

EPPI Sec Mailbox

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Sent: May 12, 2023 3:14 PM
To: eppi_sec_mailbox@eton-sec.com
Subject: Re: CGFD_Eton Properties Philippines, Inc._SEC Form 17-Q_12May2023

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such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

Further, pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in **PORTABLE DOCUMENT FORMAT (PDF)** Secondary Reports such as:

17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

FOR MC28, please go to SEC website:

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For your information and guidance.

Thank you and keep safe.

COVER SHEET

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	t	h		F	l	o	o	r	,		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

1	7	-	Q
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Department requiring the report

N	/	A	
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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 1010358

No. of Stockholders

1,668

Annual Meeting (Month / Day)

May 31

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Basilio C. Pelaez Jr.

Email Address

EPPI_SEC_Mailbox@eton.com.ph

Telephone Number/s

(632) 8548-4000

Mobile Number

09178569395

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.

SECURITIES AND EXCHANGE COMMISSION

**SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER**

1. For the quarterly period ended March 31, 2023
2. SEC Identification No. – 43798
3. BIR Tax Identification No.: 000-438-132-000
4. ETON PROPERTIES PHILIPPINES, INC.
(Exact name of registrant as specified in its charter)
5. Makati City
6. Industry Classification _____ (SEC Use Only)
(Province, Country or other jurisdiction of incorporation of principal office) Industry Classification Code
7. 8th Floor Allied Bank Center, 6754 Ayala Avenue,
Makati City 1226
(Address of principal office) Postal Code
8. (632) 8548 4000
(Registrant's telephone number, including area code)
9. BALABAC RESOURCES AND HOLDINGS CO., INC.
7/F Allied Bank Center, 6754 Ayala Avenue, Makati City
(Former name, former address & former fiscal year, if changed since last report)
10.

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Common	5,723,007,872 shares
(Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA)	
11. Are any or all of these securities listed on the Philippine Stock Exchange?

NO
12. Checked whether the registrant:
 - a. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

YES
 - b. Has been subject to such filing requirements for the past 90 days.

YES

PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements

Eton Properties Philippines, Inc. and its Subsidiaries' (the Group) interim consolidated financial statements as of and for the quarter ended March 31, 2023 are filed with this report.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company's ended the first three months of 2023 with a net income after tax of ₱122.46 million, 4% or ₱5.24 million lower than ₱127.69 million recorded in 2022. The decrease is mainly attributable to lower revenues, increase in costs and lower other income in the first three months of 2023. Rental income decreased by 3% or ₱12.92 million on account of lower occupancy from its retail and residential leasing segment. On the other hand, revenue from rooms and other serviced apartments grew by 19% or ₱7.81 million for the first three months of 2023.

Cost of rent income increased by ₱11.40 million or 6% as a result of increase in depreciation expense related to Blakes Tower which was fully completed last year. Likewise, cost of rooms and other operated department increased by ₱3.17 million or 12% due to increase in commission expense as result of higher revenue from online travel accounts. General and administrative expenses decreased by ₱19.35 million or 13% mainly due to decrease in personnel costs and expected credit losses compared to 2022.

Net Other charges/income, on the other hand, decreased by 7% or ₱5.57 million mainly due to lower other income during the first three months of 2023 as compared to same period in the prior year this was partially offset by the decrease in finance charges by 51% or ₱47.24 million due to lower interest costs for the first three months of 2023.

This year, the Company expect the office leasing segment to improve as companies, especially from the IT-BPO sector plan to expand their operations with a positive outlook.

Commercial leasing, on the other hand is expected to increase its leasable space as the four-hectare Eton City Square, a commercial complex in the 600 hectare Eton City township in Sta. Rosa, Laguna is 95% complete and ready for operations. More retail stores are slated to open in various Eton commercial properties in Makati, Quezon City, and Sta. Rosa, Laguna this 2023.

For residential leasing, the Company expect a steady increase in occupancy as face-to-face classes resume and more companies require employees to return to work. Likewise, The Mini Suites' occupancy is expected to rebound this year as it seized the travel bounce opportunity in the final quarter.

Financial Condition

As of March 31, 2023, the Company's consolidated assets stood at ₱30,584 million, lower than the ₱30,909 million consolidated assets as of December 31, 2022. The decrease primarily pertains to the decrease in Cash and Cash Equivalents, Property and Equipment and Right of Use Asset. Cash and Cash Equivalents decreased by ₱391.55 million or 33.42% due to payment of its outstanding bank loans during the first three months of 2023. The decrease in Property and Equipment from ₱714.31 million as of December 31, 2022 to ₱697.87 million as of March 31, 2023 or a decrease of ₱16 million, mainly pertains to the depreciation recognized during the first three months of 2023.

Total liabilities decreased by ₱447.63 million from ₱11,321 million as of December 31, 2022 to

₱10,874 million as of March 31, 2023 mainly due to the decrease in loans payable by ₱441.91 million or 10% which pertains to principal payments made during the first three months of 2023.

The Group's top five (5) key performance indicators are:

1. Net Income

The Company posted net income of ₱122.46 million for the three months ended March 31, 2023. This is 4% lower than last year's net income after tax for the same period of ₱127.69 million. The decrease in net income is mainly due to the decrease in the Group's total revenue, other income and increase in cost of rent and cost of rooms and other operated departments.

2. Current Ratio (*Current Assets/Current Liabilities*)

Current ratio as of March 31, 2023 and December 31, 2022 is 1.31:1 and 1.28:1, respectively. The slight improvement was mainly due to lower current liabilities as a result of payments of bank loans for the first three months of 2023.

3. Basic and Diluted Earnings Per Share

The Group reported basic earnings per share of ₱0.021 and ₱0.022 for the three months ended March 31, 2023 and 2022, respectively.

4. Debt to Equity Ratio (*Total Liabilities/Total Equity*)

Debt to equity ratio decreased to 0.55:1 as of March 31, 2023 from 0:58:1 as of December 31, 2022. The decrease was mainly due to the principal payment of bank loans made during the period.

5. Quick Ratio (*Cash and Cash Equivalents and Receivables/Current Liabilities*)

Quick ratio as of March 31, 2023 of 0.42:1 is lower than the quick ratio as of December 31, 2022 of 0.45:1 primarily due to lower Cash and Cash Equivalents as of end of March 31, 2023. The decrease in current assets was mainly due to payment of outstanding bank loans during the first three months of 2023.

- (i) There are no known trends or any known demands, events of uncertainties that will affect the Group's liquidity. Expected inflows from operations are deemed sufficient to sustain the Group's operations for the next six months.
- (ii) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- (iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- (iv) Trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues of income from continuing operations.

Please see Results of Operation

(v) The Company has various planned capital expenditure to be funded by internally generated funds from operations and these are intended for the completion and repairs and maintenance of its existing projects as follows:

- Completion of Eton City Square a commercial complex in Eton City.
- Various repairs and maintenance for Eton Centris, Eton Cyberpod Corinthian.
- Various repairs and maintenance of ready for occupancy (RFO) units in North Belton Communities, 68 Roces in Quezon City and West Wing Residences in Eton City.

(vi) There is no significant element of income that did not arise from continuing operations.

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Results of our vertical analyses showed the following showed the following material changes (+/- 5% and above) as of and for the years ended March 31, 2023 and December 31, 2022:

	Statement of Financial Position			Horizontal	Vertical
	2023	2022	Inc (Dec) Amount	Inc (Dec) %	2023
CASH AND CASH EQUIVALENTS	780,144,807	1,171,698,501	(391,553,693.78)	-33.42%	2.55%
TRADE AND OTHER RECEIVABLES	1,921,855,884	1,902,649,028	19,206,856.45	1.01%	6.28%
REAL ESTATE INVENTORY	4,085,430,206	4,074,804,148	10,626,057.82	0.26%	13.36%
OTHER CURRENT ASSETS	1,653,729,438	1,518,454,403	135,275,035.28	8.91%	5.41%
INVESTMENT PROPERTY	20,896,830,478	20,984,232,401	(87,401,923.30)	-0.42%	68.33%
PROPERTY AND EQUIPMENT	697,865,893	714,308,080	(16,442,187.33)	-2.30%	2.28%
RIGHT OF USE ASSET	191,090,259	198,075,722	(6,985,463.25)	-3.53%	0.62%
DEFERRED TAX ASSET	24,954,594	12,507,872	12,446,722.45	99.51%	0.08%
OTHER NON-CURRENT ASSETS	332,093,443	332,438,799	(345,356.00)	-0.10%	1.09%
TRADE AND OTHER PAYABLES	3,368,553,098	3,421,688,475	(53,135,377.19)	-1.55%	11.01%
CUSTOMER'S DEPOSIT	938,173,478	928,536,195	9,637,282.79	1.04%	3.07%
INCOME TAX PAYABLE	13,185,501	9,631,566	3,553,935.07	36.90%	0.04%
LOANS PAYABLE	4,002,723,420	4,444,637,158	(441,913,738.17)	-9.94%	13.09%
LEASE LIABILITIES	478,144,433	481,603,847	(3,459,414.48)	-0.72%	1.56%
DEPOSITS AND OTHER LIABILITIES	930,398,613	905,158,167	25,240,446.00	2.79%	3.04%
PAYABLES TO LANDOWNERS	1,061,190,858	1,061,190,858	-	0.00%	3.47%
DEFERRED INCOME TAX LIABILITIES	81,459,458	69,012,736	12,446,722.45	18.04%	0.27%
CAPITAL STOCK	5,723,017,872	5,723,017,872	-	0.00%	18.71%
ADDITIONAL PAID IN CAPITAL	8,206,662,618	8,206,662,618	-	0.00%	26.83%
RETAINED EARNINGS	5,647,717,850	5,525,261,659	122,456,190.97	2.22%	18.47%
ACCUMULATED REMEASUREMENT ON RETIRE	132,775,758	132,775,758	-	0.00%	0.43%
TREASURY STOCKS	(7,955)	(7,955)	-	0.00%	0.00%

Results of our horizontal analyses showed the following material changes (+/- 5% and above) as of and for the years ended March 31, 2023 and December 31, 2022:

1. Cash and cash equivalents – 33% decrease mainly due to interest and principal bank loan payments in the first quarter of 2023.
2. Other current assets – 9% increase mainly due to increase in prepaid taxes for payment of business permit and real property tax.
3. Deferred tax asset – 99% increase mainly due to increase in temporary differences between account and tax treatments.
4. Income tax payable – 37% increase mainly due to the income due for the first three months of the year.
5. Loans payable – 10% decrease mainly due to payments made during the first three months of the year.
6. Deferred tax liabilities – 18% increase mainly due to movement of temporary differences between accounting and tax treatments.

All of these material changes were explained in detail in the Management's Discussion and analysis of Financial Condition and Results of Operations stated above.

Item 3 – Other Information

FINANCIAL STATEMENTS REQUIRED UNDER SRC RULE 68.1	Remarks
The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report.	
1. Explanatory comments about the seasonality or cyclicity of interim operations;	Not applicable
2. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents;	Please see attached
3. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;	Not applicable
4. Issuances, repurchases, and repayments of debt and equity securities,	Not applicable
5. Dividends paid (aggregate or per share) separately for ordinary shares and other shares;	Not applicable
6. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements);	Please see attached
7. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;	Not applicable
8. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations; and,	Not applicable
9. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.	Not applicable
10. Financial risk management objectives and policies	Please see attached

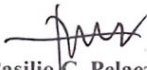
Part II – Other Information


SIGNATURES

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

ETON PROPERTIES PHILIPPINES, INC.

By:


Basilio C. Pelaez, Jr.
Chief Finance Officer
_____, 2023


Kyle Ellis C. Tan
Executive Director
_____, 2023

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

	March 31, 2023*	December 31, 2022**
ASSETS		
Current Assets		
Cash and cash equivalents	₱780,144,807	₱1,171,698,501
Trade and other receivables	1,881,557,544	1,862,350,688
Real estate inventories	4,085,430,206	4,074,804,148
Other current assets	1,653,729,438	1,518,454,403
Total Current Assets	8,400,861,995	8,627,307,740
Noncurrent Assets		
Receivables - net of current portion	40,298,340	40,298,340
Investment properties	20,896,830,478	20,984,232,401
Property and equipment	697,865,893	714,308,080
Right-of use assets	191,090,259	198,075,722
Deferred income tax assets - net	24,954,594	12,507,872
Other noncurrent assets	332,093,443	332,438,799
Total Noncurrent Assets	22,183,133,007	22,281,861,214
TOTAL ASSETS	₱30,583,995,002	₱30,909,168,954
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱3,368,553,101	₱3,421,688,475
Customers' deposits	938,173,478	928,536,195
Current portion of:		
Loans payable	1,741,713,404	2,058,933,231
Lease liabilities	14,869,818	19,210,839
Deposits and other current liabilities	316,887,876	314,407,552
Income tax payable	13,185,501	9,631,566
Total Current Liabilities	6,393,383,178	6,752,407,858
Noncurrent Liabilities		
Loans payable - net of current portion	2,261,010,016	2,385,703,927
Payables to landowners	1,061,190,858	1,061,190,858
Lease liabilities - net of current portion	463,274,614	462,393,008
Deferred income tax liabilities - net	81,459,458	69,012,736
Other noncurrent liabilities	613,510,737	590,750,615
Total Noncurrent Liabilities	4,480,445,683	4,569,051,144
Total Liabilities	10,873,828,861	11,321,459,002
Equity		
Capital stock - ₱1 par value	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	132,775,758	132,775,758
Retained earnings	5,647,717,848	5,525,261,659
Treasury shares	(7,955)	(7,955)
Total Equity	19,710,166,141	19,587,709,952
TOTAL LIABILITIES AND EQUITY	₱30,583,995,002	₱30,909,168,954

*Unaudited

**Audited

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

	Quarters Ended March 31	
	2023*	2022*
REVENUE		
Rental income	₱424,751,411	₱437,677,004
Rooms and other operated departments	48,762,106	40,951,389
Real estate sales	—	—
	473,513,517	478,628,393
COST AND EXPENSES		
Cost of real estate sales	—	—
Cost of rental income	215,051,258	203,645,783
Cost of rooms and other operated departments	29,920,333	26,752,415
Selling expenses	199,315	2,413,807
General and administrative expenses	131,172,763	150,523,752
	376,343,669	383,335,757
OTHER INCOME (CHARGES)		
Interest income	1,192,702	4,577,001
Finance charges	(44,815,811)	(92,053,374)
Foreign exchange gains - net	4,816	1,308,335
Other income	113,458,243	161,664,303
	69,839,950	75,496,265
INCOME BEFORE INCOME TAX	167,009,798	170,788,901
PROVISION FOR INCOME TAX		
Current	49,563,873	51,977,975
Deferred	(5,010,264)	(8,881,883)
	44,553,609	43,096,092
NET INCOME	122,456,189	₱127,692,809
BASIC/DILUTED EARNINGS PER SHARE	₱0.021	₱0.022

**Unaudited*

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended March 31	
	2023*	2022*
NET INCOME	₱122,456,189	₱127,692,809
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME	₱122,456,189	₱127,692,809

**Unaudited*

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Quarters Ended March 31	
	2023	2022
Equity		
Capital stock - 1 par value		
Issued and fully paid	₱5,723,017,872	₱5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
	13,929,680,490	13,929,680,490
Retained earnings		
Balance at beginning of period	5,525,261,659	5,229,670,297
Net income for the period	122,456,189	127,692,809
Balance at end of period	5,647,717,848	5,357,363,106
Accumulated remeasurements on retirement benefits	132,775,758	64,380,137
Treasury shares, at cost	(7,955)	(7,955)
Total Equity	₱19,710,166,141	₱19,351,415,778

**Unaudited*

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

	Quarters Ended March 31	
	2023*	2022*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱167,009,798	₱170,788,901
Adjustments for:		
Depreciation and amortization	116,298,125	110,378,273
Interest expense and other finance charges	44,815,811	92,053,374
Movements in retirement benefits		9,076,870
Unrealized foreign exchange gain	(4,816)	(1,311,478)
Interest income	(1,192,702)	(4,577,001)
Operating income before working capital changes	326,926,216	376,408,939
Decrease (increase) in:		
Trade and other receivables	(19,206,856)	131,072,296
Real estate inventories	(10,626,058)	(10,961,451)
Other assets (current and noncurrent)	(129,350,118)	(73,610,805)
Increase (decrease) in:		
Trade and other payables	(53,135,376)	16,839,728
Customers' deposits	9,637,283	(66,579,567)
Deposits and other liabilities	25,240,446	(16,332,501)
Cash generated from operations	149,485,537	356,836,639
Income taxes paid, including final tax and creditable withholding taxes	(46,009,938)	(43,824,094)
Interest received	1,192,702	4,437,036
Net cash from operating activities	104,668,301	317,449,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	(2,074,232)	(3,924,327)
Investment properties	(2,220,479)	(3,127,739)
Software	(1,743,136)	(654,491)
Cash used in investing activities	(6,037,847)	(7,706,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Loans payable	(441,913,738)	(421,136,620)
Lease liabilities	(3,459,415)	(11,645,273)
Interest	(44,815,811)	(43,546,033)
Cash used in financing activities	(490,188,964)	(476,327,926)

Unaudited

(Forward)

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2023*	2022*
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	₱4,816	₱1,311,478
NET DECREASE IN CASH AND CASH EQUIVALENTS	(391,553,694)	(165,273,424)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,171,698,501	2,179,108,363
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱780,144,807	₱2,013,834,939

**Unaudited*

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. 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.

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 March 31, 2023 and December 31, 2022, 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.

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 *Future Changes in Accounting Policy* section.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2023 and December 31, 2022 and for each of the two years in the period ended March 31, 2023 and March 31, 2022. 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 March 31, 2023 and December 31, 2022.

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 2023. 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.

- 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 judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

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

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates, and Errors, Definition of Accounting Estimates*

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

An entity applies the amendments to changes in accounting policies and changes in accounting

estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- 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.

The amendments are not expected to have a material impact on the Group.

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, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

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

As of March 31, 2023 and December 31, 2022, the Group has no sale and leaseback transactions.

- 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.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the 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.

As of March 31, 2023 and December 31, 2022, the Group has no insurance contracts.

Deferred effectivity

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

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

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. As of March 31, 2023 and December 31, 2022, the amendments have no impact to the Group.

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 March 31, 2023 and December 31, 2022, 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 house and/or lot, 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 and/or lot, 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.

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.

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 three 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 subdivision house and/or lots, residential house and 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 and/or lots, residential house and lot 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 rental dues, service fees, penalty income and gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales, day one loss and miscellaneous income and expense.

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 are 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.

1. 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.

2. 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.

3. 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.

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 ₱424.8 million and ₱437.7 million in the first quarters of 2023 and 2022, respectively.

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).

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 ₱20,896.8 million and ₱4,085.3 million as of March 31, 2023 and ₱20,984.2 million and ₱4,074.8 million as of December 31, 2022, respectively.

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 ₱20,896.8 million and ₱697.9 million as of March 31, 2023 and ₱20,984.2 million and ₱714.3 million as of December 31, 2022, respectively.

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.

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 the first quarters of 2023 and 2022.

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 are both nil for the quarter of 2023 and 2022.

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 lease receivables and refundable deposits amounting ₱246.1 million and ₱6.1 million as of March 31, 2023 and December 31, 2022.

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 March 31, 2023 and December 31, 2022, real estate inventories, which are carried at cost, amounted to ₱4,085.4 million and ₱4,074.8 million, respectively.

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 the first quarters 2023 and 2022. 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 ₱10,901.6 million, ₱697.9 million, ₱191.1 million and ₱6.0 million as of March 31, 2023, respectively, and ₱11,086.7 million, ₱714.3 million, ₱198.1 million and ₱5.4 million as of December 31, 2022, respectively.

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 ₱20,896.8 million, ₱697.9 million, ₱191.1 million and ₱6.0 million as of March 31, 2023, respectively, and ₱20,984.2 million, ₱714.3 million, ₱198.1 million and ₱5.4 million as of December 31, 2022, respectively.

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.

As of March 31, 2023 and December 31, 2022, retirement benefits liability amounted to ₱61.6 million and ₱58.6 million, respectively. Retirement benefits cost amounted to ₱2.5 million and ₱9.1 million in the first quarters of 2023 and 2022, respectively.

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 March 31, 2023 and December 31, 2022, the Group recognized deferred income tax assets amounting to ₱25 million and ₱12.5 million, respectively.

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; and,
- Leasing activities - development of Business Process Outsourcing (BPO) buildings, and commercial spaces and condominium units for lease.
- 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 periods.

2023

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P-	P424,751,411	P48,762,106	P-	P473,513,517
Direct costs	-	(215,051,258)	(29,920,333)	-	244,971,591
Gross profit	-	209,700,153	18,841,773	-	228,541,926
Selling, general and administrative expenses	-	-	-	(131,372,078)	(131,372,078)
Operating income	-	209,700,153	18,841,773	(131,372,078)	97,169,848
Interest income	783,223	-	-	409,479	1,192,702
Other income (charges) - net	(11,699,774)	100,206,399	2,778,749	22,177,685	113,463,059
Finance charges	-	-	-	(44,815,811)	(44,815,811)
Provision for income tax	-	-	-	(44,553,609)	(44,553,609)
Segment profit	(P10,916,551)	P309,906,552	P21,620,522	(P198,154,334)	P122,456,189
Other information					
Segment assets	P5,379,660,096	P16,870,113,883	P787,944,124	P7,546,276,899	P30,583,995,002
Segment liabilities	P1,988,696,938	P1,255,098,974	P40,291,277	7,589,741,672	P10,873,828,861
Segment additions to property and equipment, investment properties and software	P-	P1,296,863	P-	P4,740,984	P6,037,847
Depreciation and amortization	-	92,167,166	13,608,330	10,522,629	P116,298,125

2022

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P-	P437,677,004	P40,951,389	P-	P478,628,393
Direct costs	-	(203,645,783)	(26,752,415)	-	(230,398,198)
Gross profit	-	234,031,221	14,198,974	-	248,230,195
Selling, general and administrative expenses	(1,990,761)	-	-	(150,946,798)	(152,937,559)
Operating income	(1,990,761)	234,031,221	14,198,974	(150,946,798)	95,292,636
Interest income	758,689	-	-	3,818,312	4,577,001
Other income (charges) - net	(18,063,133)	61,062,516	4,389,080	115,584,175	162,972,638
Finance charges	-	-	-	(92,053,374)	(92,053,374)
Provision for income tax	-	-	-	(43,096,092)	(43,096,092)
Segment profit	(P19,295,205)	P295,093,737	P18,588,054	(P166,693,777)	P127,692,809
Other information					
Segment assets	P6,117,764,715	P12,971,143,163	P813,343,001	P12,162,350,197	P32,064,601,076

	Residential Developments	Leasing Activities	Serviced Apartments	Unallocated Corporate Balance	Consolidated
Segment liabilities	₱2,108,151,710	₱1,160,740,079	₱49,831,254	₱9,394,462,255	₱12,713,185,298
Segment additions to property and equipment, investment properties and software	₱—	₱3,127,739	₱—	₱4,578,818	₱7,706,557
Depreciation and amortization	11,511,538	77,405,026	13,387,444	8,074,265	₱110,378,273

5. 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 March 31, 2023 and December 31, 2022, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	March 31, 2023	December 31, 2022
Financial assets at amortized cost		
Cash in banks and cash equivalents	₱775,625,015	₱1,010,967,485
Trade and other receivables:		
Contracts receivables	468,858,211	488,911,190
Receivable from buyers	529,474,043	509,458,07
Lease receivables	619,042,140	558,566,831
Receivable from related parties	25,000,000	25,000,000
Receivable from tenants	92,111,761	112,102,568
Others*	430,862,507	453,146,114
Refundable deposits	155,287,636	156,202,291
	₱3,096,261,313	₱3,314,354,496

*Excluding advances to officers and employees amounting to ₱2.6 million and ₱1.8 million as of March 31, 2023 and December 31, 2022, respectively.

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

As of March 31, 2023:

	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	–%	.17-4.8%	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	₱730,144,807	₱161,413,473	₱145,896,177	₱62,117,052	₱104,534,463	₱107,903,636	₱2,509,475,767	₱3,821,485,375
Expected credit loss	₱–	₱6,125,837	₱3,265,742	₱668,072	₱7,568,840	₱10,895,219	₱223,715,671	₱252,239,381

As of December 31, 2022:

	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	—%	.17%-4.8%	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	₱1,167,976,657	₱162,327,911	₱1,793,016,438	₱25,613,340	₱13,164,747	₱11,559,177	₱305,789,326	₱3,479,447,596
Expected credit loss	₱—	₱6,125,620	₱3,777,726	₱3,180,095	₱2,265,390	₱1,761,632	₱235,128,701	₱252,239,164

Movement of the allowance for expected credit losses in the first quarters of 2023 and 2022 follow:

	2023	2022
Beginning balances	₱252,239,164	₱194,960,796
Provision for the period	217	57,278,368
Ending balances	₱252,239,381	₱252,239,164

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 March 31, 2023:

	On demand	Less than 1 year	More than 1 year	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	P–	P946,895,969	P–	P946,895,969
Retentions payable	–	597,790,456	–	597,790,456
Accrued expenses	–	1,310,945,018	–	1,310,945,018
Lease liabilities*****	–	33,441,914	1,436,009,156	1,469,451,070
Loans payable***	–	1,899,351,057	2,536,857,818	4,436,208,875
Payable to landowners	–	–	1,061,190,858	1,061,190,858
Security deposits****	–	312,438,486	422,418,675	734,857,161
	P–	5,100,862,900	P5,456,476,507	P10,557,339,407
Financial assets:				
Cash and cash equivalents	P619,099,726	P161,045,082	P–	P780,144,807
Trade and other receivables**	–	1,878,936,778	40,298,340	1,919,235,118
	P619,099,726	P2,039,981,860	P40,298,340	P2,699,379,925

*Excluding payable to government agencies amounting to P8.0 million.

**Excluding advances to officers and employees amounting to P2.6 million.

***Including interest to maturity amounting to P433.5 million

****Including interest to maturity amounting to P35.98 million.

*****Including interest to maturity amounting to P991.3 million

As of December 31, 2022:

	On demand	Less than 1 year	More than 1 year	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables*	P–	P964,330,421	P–	P964,330,421
Retentions payable	–	485,527,964	–	485,527,964
Accrued expenses	–	1,359,952,142	–	1,359,952,142
Lease liabilities*****	–	28,545,378	1,341,695,558	1,370,240,936
Loans payable***	–	1,425,235,575	3,595,231,337	5,020,466,912
Payable to landowners	–	–	1,061,190,858	1,061,190,858
Security deposits****	–	309,871,554	409,527,907	719,444,461
	P–	P4,573,463,034	P6,40,645,660	P10,981,108,694
Financial assets:				
Cash and cash equivalents	P1,010,967,485	P160,731,016	P–	P1,171,698,501
Trade and other receivables**	–	1,860,772,836	40,298,340	1,901,071,176
	P1,010,967,485	P2,021,503,852	P40,298,340	P3,072,769,677

*Excluding payable to government agencies amounting to P7.5 million.

**Excluding advances to officers and employees amounting to P1.8 million.

***Including interest to maturity amounting to P575.83 million

****Including interest to maturity amounting to P35.98 million.

*****Including interest to maturity amounting to P888.6 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 March 31, 2023 and December 31, 2022.

	US Dollar Value	Peso Equivalent
March 31, 2023	\$1,311,789	₱72,410,768
December 31, 2022	\$1,388,323	₱77,412,890

The exchange rate used as of March 31, 2023 and December 31, 2022 were ₱55.20 to US\$1.00 and ₱55.76 to US\$1.00, respectively. The Group recognized net foreign exchange gains amounting to ₱4,618 and ₱6.8 million in the first quarters of 2023 and 2022, respectively.

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 March 31, 2023 and December 31, 2022.

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash on hand	₱4,519,792	₱4,519,792	₱3,721,844	₱3,721,844
Cash in banks and cash equivalents	775,625,015	775,625,015	1,167,976,657	1,167,976,657
Loans and receivables:				
Contracts receivables	468,858,211	468,858,211	488,911,190	488,911,190
Receivables from buyers	529,474,043	529,474,043	509,458,017	509,458,017
Lease receivables	619,042,140	619,042,140	558,566,831	558,566,831
Refundable deposits**	155,287,636	155,287,636	156,202,291	156,202,291
Receivable from related party	25,000,000	25,000,000	25,000,000	25,000,000
Receivables from tenants	92,111,761	92,111,761	112,102,568	112,102,568
Others*	430,862,507	430,862,507	453,146,114	453,146,114
	₱3,100,465,048	₱3,100,465,048	₱3,475,085,512	₱3,475,085,512

* Excluding advances to officers and employees amounting to ₱2.6 million and ₱1.8 million as of March 31, 2023 and December 31, 2022, respectively.

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

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other payables:				
Accounts payable*	₱946,895,968	₱946,895,968	₱964,336,394	₱964,336,394
Retentions payable	597,790,456	597,790,456	600,907,629	600,907,629
Accrued expenses	1,310,945,017	1,310,945,017	1,363,391,182	1,363,391,182
Lease liabilities	478,144,433	478,051,681	481,603,847	699,998,610
Loans payable	4,002,723,420	4,033,939,137	4,444,637,158	4,538,827,481
Payables to landowners	1,061,190,858	1,061,190,858	1,061,190,858	1,061,190,858
Security deposits**	661,490,611	647,257,310	671,599,899	670,694,044
	₱9,059,180,763	₱9,076,070,427	₱9,587,666,967	₱9,899,346,198

* Excluding payable to government agencies amounting to ₱8.0 million and ₱7.5 million as of March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022.

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.



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 1.96% to 8.53% as of March 31, 2023 and December 31, 2022. 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 the first quarters of 2023 and 2022, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements..

		March 31 2023		December 31, 2022	
A.	CURRENT RATIO				
	current assets	<u>8,400,861,995</u>	1.31	<u>8,627,307,740</u>	1.28
	current liabilities	<u>6,393,383,175</u>		<u>6,752,407,858</u>	
B.	DEBT TO EQUITY RATIO				
	total liabilities	<u>10,873,828,859</u>	0.55	<u>11,321,459,002</u>	0.58
	stockholders' equity	<u>19,710,166,143</u>		<u>19,587,709,952</u>	
C.	QUICK RATIO				
	cash & cash equivalent	<u>780,144,807</u>		<u>1,171,698,501</u>	
	receivable(current)	<u>1,881,557,544</u>		<u>1,862,350,688</u>	
		<u>2,661,702,351</u>	0.42	<u>3,034,049,189</u>	0.45
	current liabilities	<u>6,393,383,175</u>		<u>6,752,407,858</u>	
D.	ASSET TO EQUITY RATIO				
	total assets	<u>30,583,995,002</u>	1.55	<u>30,909,168,954</u>	1.58
	total equity	<u>19,710,166,143</u>		<u>19,587,709,952</u>	
		March 31 2023		March 31, 2022	
E.	INTEREST COVERAGE RATIO				
	EBITDA	<u>225,566,070</u>	6.51	<u>276,750,579</u>	3.38
	Interest expense	<u>34,673,794</u>		<u>81,881,509</u>	
F.	GP RATE ON REAL ESTATE SALES				
	Gross Profit	<u>-</u> 	#DIV/0!	<u>-</u> 	#DIV/0!
	Real Estate Sales	<u>-</u>		<u>-</u>	
G.	GP RATE ON RENTAL INCOME				
	Gross Profit	<u>209,700,153</u>	0.49	<u>234,031,221</u>	0.53
	Rental Income	<u>424,751,411</u>		<u>437,677,004</u>	
H.	BASIC EARNINGS PER SHARE				
	Net income after tax	<u>122,456,189</u>	0.0214	<u>127,692,809</u>	0.0223
	no of shares	<u>5,723,007,872</u>		<u>5,723,017,872</u>	
I.	DILUTED EARNINGS PER SHARE				
		<u>122,456,189</u>	0.0214	<u>127,692,809</u>	0.0223
		<u>5,723,007,872</u>		<u>5,723,017,872</u>	