ₱1,000.0 million to ₱73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to ₱5,000.0 million divided into 5,000.0 million shares having a par value of ₱1.00 per share.

On October 8, 2003, the Philippine SEC approved the decrease in the total authorized capital stock of the Parent Company from ₱1,000.0 million to ₱73.8 million consisting of 73.8 million shares with par value of ₱1.00 per share. On the same day, the Philippine SEC approved the increase in the total authorized capital stock of the Parent Company from ₱73.8 million to ₱5,000.0 million consisting of 5,000.0 million shares with par value of ₱1.00 per share. Saturn subscribed to ₱1,231.6 million out of the ₱4,926.2 million increase in the authorized capital stock.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from ₱5,000.0 million divided into 5,000.0 million common shares with a par value of ₱1.00 per share to ₱8,000.0 million divided into 8,000.0 million common shares with a par value of ₱1.00 per share. On September 28, 2015, the Parent Company filed an application with the Philippine SEC to increase its authorized capital stock which was subsequently approved by the Philippine SEC on September 30, 2015. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of ₱2.72 per share (see Note 1).

The issued and outstanding registered shares are held by 1,668 stockholders as of December 31, 2021 and 2020.

Asset-for-Share Swap

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of ₱3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at ₱2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to ₱4.0 billion as approved by Philippine SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to ₱1.6 billion and ₱2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to ₱573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.



Retained Earnings

The retained earnings are restricted for payment of dividends to the extent of the amount of treasury shares amounting to ₱7,955 as of December 31, 2021 and 2020. Portion of the retained earnings pertaining to undistributed earnings of subsidiaries amounting to ₱301.5 million and ₱383.6 million as of December 31, 2021 and 2020, respectively, and unrealized items amounting to ₱235.5 million and ₱217.2 million as of December 31, 2021 and 2020, respectively, are not available for dividend declaration.

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

	2021	2020	2019
Net income	₱550,245,775	₱802,100,784	₱900,383,799
Divided by weighted average number of common shares	5,723,007,872	5,723,007,872	5,723,007,872
Basic/diluted earnings per share	₱0.0961	₱0.1402	₱0.1573

In 2021, 2020, and 2019, there are no potential dilutive common shares, thus, basic and diluted earnings per share are the same.

27. Leases

The Group as lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the lease term and a certain percentage of gross revenue of tenants, as applicable, on a non-cancellable lease term. The Group recognized variable rental income amounting to ₱3.7 million, ₱10.5 million and ₱20.5 million in 2021, 2020 and 2019, respectively.

Future minimum rentals receivables under non-cancellable operating leases as of December 31 follow:

	2021	2020
Within one year	₱1,467,171,714	₱1,273,598,447
After one year but not more than five years	3,012,918,415	2,397,557,411
More than five years	48,036,093	51,580,655
	₱4,528,126,222	₱3,722,736,513

The Group as lessee

- The Group entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces. In 2021, PNB assigned all the rights and interests in the lease agreement to PNB Holdings Corporation. In the same year, the Group and PNB Holdings Corporation executed a lease agreement to increase the lease payments beginning 2021. As a result, the Group recognized gain on lease contract modification amounting to ₱2.6 million (see Note 17).



- The Parent Company also entered into various lease agreements as follows:
 - a. Lease agreements with third parties for the lease of parcels of land in Ortigas Avenue, Quezon City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years which commenced on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.
 - b. Lease agreement for the lease of parcels of land in San Juan City where one of the Parent Company's projects is located. The lease agreement shall be for the period of 15 years commencing on June 1, 2017 renewable at the option of the lessor with lease payment subject to 5% escalation annually.

The rollforward analysis of the right-of-use assets (ROU) account follows:

	2021		Total
	Land	Leasehold Improvements	
Cost			
Beginning of year	₱235,436,760	₱63,496,609	₱298,933,369
Impact of lease modification:			
Derecognized cost	—	(63,496,609)	(63,496,609)
Cost after modification	—	56,898,992	56,898,992
End of year	235,436,760	56,898,992	292,335,752
Accumulated Depreciation and Amortization			
Beginning of year	20,868,942	30,478,372	51,347,314
Impact of lease modification	—	(30,478,372)	(30,478,372)
Amortization (Note 20)	10,434,471	26,261,073	36,695,544
End of year	31,303,413	26,261,073	57,564,486
Net Book Values	₱204,133,347	₱30,637,919	₱234,771,266

	2020		Total
	Land	Leasehold Improvements	
Cost			
Beginning and end of year	₱235,436,760	₱63,496,609	₱298,933,369
Accumulated Depreciation and Amortization			
Beginning of year	10,434,471	15,239,186	25,673,657
Amortization (Note 20)	10,434,471	15,239,186	25,673,657
End of year	20,868,942	30,478,372	51,347,314
Net Book Values	₱214,567,818	₱33,018,237	₱247,586,055



The following are the amounts recognized in consolidated statement of income for the years ended December 31:

	2021	2020	2019
Interest expense on lease liabilities (Note 18)	₱40,438,053	₱41,870,959	₱42,116,703
Amortization expense of right-of-use assets	36,695,544	25,673,657	25,673,657
	₱77,133,597	₱67,544,616	₱67,790,360

The rollforward analysis of lease liabilities as at and for the year ended December 31 follows:

	2021	2020
Beginning of year	₱494,039,657	₱498,680,482
Interest expense (Note 18)	40,438,053	41,870,959
Impact of lease contract modification	21,253,613	—
Rental payments/payable	(47,134,608)	(46,511,784)
End of year	508,596,715	494,039,657
Less current portion	43,796,733	16,965,395
Noncurrent portion	₱464,799,982	₱477,074,262

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 2).

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

	2021	2020
1 year	₱58,997,397	₱47,938,516
More than 1 year to 2 years	33,032,430	49,436,585
More than 2 years to 3 years	34,684,052	36,028,618
More than 3 years to 4 years	36,418,255	34,684,052
More than 5 years	1,373,506,006	1,409,924,261

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash and cash equivalents, payables to landowners and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, refundable deposits, trade and other payables and security deposits, which arise directly from its operations.

It is the Group's policy that no trading of financial instruments shall be undertaken. Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.



Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to cash in banks and cash equivalents, contracts receivables and other financial assets.

Credit risk is managed primarily through analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The carrying amount of cash in banks and cash equivalents, trade and other receivables, and refundable deposits represent the Group's maximum exposure to credit risk.

As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2021	2020
Financial assets at amortized cost		
Cash in banks and cash equivalents	₱2,176,418,473	₱1,407,273,712
Trade and other receivables:		
Contracts receivables	834,250,615	1,165,660,669
Receivable from buyers	529,680,629	460,064,791
Lease receivables	313,516,480	314,084,896
Receivables from related party	25,000,000	25,000,000
Receivable from tenants	61,156,189	22,046,442
Others*	408,327,809	381,208,743
Refundable deposits	141,216,872	162,363,932
	₱4,489,567,067	₱3,937,703,185

*Excluding advances to officers and employees amounting to ₱1.1 million and ₱0.4 million as of December 31, 2021 and 2020, respectively.

Set out below is the information about the credit risk exposure on the Group's financial assets using a provision matrix.

December 31, 2021:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Current	Days past due				
				<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	—%	27.00% - 100.00%	0.01% - 15.66%	0.03%- 39.47%	0.05%- 100.00%	0.09%- 100.00%	2.00%- 100.00%	
Estimated total gross carrying amount at default	₱2,176,418,473	₱141,216,872	₱1,982,936,799	₱28,326,363	₱14,559,187	₱12,783,551	₱338,179,226	₱4,694,420,471
Expected credit loss	₱—	₱5,965,873	₱2,900,982	₱2,442,051	₱1,739,633	₱1,352,788	₱180,559,469	₱194,960,796



December 31, 2020:

	Cash in banks and cash equivalents	Refundable deposits	Trade and other receivables					Totals
			Current	<30 days	30-60 days	61-90 days	> 91 days	
Expected credit loss rate	—%	27.00% - 100.00%	0.01 - 15.66%	0.03%- 39.47%	0.05%- 100.00%	0.09%- 100.00%	2.00%- 100.00%	
Estimated total gross carrying amount at default	₱1,404,157,944	₱167,973,417	₱437,569,104	₱137,367,260	₱82,563,031	₱170,043,197	₱716,771,029	₱1,544,313,621
Expected credit loss	₱—	₱5,609,485	₱213,332	₱8,391,114	₱2,427,553	₱27,778,816	₱19,371,007	₱63,791,307

Movement of the allowance for expected credit losses in 2021 and 2020 follow:

	2021	2020
Beginning balances	₱63,791,307	₱63,605,124
Provisions	131,792,762	20,032,103
Reversals	(623,273)	(19,845,920)
Ending balances	₱194,960,796	₱63,791,307

The Group is not exposed to concentration risk because it has a diverse base of counterparties.

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The tables below show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2021:

	On demand	Less than 1 year	More than 1 year	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	₱—	₱1,103,043,099	₱—	₱1,103,043,099
Retentions payable	—	613,124,045	—	613,124,045
Accrued expenses	—	1,434,971,776	—	1,434,971,776
Lease liabilities	—	132,324,351	1,404,313,789	1,536,638,140
Loans payable***	—	1,967,712,566	4,963,657,940	6,931,370,506
Payable to landowners	—	—	1,061,190,858	1,061,190,858
Security deposits****	—	291,007,937	384,639,911	675,647,848
	₱—	₱5,542,183,774	₱7,813,802,498	₱13,355,986,272
Financial assets:				
Cash and cash equivalents	₱1,000,943,453	₱1,178,164,910	₱—	₱2,179,108,363
Trade and other receivables**	—	1,894,422,752	88,514,047	1,982,936,799
	₱1,000,943,453	₱3,072,587,662	₱88,514,047	₱4,162,045,162

*Excluding payable to government agencies amounting to ₱6.0 million.

**Excluding advances to officers and employees amounting to ₱1.1 million.

***Including interest to maturity amounting to ₱764.4 million

****Including interest to maturity amounting to ₱33.8 million.



As of December 31, 2020:

	On demand	Less than 1 year	More than 1 year	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	P–	P1,143,897,246	P–	P1,143,897,246
Retentions payable	–	630,023,201	–	630,023,201
Accrued expenses	–	1,371,607,400	–	1,371,607,400
Lease liabilities	–	54,189,167	1,523,822,865	1,578,012,032
Loans payable***	–	1,138,669,760	5,768,881,602	6,907,551,362
Payable to landowners	–	–	1,061,190,858	1,061,190,858
Security deposits****	–	217,142,862	400,983,767	618,126,629
	P–	P4,555,529,636	P7,231,056,227	13,310,408,728
Financial assets:				
Cash and cash equivalents	P639,565,398	P767,708,314	P–	P1,407,273,712
Trade and other receivables**	–	1,677,780,164	632,103,555	2,309,883,719
	P636,449,630	P2,445,488,478	P632,103,555	P3,714,041,663

*Excluding payable to government agencies amounting to P4.5 million

**Excluding advances to officers and employees amounting to P0.4 million

***Including interest to maturity amounting to P794.7 million

****Including interest to maturity amounting to P29.2 million

Foreign currency risk

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents.

The following table shows the Group's cash and cash equivalents denominated in US dollar and their peso equivalents as of December 31, 2021 and 2020.

	US Dollar Value	Peso Equivalent
2021	\$1,373,565	P69,735,895
2020	\$1,571,436	P75,460,357

The exchange rate used as of December 31, 2021 and 2020 were P50.77 to US\$1 and P48.02 to US\$1.00, respectively. The Group recognized net foreign exchange gain amounting to P4.1 million in 2021 and net foreign exchange loss amounting to P4.3 million in 2020.

The table below represents the impact on the Group's income before income tax as a result of a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2021 and 2020. There is no impact on the Group's equity other than those already affecting the consolidated statements of income.

	Change in Dollar Foreign Exchange Rate	Effect on Income before Income Tax
2021	(5.73%)	(P3,995,867)
	5.73%	3,995,867
2020	(5.17%)	(P3,901,300)
	5.17%	3,901,300



Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial assets and liabilities that are presented in the consolidated statements of financial position as of December 31, 2021 and 2020.

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash on hand	₱2,689,890	₱2,689,890	₱3,115,768	₱3,115,768
Loans and receivables:				
Cash in banks and cash equivalents	2,176,418,473	2,176,418,473	1,407,273,712	1,407,273,712
Contracts receivables	834,250,615	834,250,615	1,165,037,396	1,165,037,396
Receivables from buyers	529,680,629	529,680,629	460,064,791	460,064,791
Lease receivables	124,521,557	124,521,557	256,526,347	256,526,347
Refundable deposits**	141,216,872	141,216,872	162,363,932	162,363,932
Receivable from related party	25,000,000	25,000,000	25,000,000	25,000,000
Receivables from tenants	61,156,189	61,156,189	22,046,442	22,046,442
Others*	408,327,809	408,327,809	381,208,743	381,208,743
	₱4,303,262,034	₱4,303,262,034	₱3,882,637,131	₱3,882,637,131

* Excluding advances to officers and employees amounting to ₱1.1 million and ₱0.4 million as of December 31, 2021 and 2020, respectively.

** Presented as part of "Other noncurrent assets" account.

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other payables:				
Accounts payable*	₱1,103,043,099	₱1,103,043,099	₱1,143,881,136	₱1,143,881,136
Retentions payable	613,124,045	613,124,045	630,023,201	630,023,201
Accrued expenses	1,434,971,776	1,434,971,776	1,371,607,400	1,371,607,400
Lease liabilities	508,596,715	739,232,038	494,039,657	762,260,908
Loans payable	6,136,366,887	6,266,408,183	6,091,735,934	6,105,612,559
Payables to landowners	1,061,190,858	1,061,190,858	1,061,190,858	1,061,190,858
Security deposits**	641,857,535	640,991,797	588,966,496	618,126,629
	₱11,499,150,915	₱11,858,961,796	₱11,381,444,682	₱11,692,702,691

* Excluding payable to government agencies amounting to ₱6.0 million and ₱4.5 million as of December 31, 2021 and 2020, respectively.

** Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair values due to the short-term nature of these financial instruments. The noncurrent portion of trade receivables is interest-bearing with interest rates that approximate market interest rates as of December 31, 2021 and 2020.

Refundable deposits

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

Lease liabilities, loans payable, payables to landowners and security deposits

The fair values of loans payable, payables to landowners and security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 2.53% to 6.00% as of December 31, 2021 and 2020. Management has determined the inputs to be Level 3.



The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and,
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

In 2021 and 2020, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and maximize stockholder value.

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 stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2021 and 2020. Accordingly, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2021	2020
Capital stock	₱5,723,017,872	₱5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Retained earnings	5,229,670,297	4,679,424,522
Treasury shares	(7,955)	(7,955)
	₱19,159,342,832	₱18,609,097,057

30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "Ecozone developer/operator". The locations are created and designated as Information Technology Park.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on the consolidated financial statements.



32. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing and financing activities of the Group follow:

- Borrowing costs capitalized as cost of investment properties in 2021, 2020 and 2019 amounted to ₱131.0 million, ₱160.4 million and ₱153.0 million, respectively (see Note 9).
- Non-cash financing activity of the Group pertains to the amortization of debt issue costs amounting to ₱3.3 million, ₱14.9 million and ₱7.0 million in 2021, 2020 and 2019, respectively (see Note 14).
- Reconciliation of the movements of liabilities arising from financing activities are as follows:

	2021				
	Loans Payable	Payables to Landowners	Lease Liabilities	Accrued Interest	Total
Beginning balances	₱6,091,735,934	₱1,061,190,858	₱494,039,657	₱163,407,123	₱7,810,373,572
Cash movements:					
Availment of loans	1,700,000,000	—	—	—	1,700,000,000
Payment of:					
Loans	(1,645,930,000)	—	—	—	(1,645,930,000)
Lease liabilities	—	—	(6,696,555)	—	(6,696,555)
Interest	—	—	(40,438,053)	(333,518,754)	(373,956,807)
Debt issue costs	(12,750,000)	—	—	—	(12,750,000)
Non-cash movement:					
Amortization of debt issue costs	10,646,764	—	—	—	10,646,764
Gain on contract modification	(7,335,811)	—	—	—	(7,335,811)
Impact of lease modification	—	—	21,253,613	—	21,253,613
Interest incurred	—	—	40,438,053	323,555,847	363,993,900
Ending balances	₱6,136,366,887	₱1,061,190,858	₱508,596,715	₱153,444,216	₱7,859,598,676

	2020				
	Loans Payable	Payables to Landowners	Lease Liabilities	Accrued Interest	Total
Beginning balances	₱6,265,699,317	₱1,828,949,047	₱498,680,482	₱122,956,763	₱8,716,285,609
Cash movements:					
Availment of loans	1,800,000,000	—	—	—	1,800,000,000
Payment of:					
Loans	(1,975,400,000)	(767,758,189)	—	—	(2,743,158,189)
Lease liabilities	—	—	(4,640,825)	—	(4,640,825)
Interest	—	—	(41,870,959)	(335,811,825)	(377,682,784)
Debt issue costs	(13,500,000)	—	—	—	(13,500,000)
Non-cash movement:					
Amortization of debt issue costs	14,936,617	—	—	—	14,936,617
Interest incurred	—	—	41,870,959	376,262,185	418,133,144
Ending balances	₱6,091,735,934	₱1,061,190,858	₱494,039,657	₱163,407,123	₱7,810,373,572

	2019				
	Loans Payable	Payables to Landowners	Lease Liabilities	Accrued Interest	Total
Beginning balances	₱7,190,965,346	₱1,884,875,396	₱501,716,769	₱93,032,652	₱9,670,590,163
Cash movements:					
Payment of:					
Loans	(932,300,000)	—	—	—	(932,300,000)
Payable to landowners	—	(55,926,349)	—	—	(55,926,349)
Lease liabilities	—	—	(1,685,063)	—	(1,685,063)
Interest	—	—	(42,116,703)	(474,016,431)	(516,133,134)
Non-cash movement:					
Amortization of debt issue costs	7,033,971	—	—	—	7,033,971
Interest incurred	—	—	42,116,703	503,940,542	546,057,245
Unpaid portion of lease liabilities	—	—	(1,351,224)	—	(1,351,224)
Ending balances	₱6,265,699,317	₱1,828,949,047	₱498,680,482	₱122,956,763	₱8,716,285,609



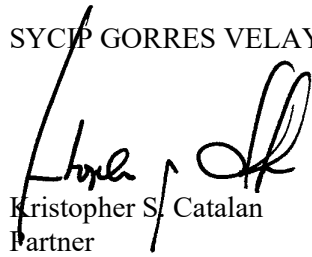
INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8/F Allied Bank Center, 6754 Ayala Avenue
Makati City, Metro Manila, Philippines

We have audited the accompanying consolidated financial statements of Eton Properties Philippines, Inc., as at December 31, 2021 and for the year then ended, on which we have rendered the attached report dated February 23, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has 1,453 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

Tax Identification No. 233-299-245

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109712-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-109-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8853479, January 3, 2022, Makati City

February 23, 2022



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8/F Allied Bank Center, 6754 Ayala Avenue
Makati City, Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Eton Properties Philippines, Inc. as at December 31, 2021 and 2020 and for each of the three years then ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated February 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

Tax Identification No. 233-299-245

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109712-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-109-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8853479, January 3, 2022, Makati City

February 23, 2022



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

Supplementary schedule required by Revised Securities Regulation Code Rule 68:

- Reconciliation of retained earnings available for dividend declaration
- Financial soundness indicators

Schedule of Form 17-A

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2021

Retained earnings available for dividend declaration as at December 31, 2020	₱4,315,578,347
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	783,469,585
Less: Non-actual/unrealized income net of tax - Movement in deferred tax asset	7,254,248
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS AT DECEMBER 31, 2021	₱5,091,793,684

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021

Ratio	Formula	2021	2020
Current ratio	Current assets / Current liabilities	1.49	1.59
Acid test ratio	Quick assets ¹ / Current liabilities	0.63	0.56
Solvency ratio	EBITDA / Total average debt ²	0.19	0.24
Debt-to-equity ratio	Total liabilities / Total equity	0.68	0.71
Asset-to-equity ratio	Total assets / Total equity	1.68	1.71
Interest rate coverage ratio	EBITDA / Interest expense	5.21	7.21
Return on equity	Net income / Total average equity	0.03	0.04
Return on assets	Net income / Total average assets	0.02	0.03
Net profit margin	Net income / Revenue	0.28	0.31

¹Total current assets excluding real estate inventories and other current assets

²Current and noncurrent portion of long-term debt and payable to landowners