



GLOBAL-ESTATE RESORTS, INC.

**Securities and Exchange Commission**

Company Registration and Monitoring Department  
Secretariat Building, PICC Complex, Roxas Boulevard  
Pasay City, 1307

Attention: **Mr. Gerardo F. Del Rosario**  
Director

Gentlemen:

We hereby submit the attached amended SEC Form 17 A – Annual Report of Global-Estate Resorts, Inc. to include the Audited Financial Statement of our Parent Company.

Very truly yours,

  
**Atty. Maria Carla T. Uykim**  
*Corporate Secretary*

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

Sec Registration Number

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COMPANY NAME

G	L	O	B	A	L	-	E	S	T	A	T	E		R	E	S	O	R	T	S	,		I	N	C	.					

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

9	T	H		F	L	O	O	R		E	A	S	T	W	O	O	D		G	L	O	B	A	L		P	L	A	Z	A
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Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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### COMPANY INFORMATION

Company's Email Address

lvillanueva@global-estate.ph

Company's Telephone Number/s

5-328-4370

Mobile Number

N/A

No. of Stockholders

4,183

Annual Meeting (Month / Day)

Last Thursday of June

Fiscal Year (Month / Day)

December-31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

LAILANI V. VILLANUEVA

Email Address

lvillanueva@global-estate.ph

Telephone Number/s

5-328-4370

Mobile Number

N/A

### CONTACT PERSON'S ADDRESS

9/F Eastwood Global Plaza, Palm Tree Ave., Eastwood City, Bagumbayan, Quezon 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.*

*Note 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause to 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.*

SEC Number: AS 094-004462  
File Number: \_\_\_\_\_

**GLOBAL-ESTATE RESORTS, INC.**  
(Company's Full Name)

9th Floor, Eastwood Global Plaza  
Palm Tree Avenue, Eastwood City  
Bagumbayan, Quezon City  
\_\_\_\_\_  
(Company's Address)

**SEC Form 17 - A Annual Report**  
(Form Type)

\_\_\_\_\_  
(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**
2. SEC Identification Number **AS 094-004462**
3. BIR Tax Identification No. **000-426-523**
4. Exact name of issuer as specified in its charter **GLOBAL-ESTATE RESORTS, INC.**
5. **Quezon City, Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **9th Floor, Eastwood Global Plaza, Palm Tree Avenue**  
**Eastwood City, Bagumbayan, Quezon City**  
Address of principal office
8. **1110**  
Postal Code
8. **(632) 5328-4370 to 78**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Shares</b>	<b>10,986,000,000</b>
<b>Outstanding debts (loans)</b>	<b>7,492,924,404</b>

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

Yes [**X**] No [ ]

Name of Stock Exchange: Philippine Stock Exchange  
Class of securities listed: Common Stocks

10,986,000,000 common shares have been listed with the Philippines Stock Exchange as of December 31, 2021.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes  No

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

Yes  No

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

**P 1,958,820,953.87 (as of December 31, 2021) based on the closing price of Php1.01 per share**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes  No  **Not Applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

2021 Audited Consolidated Financial Statements (incorporated as reference for Item 7 of SEC Form 17-A)

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

#### **Business Development**

Global-Estate Resorts, Inc. (“**GERI**” or the “**Company**”) was incorporated on 18 May 1994 as Fil-Estate Land, Inc. to engage in real estate development. The Company went public in November 1995 when its common shares were listed in the Philippine Stock Exchange (PSE).

In 2011, Alliance Global Group, Inc. (“**AGI**”) acquired a majority stake in the Company and re-branded it as Global-Estate Resorts, Inc. to engage in the development of integrated tourism and leisure estates.

In 2014, GERI was consolidated under Megaworld Corporation when the latter acquired AGI’s stake in the Company.

#### *Description of Business*

The Company is primarily engaged in the development of integrated tourism and leisure estates and integrated lifestyle communities consisting of residential, retail, hotel and/or leisure components in natural resort settings. Its key developments are Boracay Newcoast in Malay, Aklan, Twin Lakes in Laurel, Batangas, Sta. Barbara Heights in Iloilo, Southwoods City in Laguna and Cavite, Alabang West in Las Piñas, Metro Manila, Eastland Heights in Antipolo City, Rizal, The Hamptons Caliraya in Lumban-Cavinti, Laguna, Arden Botanical Estate in Trece and Tanza, Cavite, and The Fifth in Pasig City, Metro Manila. The Company undertakes its development business by itself or in joint venture with landowners. Among the Company’s subsidiaries are joint venture corporations: i) Twin Lakes Corporation (“**TLC**”), which was incorporated on 02 March 2011 to develop Twin Lakes in Laurel, Batangas; ii) Oceanfront Properties, Inc. (“**OPI**”), which was incorporated on 12 October 2010 to develop parts of Boracay Newcoast; and iii) Southwoods Mall, Inc. (“**SMI**”), which was incorporated on 18 July 2013 to develop the Southwoods Mall and Office Towers in Southwoods City.

The Company’s developments are marketed by Megaworld Global-Estate, Inc. (“**MGEI**”), a subsidiary incorporated on 14 March 2011, and by the Company’s in-house marketing group.

The Company’s hotel developments in Boracay and Twin Lakes are operated by its subsidiaries Twin Lakes Hotel, Inc. (incorporated on 28 September 2018), Savoy Hotel Boracay, Inc. (incorporated on 24 January 2017), Belmont Hotel Boracay, Inc. (incorporated on 18 March 2019), and Fil-Estate Urban Development Corporation (incorporated on 6 March 2000).

Prior to 2011, the Company’s subsidiaries Global-Estate Properties, Inc. (*formerly known as Fil-Estate Properties, Inc. or “**GEPI**”*) and Global-Estate Golf and Development, Inc. (*formerly known as Fil-Estate Golf and Development, Inc. or “**GEDDI**”*), incorporated on 13 February 1990 and 06 March 1990, respectively, had

engaged in the development of residential subdivisions, condominium buildings, commercial lots, and golf clubs.

### **Bankruptcy, Receivership or Similar Proceedings**

Neither the Company nor its significant subsidiaries have been involved in bankruptcy, receivership or similar proceeding.

### **Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary)**

As of 31 December 2019, FEPI sold 100% ownership interest in Boracay Newcoast Hotel Group, Inc. (“BNHGI”), a hotel development company incorporated on 17 July 2012.

### **Products**

GERI together with its subsidiaries (the “**GERI Group**”) have a diversified real estate inventory including residential and commercial lots, residential house and lots, residential condominium units, condominium hotel units, and golf club shares.

### **Percentage of sales or revenues and net income contributed by foreign sales**

Sales to the foreign market accounted for 8% of the consolidated real estate sales for the year 2021.

### **Distribution Methods of Products**

Real estate products in GERI developments are promoted and marketed to a wide range of clients by GERI’s in-house marketing group and marketing subsidiary, MGEI. Real estate products in GEPI and GEGDI developments are sold thru third party real estate brokers.

### **Suppliers**

The Company has a broad base of suppliers. The Company is not dependent on one or a limited number of suppliers.

### **Customers**

GERI has a broad market base that consists of end-users and investors, both from the local and foreign markets.

The Company targets the Class A and B markets with special niche products such as integrated tourism and leisure estates and integrated lifestyle communities with residential, commercial and leisure components.



## **Competition**

Significant competitors of the Company in its real estate development business include Ayala Land Premiere, Alveo, Filinvest Premiere, Landco, and SM Prime.

The Company competes with other developers in the acquisition of land or development rights to land in key growth areas in the country.

The Company aims to be the leading developer of integrated tourism and leisure estates in the Philippines. The Company's tourism projects are strategically located in Boracay and Laurel, Batangas and feature strategic master-planned communities integrated with resort amenities.

The Company believes that its land bank, real estate development experience, innovative real estate offerings, and the solid financial backing of its parent, Megaworld Corporation, are its competitive advantages. Its massive landbank in tourist destinations such as Boracay Island, and Laurel and Nasugbu, Batangas gives it a lead over its competitors and has enabled the Company to be a pioneer in master-planned integrated tourism developments.

## **Transactions with and/or dependence on related parties**

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and related parties including investments in and advances granted to or obtained from subsidiaries, associates, and other related parties for purposes of working capital requirements. For more information, see Note 25 to the Audited Financial Statements.

## **Amount spent on research and development activities and its percentage to revenues**

The Company incurs minimal amounts for development research activities, which do not amount to a significant percentage of revenues.

## **Intellectual Property**

The Company believes that its operations and that of its subsidiaries are not dependent on any trademark, patent, copyright, license, franchise, or royalty agreement. Nonetheless, the Company has trademark registrations and/or applications for its corporate name and key projects.

## **Government Approvals / Regulations**

The Company secures various government approvals such as the Environmental Compliance Certificate, development permits, license to sell, etc. as part of the normal course of its business.

### *Development Permit and License to Sell*

Prior to the enactment of Republic Act No. 11201, otherwise known as the “Department of Human Settlements and Urban Development Act”, on 14 February 2019, Housing and Land Use Regulatory Board (“**HLURB**”) was the planning, regulatory and quasi-judicial national government body tasked to regulate land use and, real estate and housing development.

With the enactment of RA 11201, the Department of Human Settlement and Urban Development (“**DHSUD**”) is now the primary national government entity responsible for the management of housing, human settlement, and urban development.

DHSUD is the sole and main planning and policy-making, regulatory, program coordination and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to and the affordability of basic human needs. One of its regulatory functions include the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums, and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws.

DHSUD is actually a merger of the Housing and Urban Development Coordinating Council (HUDCC) and the HLURB, with the former becoming defunct and the latter reorganized as the Human Settlements Adjudication Commission (HSAC).

A registered owner or developer of a parcel of land who wishes to convert the same into a subdivision project shall apply with the Local Government Unit (“**LGU**”) concerned for the approval of subdivision Development Permit. The owner/developer shall subsequently apply for Certificate of Registration and License to Sell with HLURB, now DHSUD, prior to the selling of units/house or lots.

On the other hand, an owner/developer of a condominium project is required to apply for Development Permit, Certificate of Registration and License to Sell with the HLURB, now DHSUD, prior to actual development and selling of units therein.

### *Agrarian Reform Law*

The Comprehensive Agrarian Reform Law covers: (a) alienable and disposable lands of the public domain devoted to or suitable for agriculture, (b) land owned by the Government devoted to or suitable for agriculture. No person may own or retain, directly or indirectly, any public or private agricultural land, in excess of five (5) hectares. A limit of three (3) hectares may be awarded to each child of the landowners, subject to certain qualifications. The law allows the conversion of agricultural lands to non-agricultural use when the land ceases to be economically feasible and sound for agricultural purposes. Furthermore, the Department of Agrarian Reform Administrative Order No. 01 s. 1990 provides that any such classification or re-classification made after 15 June 1988 shall be subject to Department of Agrarian Reform (“**DAR**”) approval.

### *Environmental Compliance Certificate*

Any project in the Philippines that poses a potential environmental risk or impact (e.g., golf courses, beach resorts, developments adjacent to watershed areas, etc.) is required to secure an Environmental Compliance Certificate (“**ECC**”) from the Department of the Environment and Natural Resources – Environmental Management Board (“**DENR-EMB**”).

An ECC is issued by DENR-EMB after a positive review of the project’s application. This certificate indicates that the proposed project or undertaking will not cause a significantly negative impact on the Philippine environment. The ECC contains specific measures and conditions that must be met by the project proponent before and during the operation of the project. In some cases, conditions are listed to be performed during the project’s abandonment phase to lessen identified potential environmental impacts.

An ECC also certifies that the proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System and has committed to implement its approved environmental management plan. Compliance with the terms and conditions of the ECC is monitored by the appropriate DENR regional office and failure to comply may lead to penalties and sanctions being imposed, including fines and/or temporary cessation of project operation.

### **Effect of Existing and Probable Government Regulations**

Republic Act No. 7279 (“**Urban Development Housing Act**”), as amended by Republic Act 10884 (“**Balanced Housing Development Program Amendments**”), requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least five (5%) of condominium area or project cost, at the option of the developer; in accordance with the standards as provided by law.

### **Tax Regulations**

On 26 March 2021, the President of the Philippines signed into law Republic Act No. 11534 or the “Corporate Recovery and Tax incentives for Enterprises Act (CREATE)”, which introduced the following changes to the National Internal Revenue Code (NIRC), among others:

- a. The lowering of the corporate income tax rate from 30% to 25% effective 01 July 2020. Provided that corporations with net taxable income not exceeding Php5,000,000 and with total assets not exceeding Php100,000,000 excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%.
- b. The lowering of the Minimum Corporate Income Tax (MCIT) rate from 2% to 1%, effective 01 July 2020 until 30 June 2023.

- c. Repeal of the 10% Improperly Accumulated Earnings Tax (IAET).
- d. The amendments to VAT-exempt sales of real properties under Section 109(1)(P) of the NIRC was vetoed by the President of the Philippines. As such, the changes to said provision from Republic Act No. 10963 or the “Tax Reform for Acceleration and Inclusion (TRAIN)”, approved on 17 December 2017 and effective 01 January 2018, remained. Beginning 01 January 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business; sale of real property utilized for socialized housing as defined by Republic Act No. 7279, and sale of house and lot, and other residential dwellings with selling price, per Rev. Regs. No. 8-2021 issued on 11 June 2021, of not more than Php3,199,200.

### The Maceda Law

The Maceda Law applies to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

- a. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one (1) month grace period for every one (1) year of installment payments made. However, the buyer may exercise this right only once in every five (5) years during the term of the contract and its extensions, if any.
- b. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five (5) years installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments).

Where a buyer has paid less than two years of installments, the buyer is entitled to pay the outstanding amount due without interest within a grace period of sixty (60) days from the date the installments became due.

### Zoning and Land Use

The Department of Agrarian Reform (DAR) has issued regulations to implement the provisions of the Agrarian Reform Law in the Philippines. Under the law, all land classified for agricultural purposes as of or after 1 June 1988 cannot be converted to non-agricultural use without the prior approval of the DAR.

Land use may also be limited by the zoning ordinances of Local Government Units. Lands may be classified as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

## Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (ECC) prior to commencement of development. The Department of Environment and Natural Resources (DENR) through its regional offices or through the Environmental Management Bureau (EMB), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (EIS) to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination (IEE) to the proper DENR regional office.

GERI has an environmental compliance team that monitors and maintains compliance by its developments with applicable Philippine environmental laws and regulations. There are no compliance issues, which would have a material effect on GERI's capital expenditures, earnings or competitive position in the property market.

## Anti-Money Laundering Act

Pursuant to the Anti-Money Laundering Act of 2001 (AMLA), as recently amended by Republic Act No. 11521, which took effect on 30 January 2021, real estate developers (REDs) are now covered institutions. Thus, REDs are now required to report covered and suspicious transactions to the AMLC within the period prescribed by the law and its implementing rules and regulations.

For REDs, a covered transaction involves a single cash transaction involving an amount in excess of Php7,500,000.00 or its equivalent in any other currency. Suspicious transactions are as defined under the AMLA and under Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act of 2012, and their respective implementing rules and regulations.

REDs are required to file with the AMLC a Covered Transaction Report (CTR) within five (5) working days from occurrence thereof, and a Suspicious Transaction Report (STR) within the next working day from occurrence thereof.

## Employees

As of 31 December 2021, GERI group has a total of 825 employees, divided into:

Top Management	-	10
Middle Management	-	139
Rank and File	-	676

The Company expects to increase its number of employees in the next 12 months in accordance with operational requirements.

The employees are not subject to any collective bargaining agreements. There has been no employee union since the start of Company's operations.

In addition to basic salary and 13<sup>th</sup> month pay, other supplemental benefits provided by GERI to its employees include: retirement benefits as mandated by law, vacation and sick leave benefits, rice subsidy, and HMO health care coverage.

### **Risk Factors Relating to the Company**

#### **Highly Competitive Business Environment**

The Company faces increased competition from other developers who undertake residential subdivisions and vertical residential, commercial and office projects, particularly in key cities of the Philippines where several of the Company's present and future projects are located.

Notwithstanding increased competition in the industry, GERI intends to enhance its position as one of the leading property developers of integrated tourism estates in the Philippines. The track record of the Company and the Megaworld group and the Company's strategic land bank are perceived to be major advantages against this anticipated growth in competition.

#### **Demand for Real Estate Developments**

The Company engages, among others, in the development of integrated tourism and leisure estates as well as integrated lifestyle communities. Demand for real estate developments tends to be affected by any long-term economic downturn and political instability in the country. In the short-term, the Company anticipates that COVID-19-related measures such as travel restrictions will temporarily affect hotel occupancies. Social distancing rules will likewise temporarily reduce foot traffic in malls.

The Company engages in the development of mixed-use developments in different market segments and geographic areas in order to diversify its real estate portfolio.

#### **Limitations on Land Acquisition**

As other developers race to acquire choice locations, it may become more difficult to locate parcels of suitable size in location and at prices acceptable to the Company that will enhance its present land bank. In this regard, the Company continues to explore joint ventures as an alternative to building its land bank and identifying properties that can be developed under project agreements with landowners.

#### **Legal Issues or Disputes on Properties**

There are legal disputes pertaining to some of the Company's real estate properties but these disputes are not expected to significantly impact the Company's business or financial condition.

### Government Approvals, Licenses and Permits

The implementation of projects requires various government permits, approval and clearances from various municipal, city, regional and national government authorities and offices, such as, among others, the Development Permit, Certificate of Registration, License to Sell and in certain instances, the Environment Compliance Certificate. Accordingly, any delays in obtaining such government permits, approvals and clearances may affect the Company's projects. The Company routinely applies for governmental approvals required for its development projects.

### Political and Economic Factors

In general, the profitability of the Company depends on the overall demand for Company's products, which in turn is affected by political and economic factors. Any political instability in the future may have a negative effect on the viability of real estate companies. Economic factors such as substantial increases in interest and financing costs may dampen the overall demand for Company's products in the future, thus affecting the Company's profitability.

### Credit Risk

Generally, the Group's credit risk is attributable to trade receivables, advances to related party and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group transfers title to buyers over its inventory only after full payment. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position.

### Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows arising from day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection.

Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

### Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

### Foreign Exchange Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposure to currency exchange rates arises mainly from the Group's U.S. dollar-denominated cash and cash equivalents, which have been used to fund new projects.

In Management's assessment, the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents are not material.

As of December 31, 2021, the Group has no outstanding foreign denominated loans.

## **ITEM 2. PROPERTIES**

The GERI Group has a landbank of approximately 2,621 hectares.

These land bank held for future development are strategically located in various parts of the country, but a large portion is located in Sta. Barbara in Iloilo, Boracay, Laurel and Nasugbu in Batangas, Southwoods, Laguna, Cagayan de Oro, Cavite, Antipolo, Rizal, and Cavinti, Laguna.

The inventory portfolio of the Company consists mainly of inventory also strategically located in various parts of the country but mainly in Iloilo, Boracay, Laurel in Batangas, Laguna, Cavite, Antipolo, Rizal, Pasig, and Las Piñas. Real estate and golf club and resort shares for sale and land held for future development are valued at the lower of cost or net realizable value in conformity with PAS 2 "Inventories". Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Company is the landowner, and includes actual development cost incurred up to balance sheet date for projects where the Company is the developer. Net realizable value is the selling price in the ordinary course of business less cost to complete and to market. A valuation allowance is provided for real estate and golf club and resort shares for sale and land held for future development when the net realizable values of the properties are less than the carrying costs.

The GERI Group has adequate land bank for its long-term development requirements. It is, however, open to new land acquisitions in strategic growth areas. Funding for these acquisitions will be internally generated.

In 2018, GERI Group adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer, retrospectively. PIC Q&A 2018-11 requires real estate developers to



classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards. In previous years, land, including other costs and expenses related to the transfer of title of the property, were presented as Land for Future Development and only reclassified to Property Development Costs account (a real estate inventory account), when the development of the property starts. Upon the adoption of PIC Q&A 2018-11, parcels of land with no definite plan of future use were reclassified to Investment Property and parcels of land with intention by management to develop into residential or commercial properties for sale were reclassified to Real Estate for Sale.

The GERI Group has real estate inventories in its various developments including the following:

PROJECT NAME	LOCATION	LIMITATIONS ON OWNERSHIP	DEVELOPER
<b>LUZON</b>			
<b>A. <u>Metro Manila</u></b>			
Alabang West	Las Piñas City	Joint Venture	GERI
The Fifth	Pasig City	Joint Venture	GERI
8 Sto. Domingo Place	Quezon City	Joint Venture	GEPI
Cathedral Heights	Quezon City	Joint Venture	GEPI/FEUDC
Capitol Plaza	Quezon City	Co-development	GEPI
Parco Bello	Muntinlupa City	Joint Venture	GEPI
<b>B. <u>Laguna</u></b>			
Holland Park	Biñan, Laguna	Joint Venture	GERI
Tulip Gardens	Biñan, Laguna	Joint Venture	GERI
The Hamptons Village	Cavinti, Laguna	Joint Venture	GERI
Lakefront Esplanade	Cavinti, Laguna	Joint Venture	GERI
Caliraya Springs	Cavinti, Laguna	Joint Venture	GEPI
Palacio Real	Calamba, Laguna	Joint Venture	GEPI
Riverina	San Pablo City	Joint Venture	GEPI
<b>C. <u>Cavite</u></b>			
Lindgren at Arden Botanical Estate	Trece Martires City, Cavite	Joint Venture	GERI
Pahara at Southwoods	GMA, Cavite	Joint Venture	GERI
The Upland Estates	GMA, Cavite	Joint Venture	GERI
Holiday Homes	Gen. Trias, Cavite	Joint Venture	GEPI
Mango Orchard Plantation	Naic, Cavite	Joint Venture	GEPI
Manila Southwoods	Carmona and GMA Cavite	Joint Venture	GEGDI/GEPI
<b>D. <u>Batangas</u></b>			
Domaine Le Jardin	Laurel, Batangas	None	Twin Lakes
Lucerne at Domaine Le Jardin	Laurel, Batangas	None	Twin Lakes
Vineyard Residences	Laurel, Batangas	None	Twin Lakes
The Belvedere	Laurel, Batangas	None	Twin Lakes
Vineyard Manor	Laurel, Batangas	None	Twin Lakes
Magnificat Executive Village	Lipa, Batangas	Joint Venture	GEPI
Newport Hills	Lian, Batangas	Joint Venture	GEPI
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture	GEPI
Residencia Lipa	Lipa, Batangas	Joint Venture	GEPI
Tierra Vista	Lipa, Batangas	Joint Venture	GEPI

Palmridge Point	Talisay, Batangas	Joint Venture	GEPI
Windsor Heights	Tagaytay	Joint Venture	GEPI
Buena Vista Hills Ph2, 2A,3	Tagaytay	Joint Venture	GEPI
<b>E. <u>Bulacan</u></b>			
Goldridge Estate	Guiguinto, Bulacan	Joint Venture	GEPI
Plaridel Heights	Plaridel, Bulacan	Joint Venture	GEPI
<b>F. <u>Antipolo City</u></b>			
Forest Hills (now Eastland Heights)	Antipolo City	Joint Venture	GEPI
<b>G. <u>Baguio City</u></b>			
Northpointe	Baguio City	Joint Venture	GEPI
<b>H. <u>Naga City, Camarines Sur</u></b>			
Monte Cielo De Naga	Naga City	Joint Venture	GEPI
Monte Cielo De Peñafrancia	Naga City	Joint Venture	GEPI
<b>I. <u>Quezon</u></b>			
Puerto Del Mar	Lucena City	Joint Venture	GEPI
<b>VISAYAS</b>			
<b>J. <u>Malay, Aklan</u></b>			
Belmont Hotel Boracay	Malay, Aklan	None	GERI
Chancellor Hotel Boracay	Malay, Aklan	None	GERI
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture	GERI/OPI
Newcoast Shophouse District	Malay, Aklan	Joint Venture	GERI/OPI
Newcoast Village	Malay, Aklan	None	OPI
Oceanway Residences	Malay, Aklan	None	GERI
Ocean Garden Villas	Malay, Aklan	None	GERI
Savoy Hotel Boracay	Malay, Aklan	None	GERI
Fairways & Bluewater	Boracay, Aklan	None	GEPI
<b>K. <u>Iloilo</u></b>			
Sta. Barbara Heights Residential Estate	Sta. Barbara, Iloilo	Joint Venture	GERI
Sta. Barbara Heights Shophouse District	Sta. Barbara, Iloilo	Joint Venture	GERI
Puerto Real de Iloilo Ph2&3	La Paz, Iloilo	Joint Venture	GEPI
<b>MINDANAO</b>			
<b>L. <u>Cagayan De Oro</u></b>			
Mountain Meadows	Cagayan De Oro	Joint Venture	GEPI

The GERI Group has hotel properties in Boracay and Laurel, Batangas as listed below:

A. Fairways and Bluewater in Boracay, Malay, Aklan

<b>BUILDING NAME</b>
Villa Maria
Villa Margarita
Villa Michaela
Villa Lucia

Villa Catalina
Villa Vittoria
Villa Mulligan

- B. Savoy Hotel Boracay in Boracay Newcoast, Malay, Aklan
- C. Belmont Hotel Boracay in Boracay Newcoast, Malay, Aklan
- D. Twin Lakes Hotel in Laurel, Batangas

The GERI Group has retail and office buildings for lease, as listed below:

BUILDING NAME	LOCATION
Alabang West Parade	Las Piñas City
Southwoods Mall	Biñan, Laguna
Southwoods Office Towers	Biñan, Laguna
Twin Lakes Shopping Village	Laurel, Batangas
Renaissance 1000 (Office Tower)	Pasig City

### **ITEM 3. LEGAL PROCEEDINGS**

The Company and its subsidiaries are parties to certain lawsuits or claims arising from the ordinary course of business. The management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Aside from the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report, through the solicitation of proxies or otherwise.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **ITEM 5. MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDERS’ MATTERS**

#### **Market price information**

The common shares of the Company are traded on the Philippine Stock Exchange (“PSE”) under the symbol of GERI.

	<b>Philippine Stock Exchange</b>	
	<b>Closing Price per Share (₱) 1.01 as of December 31, 2021</b>	
<b><u>2022</u></b> <u>First Quarter</u>	<b>High</b> 0.97	<b>Low</b> 0.83
<b><u>2021</u></b> <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	<b>High</b> 0.95 0.90 1.33 1.00	<b>Low</b> 0.80 0.81 0.82 0.81
<b><u>2020</u></b> <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	<b>High</b> 1.19 0.92 0.88 0.99	<b>Low</b> 0.65 0.74 0.76 0.74
<b><u>2019</u></b> <u>First Quarter</u> <u>Second Quarter</u> <u>Third Quarter</u> <u>Fourth Quarter</u>	<b>High</b> 1.35 1.48 1.44 1.29	<b>Low</b> 1.28 1.42 1.40 1.25

The market capitalization of GERI as of 31 December 2021 based on the closing price at Php1.01 per share of GERI's shares at that date, was approximately Php11.096 billion. The price information as of the close of the latest practicable trading date March 31, 2022 is Php0.94 per share.

#### Stockholders

GERI has a total of about 4,183 common shareholders as of December 31, 2021

#### **TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2021**

	<b>STOCKHOLDER'S NAME</b>	<b>NO. OF SHARES</b>	<b>% OF OWNERSHIP</b>
1	MEGAWORLD CORPORATION	9,042,732,139 <sup>1</sup>	82.311
2	PCD NOMINEE CORPORATION (FILIPINO)	1,490,872,540	13.571
3	PRYCE CORPORATION	198,732,000	1.809
4	PGI RETIREMENT FUND, INC	65,455,500	0.596
5	FIL-ESTATE MANAGEMENT INC.	38,000,159	0.346
6	F. YAP SECURITIES, INC.	32,947,000	0.300
7	PCD NOMINEE CORPORATION (FOREIGN)	20,800,009	0.189

<sup>1</sup> Data refers to direct and indirect shares. Direct shares consist of 8,859,398,139 while indirect shares consist of 183,334,000.

8	GREENFIELD DEVELOPMENT CORPORATION	8,640,000	0.079
9	JOHN T. LAO	8,000,100	0.073
10	THE ANDRESONS GROUP INC.	8,000,000	0.073
11	LUCIO W. YAN	5,755,000	0.052
12	ROMEO G. ROXAS	3,716,000	0.034
13	AVESCO MARKETING	3,512,106	0.032
14	WILBUR L. CHAN	2,611,825	0.024
15	GILMORE PROPERTY MARKETING ASSOCIATES, INC.	1,983,000	0.018
16	FEDERAL HOMES, INC.	1,939,860	0.018
17	FRITZ L. DY	1,813,500	0.017
18	DYNALAND PROPERTIES & DEVELOPERS, INC.	1,700,001	0.015
19	MAXIMINO S. UY &/OR LIM HUE HUA	1,478,400	0.013
20	EQL PROPERTIES, INC.	1,317,420	0.012

### **Dividends**

Payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation.

The retained earnings account as of December 31, 2021 amounting to Php14.2 billion, Php12.9 billion in December 31, 2020, and 11.8 billion in December 31, 2019, and are restricted from being declared as dividends to the extent of the undistributed net earnings of subsidiaries and associates. No declaration of cash dividends was made in the last three (3) years.

**Recent Sales of Unregistered or Exempt Securities (including recent issuance of securities constituting an exempt transaction)**

- In 2011, the Board of Directors of the Company approved an Executive Stock Option Plan (ESOP). From 2012 to 2016, the Company granted the option to its key company directors and executives to subscribe to a total of 400 million shares of the Company. As of 31 December 2021, none of the Option Holders has exercised the options granted to them under the ESOP, and no underlying shares have been subscribed nor fully paid for by the Option Holders in connection therewith.
- As of 31 March 2022, a total of fifty million (50,000,000) common shares of unexercised options remain valid under the ESOP.

No underwriters were involved in the sales of the above unregistered or exempt securities.

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**Key Performance Indicators**

**LIQUIDITY RATIOS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current Ratio	4.37	4.20	3.58
Quick Ratio	1.48	1.28	1.09

*Current Ratio (Current Assets/Current Liabilities)*

Liquidity ratio that measures a company's ability to pay short-term obligations.

*Quick Ratio (Total Current Assets less Inventories, Contract Assets, and Other Current Assets/Current Liabilities)*

It measures a company's ability to meet its short-term obligations with its most liquid assets.

**LEVERAGE OR LONG-RANGE SOLVENCY RATIOS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Debt to Total Assets	33%	32%	33%
Equity to Total Assets	67%	68%	67%
Debt to Equity	50%	46%	50%
Asset to Equity	1.50	1.46	1.50

*Debt to Total Assets*

It shows the creditors' contribution to the total resources of the organization.

*Equity to Total Assets*

It shows the extent of owners' contribution to the total resources of the organization.

*Debt to Equity*

It relates the exposure of the creditors to that of the owners.

*Asset To Equity (Total Assets/Total Owner's Equity)*

It measures the company's leverage.

**ACTIVITY RATIOS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Assets Turnover	6.87%	7.15%	11.87%

*Assets Turnover*

It measures the level of capital investment relative to sales volume.

**PROFITABILITY RATIOS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Return on Equity	4.37%	3.79%	5.40%
Return on Assets	2.86%	2.59%	4.00%
Earnings per Share	₱ 0.119	₱ 0.099	₱ 0.136

*Return on Equity (Net Income Attributable to Parent Company's shareholders/Average Equity Attributable to Parent Company's shareholders)*

It tests the productivity of the owners' investments.

*Return on Assets (Net Income/Average Total Assets)*

This ratio indicates how profitable a company is relative to its total assets.

*Earnings per Share (EPS)*

It indicates the earnings for each of the common shares held.

**INTEREST COVERAGE RATIO**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Interest Coverage	₱7.52	₱8.00	₱10.10

*Interest Coverage Ratio (Earnings before Interest and Income Tax/Interest Expense)*

It measures how easily a company can pay interest on an outstanding debt.

## **Others**

As of the year ended December 31, 2021, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

- a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;
- b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
- c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
- d. Significant elements of income or loss that did not arise from the Company's continuing operations;
- e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
- f. Seasonal aspects that had a material effect on the financial condition or results of the operations;

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

## **Management's Discussion and Analysis of Results of Operations and Financial Conditions**

### **Impact of COVID-19 Pandemic on the Group's Business**

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In response to this matter, the Group has taken the following actions:

- maximized digital platforms to sell real estate projects in order to limit face to face engagements;
- focused on sale of residential and commercial lots outside Metro Manila to meet robust demand of these products;
- assisted tenants in implementing social distancing measures;
- continues to work closely with tenants to determine and address their needs;
- expanded outdoor dining areas in lifestyle malls to meet customer demand for alfresco dining;
- launched E-Concierge, a mobile application that allows contactless interaction between guests and hotel staff from check-in to check-out, including virtual ordering of food from various food and beverage outlets inside the hotels; and,
- obtained lower cost funding through bank financing to support its business operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective.



As a result of the actions taken by management, the Group's operations showed the following results:

- Real estate sales improved closed at 2.9% higher as compared to that of 2020 as a result of resumption of construction activities.
- Rental income posted a decline of 34.0% in 2021. This is the effect of decrease of occupancy rate of office space, rental concessions, and lower foot traffic in mall and commercial spaces.
- Revenue from hotel operations decreased by 27.5% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with quarantine guidelines.

Management will continue to take actions to continually improve the operations. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

### **Review for the year ended December 31, 2021**

#### **Results of Operations**

For the year ended December 31, 2021 the Group's consolidated net income amounted to Php 1.49 billion, a 15% increase from the December 31, 2020 net income of Php1.30 billion.

Consolidated total revenues amounted to Php4.99 billion. The bulk of revenues came from real estate sales, rental income, service income, and finance and other income. The Group's registered sales came from sale of lots in Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin and Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Southwoods City, Alabang West in Daang Hari, Las Piñas, Eastland Heights in Antipolo, Rizal and sale of condominium units in Oceanway Residences One, Ocean Garden Villas, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park and Tulip Gardens in Southwoods City and Vineyard Residences and The Manor in Twin Lakes, Tagaytay.

Total cost and expenses as of December 2021 amounted to Php3.49 billion, a decrease of 10% from Php3.89 billion as of December 2020, mainly due to decrease in cost of hotel operations, operating expenses and tax expense.

#### **Financial Condition**

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php54.1 billion as of December 31, 2021 compared to Php50.6 billion as of December 31, 2020 posted an increase of Php3.6 billion or 7%.

Cash and cash equivalents increased by 76% mainly due to additional Interest-bearing loans and borrowings, from Php2.2 billion as of December 2020 to Php3.9 billion as of December 2021. Trade and other receivables increased by 10% due to installment sales

booked for the year, from Php9.2 billion as of December 2020 to Php10.1 billion as of December 2021. Contract assets increased by 13%, from Php2.8 billion as of December 2020 to Php3.1 billion as of December 2021 due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Right-of-use asset increased by 17% due to new lease for our office in Commerce and Industry Plaza in McKinley Hill, Taguig City.

Interest bearing loans and borrowings increased by 41% or Php2.16 billion as of December 2021 as compared to December 2020 due to availment of new interest-bearing loans. Trade and other payables increased by 8% mainly due to increase in payables to contractors and suppliers. Contract liabilities decreased by 5% due to decrease in sales from uncompleted projects with lower percentage of completion than percentage of collection. Advances from related parties decreased by 7% from Php916 million as of December 2020 to Php850.5 million as of December 2021 due to payments made to related parties. Redeemable preferred shares decreased by 50% due to redemption of shares. Lease liabilities increased by 11% from Php473.6 million in December 2020 to Php527 million in December 2021 due to new lease for our office in Commerce and Industry Plaza in McKinley Hill, Taguig City. Other non-current liabilities decreased from Php731 million to Php598 million mainly due to presentation of portion of retention payable to current liability.

Shareholders' Equity increased from Php34.5 billion to Php36 billion mainly due to net income for the year.

*Material Changes in the Statements of Final Position for the year ended December 31, 2021*

*(Increase/decrease of 5% or more versus December 31, 2020)*

- 76% increase in Cash and cash equivalents – due to additional Interest-bearing loans and borrowings.
- 10% increase in Trade and other receivables – due to installment sales booked for the year.
- 13% increase in Contract assets – due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 17% increase in Right of use-asset – due to new lease for our office in Commerce and Industry Plaza in McKinley Hill, Taguig City
- 41% increase in Interest-bearing loans and borrowings – due to availment of new interest-bearing loans.
- 8% increase in Trade and other payables – mainly due increase in payables to contractors and suppliers.
- 5% decrease in Contract liabilities – due to decrease in sales from uncompleted projects with lower percentage of completion than percentage of collection.
- 7% decrease in Advances from related parties – due to payments made to related parties.
- 50% decrease in Redeemable preferred shares – due to redemption of shares.
- 11% increase in Lease liabilities – due to new lease for our office in Commerce and Industry Plaza in McKinley Hill, Taguig City

- 18% decrease in other non-current liability – mainly due to presentation of portion of retention payable to current liability

*Material Changes in the Statements of Comprehensive Income the year ended December 31, 2021*

*(Increase/decrease of 5% or more versus December 31, 2020)*

- 34% decrease in Rental income – due to decrease in occupancy rate, rent concessions and lower foot traffic upon reopening.
- 27% decrease in Hotel Operations – mainly due to travel bans and limited hotel operations in accordance with quarantine guidelines.
- 6% increase in Service Income – due to higher service income for the year
- 53% decrease in Marketing fees – due to decrease in marketing income from sale of lots of joint venture partner.
- 35% increase in Finance and other income – due to increase in other income.
- 6% increase in Cost of real estate sales – mainly due to increase in real estate sales for the year.
- 9% increase in Cost of rentals and services – mainly due to increase in service income
- 33% decrease in Cost of hotel operations – directly related to decrease in hotel revenue.
- 7% decrease in Operating expenses – mainly due to decrease in expenses directly related to decrease in revenue and the Group's implementation of cost reduction measures.
- 394% increase in Equity share in net losses of associates – due to increase in net loss of associate recognized for the year.
- 41% increase in Finance cost and other charges – due to increase in other charges
- 73% decrease on Income tax expense – due to lower tax rate because of CREATE law.

**Review for the year ended December 31, 2020**

**Results of Operations**

For the year ended December 31, 2020 the Group's consolidated net income amounted to Php 1.30 billion, a 25% decrease from the December 31, 2019 net income of Php1.73 billion (exclusive of P188.5 million non-recurring gain in 2019). This is the net effect of the Covid-19 pandemic to the Group's business decline in revenue from real estate sales, rental income and hotel operations.

Consolidated total revenues amounted to Php5.19 billion. The bulk of revenues came from real estate sales, rental income, hotel operations, and finance and other income. The Group's registered sales came from sale of lots in Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin and Lucerne

at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas, Eastland Heights in Antipolo, Rizal and sale of condominium units in Oceanway Residences One, Ocean Garden Villas, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park and Tulip Gardens in Manila Southwoods and Vineyard Residences and The Manor in Twin Lakes, Tagaytay.

Total cost and expenses as of December 2020 amounted to Php3.89 billion, a decrease of 39% from Php6.38 billion as of December 2019, mainly due to decrease in cost of real estate sales, cost of rentals and services, cost of hotel operations and other operating expenses directly related to decrease in revenue.

### **Financial Condition**

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php50.6 billion as of December 31, 2020 compared to Php49.8 billion as of December 31, 2019 posted an increase of Php793million or 1.6%.

Cash and cash equivalents decreased by 15% mainly due to partial payment of Interest-bearing loans and borrowings and payments made to contractors and suppliers, from Php2.6 billion as of December 2019 to Php2.2 billion as of December 2020. Contract assets increased by 81%, from Php1.5 billion as of December 2019 to Php2.8 billion as of December 2020 due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Advances to related parties decreased by 18% due to collection from related parties. Property and Equipment decreased by 7% due to depreciation. Right-of-use asset decreased by 24% due to amortization for the period.

Interest bearing loans and borrowings increased by 6% or Php310 million as of December 2020 as compared to December 2019 due to availment of new interest-bearing loan. Trade and other payables decreased by 16% mainly due to payments made to contractors and suppliers. Contract liabilities decreased by 35% due to decrease in sales from uncompleted projects with lower percentage of completion than percentage of collection. Due to joint venture partners increased by 15% due to increase in collection of sales proceeds that are for remittance to joint venture partners. Advances from related parties decreased by 9% from Php1 billion as of December 2019 to Php92 million as of December 2020 due to payment of advances. Redeemable preferred shares decreased by 33% due to redemption of shares. Deferred Tax Liability also increased from Php1.57 billion in December 2019 to Php2.08 billion in December 2020. The 33% increase is due to increase in taxable temporary difference. Retirement benefit obligation increased by 17% from Php107 million in December 2019 to Php126 million in December 2020 due to additional accrual of retirement benefit. Other non-current liabilities increased from Php683 million to Php731 million mainly due to increase in security deposit of tenants.

Shareholders' Equity increased from Php33.2 billion to Php34.5 billion mainly due to net income for the year.

*Material Changes in the Statements of Final Position for the year ended December 31, 2020*

*(Increase/decrease of 5% or more versus December 31, 2019)*

- 15% decrease in Cash and cash equivalents – due to partial payment of Interest-bearing loans and borrowings and payment to contractor and supplier.
- 81% increase in Contract assets – due additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 18% decrease in Advances to related parties – due to collection from related parties.
- 7% decrease in Property Plant and Equipment – due to depreciation for the period.
- 24% decrease in Right of use-asset – due to amortization for the period.
- 6% increase in Interest-bearing loans and borrowings – due to availment of new interest-bearing loan.
- 16% decrease in Trade and other payables – mainly due to payments made to contractors and suppliers.
- 35% decrease in Contract liabilities – due to decrease in sales from uncompleted projects with lower percentage of completion than percentage of collection.
- 15% increase in Due to joint venture partners – increase in collection of sales proceeds that are for remittance to joint venture partners.
- 9% decrease in Advances from related parties – mainly due to payments made.
- 33% decrease in Redeemable preferred shares – due to redemption of shares.
- 33% increase in Deferred tax liabilities – due to increase in taxable temporary difference.
- 17% increase in Retirement benefit obligation – due to additional accrual of retirement benefit.
- 7% decrease in other non-current liability – mainly due to increase in collection of security deposit.

*Material Changes in the Statements of Comprehensive Income the year ended December 31, 2020*

*(Increase/decrease of 5% or more versus December 31, 2019)*

- 39% decrease in Real estate sales – mainly due to decrease in real estate sales that reached 10% collection and effect of suspension of construction activities during the ECQ period which slowly resumed as the quarantine protocols were relaxed.
- 17% decrease in Rental income – primarily due to closure of mall and commercial spaces during ECQ, rent concessions and lower foot traffic upon reopening.
- 75% decrease in Hotel Operations – as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with quarantine guidelines.
- 28% decrease in Service Income – lower income due to effect of restriction guidelines of community quarantine.
- 74% increase in Marketing fees – due to increase in marketing income from sale of lots of joint venture partner.
- 12% increase in Finance and other income – due to increase in finance income.
- 100% decrease in Gain on sale of investment on associate – no sale of investment for the period.

- 45% decrease in Cost of real estate sales – mainly due to decrease on real estate sales for the period.
- 74% decrease in Cost of hotel operations – directly related to decrease in hotel revenue.
- 35% decrease in Operating expenses – mainly due to decrease in expenses directly related to decrease in revenue and the Group’s implementation of cost reduction measures.
- 18% increase in Equity share in net losses of associates – due to increase in net loss of associates recognized for the year.
- 44% decrease in Finance cost and other charges – effect of decrease of floating interest rate and partial payment of principal loan.
- 18% decrease on Income tax expense – due to decrease in taxable income.

## **Management’s Discussion and Analysis of Results of Operations and Financial Conditions**

### **Review for the year ended December 31, 2019**

#### **Results of Operations**

For the year ended December 31, 2019 the Group’s consolidated net income amounted to Php 1.92 billion, 11.2% increase from December 31, 2018 net income of Php1.72 billion.

Consolidated total revenues amounted to Php8.3 billion. The bulk of revenues came from real estate sales, rental income, hotel operations, and finance and other income. The Group’s registered sales came from sale of lots in Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin, Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas, Eastland Heights in Antipolo, Rizal and sale of condominium units in Oceanway Residences One, Ocean Garden Villas, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park and Tulip Gardens in Manila Southwoods and Vineyard Residences and The Manor in Twin Lakes, Tagaytay.

Total cost and expenses amounted to Php6.4 billion, mainly from cost of real estate sales, cost of rentals and services, cost of hotel operations, and operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

#### **Financial Condition**

The Group’s financial position remained stable and with adequate capacity to support its growth. Total Assets of Php49.8 billion as of December 31, 2019 compared to Php46 billion as of December 31, 2018 posted an increase of Php3.7 billion or 8%.

Cash and cash equivalents increased by 48% mainly due to collection and availment of new Interest bearing loans and borrowings, from Php1.8 billion as of December 2018

to Php2.6 billion as of December 2019. Trade and other receivables increased by 71% mainly due to installment sales recognized for the period and reclassification from Contract Asset due to completion of projects. Contract assets decreased by 56%, from Php3.5 billion as of December 2018 to Php1.5 billion as of December 2019 due to completion of projects. Advances to related parties increased by 15% due to additional advances given to related parties. Investment in associates decreased by 13% due to sale of ownership in BNHGI. Other current and non-current assets increased by 8%, from Php3.2 billion as of December 2018 to Php3.5 billion as of December 2019, mainly due to increase in Advances to contractors and suppliers. Right of use-asset increased by 100% due to adoption of PFRS16 new standard on leases using the modified retrospective approach as allowed under the transitional provisions of the standard. Property Plant and Equipment increased by 21% mainly due to space used for the administration of hotel operations.

Interest bearing loans and borrowings increased by 24% or Php964 million as of December 2019 as compared to December 2018 due to availment of new interest bearing loan. Trade and other payables increased by 10% mainly due to increase in payables to contractors and suppliers. Customer's Deposits increased from Php1.2 billion as of December 31, 2018 to Php1.3 billion as of December 31, 2019 or 14% mainly due to collection from existing buyers and new reservation sales. Contract liabilities increased by 15% due to additional sales from uncompleted projects with lower percentage of completion than percentage of collection. Redeemable preferred shares decreased by 25% due to redemption of shares. Deferred Tax Liability also increased from Php1.27 billion in December 2018 to Php1.57 billion in December 2019. The 23% increase is due to increase in taxable temporary difference. Retirement benefit obligation increased by 114% from Php50 million in December 2018 to Php107 million in December 2018 due to higher accrual of retirement benefit. Other non-current liabilities decreased from Php1.2 billion to Php683 million mainly due to decrease in retention payable. Lease liabilities increased by 100% due to adoption of PFRS16 new standard on leases using the modified retrospective approach as allowed under the transitional provisions of the standard. Due to joint venture partners decreased by 10% due remittance of their share from the projects.

Shareholders' Equity increased from Php31.2 billion to Php33.2 billion mainly due to net income for the year.

*Material Changes in the Statements of Final Position for the year ended December 31, 2019*

*(Increase/decrease of 5% or more versus December 31, 2018)*

- 48% increase in Cash and cash equivalents due to collection and availment of new Interest bearing loans and borrowings.
- 71% increase in Trade and other receivable – mainly due to installment real estate sales recognized for the period and reclassification of contract assets for completed projects.
- 56% decrease in Contract assets – due to completion of projects.
- 15% increase in Advances to related parties – additional advances given to related parties.
- 13% decrease on Investment in Associate – due to sale of ownership in BNHGI.

- 8% increase in other current and non-current assets – due to increase in advances to contractors and suppliers.
- 100% increase in Right of use-asset - due to adoption of PFRS16 new standard on leases using the modified retrospective approach as allowed under the transitional provisions of the standard.
- 21% increase in Property Plant and Equipment – due to space used for the administration of hotel operations
- 24% increase in Interest-bearing loans and borrowings – due to availment of new interest bearing loan.
- 10% increase in Trade and other payables – mainly due to increase in payables to contractors and suppliers.
- 14% increase in Customer’s deposit – due to collection from existing buyers and new reservation sales.
- 15% increase in Contract liabilities – due to additional sales from uncompleted projects with lower percentage of completion than percentage of collection.
- 25% decrease in Redeemable preferred shares – due to redemption of shares
- 23% increase in Deferred tax liabilities – due to increase in taxable temporary difference
- 114% increase in Retirement benefit obligation – due to increase in accrual of retirement benefit
- 45% decrease in other non-current liability – mainly due to decrease in retention payable.
- 100% increase in Lease liability adoption of PFRS16 new standard on leases using the modified retrospective approach as allowed under the transitional provisions of the standard.
- 10% decrease in Due to Joint Venture Partners – due to remittance of their share in the project.

*Material Changes in the Statements of Comprehensive Income the year ended December 31, 2019*

*(Increase/decrease of 5% or more versus December 31, 2018)*

- 6% decrease in Real estate sales – mainly due to decrease on real estate sales recognized for the period.
- 75% increase in Rental income – mainly due to increase in occupancy and additional leasable space due to completion of Southwoods Office Towers in Southwoods City, Laguna.
- 263% increase in Hotel Operations – due to increase in occupancy rate for the period and opening of Twin Lakes Hotel in Laurel, Batangas.
- 28% increase in Service Income – due to increase in income from golf course maintenance.
- 15% increase in Marketing fees – due to increase in marketing income from sale of lots of joint venture partner
- 38% increase in Finance and other income – due to increase on interest income on real estate sales.



- 100% increase in Gain on sale of investment on associate – due to sale of investment in BNHGI.
- 7% decrease in Cost of real estate sales – mainly due to decrease on real estate sales for the period
- 64% increase in Cost of rental and services – mainly due to increase in depreciation from additional property held for lease and increase in cost of services.
- 180% increase in Cost of hotel operations – mainly due to increase in hotel revenue and opening of Twin Lakes Hotel.
- 34% increase in Operating expenses – mainly due to additional operating expenses from the expansion of hotel operation.
- 45% decrease in Equity share in net losses of associates – due to decrease in net loss of associates recognized for the year.
- 13% increase in Finance cost and other charges – due to interest from new loans.

## **ITEM 7. FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2021, 31 December 2020, and 31 December 2019, of the Company are incorporated herein duly signed by the external auditors.

## **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

### **Independent Public Accountants**

The Company's Board of Directors approved, on 24 June 2021, the designation of Punongbayan and Araullo as the external auditor for the audit of the financial statements of the Company for the year ending 31 December 2021. For the years 2016 to 2021, the handling partner has been Mr. Renan Piamonte, an Audit and Assurance partner of Punongbayan and Araullo.

### **Changes in Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company at its subsidiaries.

## **External Audit Fees and Services**

For the audit of the Company's financial statements and services that are normally provided by the external auditors in connection with statutory and regulatory filings for the calendar year reports of 2021, 2020, and 2019, the fee was approximately Php1.68 million, Php1.57 million, and Php1.49 million, respectively.

The external auditors rendered no other assurance and related services to the Company other than the items discussed above.

## **PART III – CONTROL AND COMPENSATION INFORMATION**

### **ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS**

The table sets forth each member of the Company's Board:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Andrew L. Tan	72	Filipino	Chairman & CEO
Lourdes T. Gutierrez-Alfonso	58	Filipino	Managing Director
Monica T. Salomon	53	Filipino	President
Kevin Andrew L. Tan	42	Filipino	Director
Ferdinand T. Santos	71	Filipino	Director
Wilbur L. Chan	62	Filipino	Director for Clubs and Hotels
Giancarlo C. Ng	44	Filipino	Director
Jesus B. Varela	65	Filipino	Lead Independent Director
Cresencio P. Aquino	68	Filipino	Independent Director

The table below sets forth GERI's executive officers in addition to its executive directors listed above (as of December 31, 2021):

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Lailani V. Villanueva	42	Filipino	Chief Finance Officer, Compliance Officer, /Treasurer, Corporate Information Officer
Marie Emelyn Gertrudes C. Martinez	58	Filipino	EVP, Head of Legal
Karen B. Maderazo	43	Filipino	VP, Head of Human Resources and Corporate Admin
Felipe L. Mangubat Jr.	56	Filipino	VP, Head of Operations Management

Michael R. Roxas	43	Filipino	Chief Risk Officer/Chief Audit Executive
Maria Carla T. Uykim	45	Filipino	Corporate Secretary and Assistant Corporate Information Officer
Nelileen S. Baxa	42	Filipino	Asst. Corporate Secretary

### **Board of Directors**

**ANDREW L. TAN**, Filipino, 72 years old, was first elected as Chairman of the Board and Chief Executive Officer of the Company on 12 January 2011. Dr. Tan serves as Chairman of the Board of Alliance Global Group, Inc. (AGI) which has interests in the food and beverage business, real estate, tourism-entertainment and gaming, quick-service restaurant business and infrastructure development. Dr. Tan is the founder of the Company's parent company, Megaworld Corporation and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism and leisure estates through the Company and is Chairman of the Company's subsidiaries Twin Lakes Corporation, Southwoods Mall, Inc. and Oceanfront Properties, Inc. Mr. Tan is also Chairman of Megaworld subsidiaries Empire East Land Holdings, Inc. and Suntrust Properties, Inc., and AGI's brandy subsidiary, Emperador, Inc. He is a director of Travellers International Hotel Group, Inc., which owns Resorts World Manila, and Golden Arches Development Corporation, the master franchise holder of McDonald's in the Philippines. Dr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

**LOURDES T. GUTIERREZ-ALFONSO**, 58 years old, was first elected as Director of the Company on 30 June 2011. Effective 01 March 2015, she was appointed as the Company's Managing Director to oversee the Company's business performance and lead in the formulation of overall strategic direction, plans, and policies for the Company. She is currently the Chief Operating Officer of Megaworld Corporation and is a member of Megaworld's Management Executive Committee. She is currently the Director and Vice Chairman of Suntrust Properties, Inc., and a director of MREIT, Inc., Megaworld Cebu Properties, Inc., Megaworld Resort Estates, Inc., Oceantown Properties, Inc., Prestige Hotels & Resorts, Inc., Oceanfront Properties, Inc., Megaworld Global-Estate, Inc., Twin Lakes Corporation, and FEUDC. She is a trustee and Corporate Secretary of Megaworld Foundation, Inc. Ms. Gutierrez is a certified public accountant by profession and graduated Cum Laude from the Far Eastern University with the degree of Bachelor of Science major in Accounting.

**MONICA T. SALOMON**, 53 years old, has served as Director, President, and Chief Operating Officer of the Company since 01 March 2015. Prior to joining GERI, she was Head of Megaworld's Corporate Management Division and spearheaded strategic real estate acquisitions and joint ventures for the Megaworld Group. She was also a member of Megaworld's Management Executive Committee, which is responsible for the development and execution of the Group's corporate strategies, policies and

initiatives. She holds directorships in various Megaworld and GERI subsidiaries significant of which are Twin Lakes Corporation, Megaworld Global-Estate, Inc., Southwoods Ecocentrum Corp., Southwoods Mall, Inc., Prestige Hotels & Resorts, Inc., Luxury Global Hotels and Leisure, Inc., Belmont Hotel Boracay, Inc., Savoy Hotel Boracay, Inc., Twin Lakes Hotel, Inc., and Megaworld Foundation, Inc. She obtained her Bachelor of Laws in 1994 from the University of the Philippines.

**WILBUR L. CHAN**, Filipino, 62 years old, was first elected as Director of the Company on 12 January 2011. He also serves as Director for Hotels and Clubs and is currently the Chairman of Fairways & Bluewater Resorts Golf & Country Club, Inc. and Fil-Estate Urban Development Corporation. He is also a director in Southwoods Ecocentrum Corporation and Uni-Asia Properties, Inc. He has a Master's Degree in Business Management from the Asian Institute of Management, a Master's Degree in National Security Administration (Silver Medalist) from the National Defense College of the Philippines and a Degree in Command & General Staff Course at Command & General Staff College.

**FERDINAND T. SANTOS**, Filipino, 71 years old, was elected as Director of the Company since its incorporation in 1994. He served as the Company's President until his retirement on 28 February 2015. He is also the President of Fil-Estate Management Inc., Fil-Estate Development Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., Newport Hills Golf Club, Inc., St. Benedict Realty & Development Inc., Royal Jade Memorial Inc., and Mt. Zion Memorial, Inc. He graduated from Arellano University with Bachelor of Arts degree in 1970 and took his Bachelor of Laws at San Beda College where he graduated Valedictorian and Magna Cum Laude in 1974. He was a topnotcher in the 1974 Philippine Bar (2nd Place).

**KEVIN ANDREW L. TAN**, 42 years old, was elected as Director on 26 June 2014. He is the Chief Executive Officer and Vice Chairman of Alliance Global Group, President, Chief Executive Officer of MREIT, Inc. and Chief Strategy Officer of Megaworld Corporation. He is concurrently a director of listed companies, Emperador Inc. and Empire East Land Holdings, Inc. He is also a director of various companies in the Alliance Global Group including Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., Southwoods Ecocentrum Corp., Twin Lakes Corporation, and Southwoods Mall, Inc., Belmont Hotel Boracay, Inc., and Twin Lakes Hotel, Inc. He has over 11 years of experience in retail leasing, marketing, and operations having served as head of Megaworld Lifestyle Malls for over 11 years. Mr. Tan holds a bachelor's degree in Business Administration major in Management, from the University of Asia and the Pacific.

**GIANCARLO C. NG**, 44 years old, was first elected as Director on 28 August 2020. He is the Vice-President of Progreen Agricornp, Inc. He has 20 years of leadership roles in the areas of Information Technology consulting, customer support, pre-sales engineering, and global business development. He is experienced in strategic and tactical planning, client relationship management, corporate governance, and change management. Mr. Ng holds a Bachelor of Arts in Humanities and a degree of Master of Science in Information Technology, having graduated Magna Cum Laude in 2000 from the University of Asia and the Pacific.

**JESUS B. VARELA**, Filipino, 65 years old, was elected as Lead Independent Director on 30 June 2016. He is also an Independent Director of Megaworld Corporation and MREIT, Inc. He graduated with an Economics degree in 1979 from Ateneo de Manila University. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippine), and New Lights Technologies, Inc. He is the President and CEO of the Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc., and President of Philippine Greek Business Council and Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippines), Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than 20 years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri-Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar, and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

**CRESENCIO P. AQUINO**, Filipino, 68 years old, is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He is a graduate of San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as follows: Director of Clark Development Corporation from 2012 to 2016, Independent Director of Global-Estate Resorts, Inc. from 2010 to 2012, Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, member of the Board of Directors of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, Executive Director of the Department of Interior and Local Government (DILG) from 1998 to 1992, and Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino has extensive experience in public service, investment banking, corporate practice specializing in joint venture undertaking, corporate restructuring, real estate funds, mergers and acquisitions, risk management, innovative restructuring, due diligence & valuations and enhancing shareholder value. He was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus and the Lawyers League of the Philippines.

**Key Executive Officers (other than those presented above under “Directors”)**

**LAILANI V. VILLANUEVA**, Filipino, 42 years old, is the Chief Finance Officer, Compliance Officer and Treasurer of the Company. She is a Certified Public Accountant with over 19 years of experience in accounting and finance. Prior to joining the Company, she was Senior Accounting Manager for Megaworld Corporation from 2007 until 2010. In 2011, she joined Global-Estate Resorts, Inc. as Comptroller. She is concurrently the Chief Financial Officer of Fairways and Bluewater Resort Golf and Country Club, Inc., Director and Chief Finance Officer of Southwoods Ecocentrum Corporation, Director of Southwoods Mall Inc., and Megaworld Global-Estate, Inc. Ms. Villanueva obtained her bachelor’s degree in Accountancy from the College of the Immaculate Concepcion.

**MARIE EMELYN GERTRUDES C. MARTINEZ**, Filipino, 58 years old, is the Executive Vice President for Legal. She is also the Corporate Secretary of Fil-Estate Golf and Development, Inc., Fil-Estate Urban and Development, Inc., Fairways and Bluewater Resort Golf and Country Club, Inc., and Newport Hills Golf Club, Inc. Before joining GERI, she was the Chief of Staff of the Office of COMELEC Commissioner Augusto C. Lagman. She was a Partner in Ponce Enrile Reyes & Manalastas (PECABAR) Law Offices and in Nisce Mamuric Guinto Rivera & Alcantara Law Offices. She was admitted to the Bar in 1991 after obtaining her Bachelor of Laws degree from University of the Philippines and her Bachelor of Arts major in Economics from the same university.

**KAREN B. MADERAZO**, Filipino, 42 years old, is the Vice President and Head of the Company’s Human Resources and Corporate Administration Division. She joined the Company on 1 October 2013. Ms. Maderazo served as the Senior Manager for Human Resources Division of Megaworld Corporation from May 2005 to September 2013. She also worked for Suyen Corporation from June 2003 to February 2005 as Training Specialist of the Personnel Department. She graduated from Centro Escolar University with a bachelor’s degree in Science in Psychology. She pursued graduate studies in Psychology at the Centro Escolar University.

**FELIPE L. MANGUBAT, JR.**, Filipino, 56 years old, was appointed Vice President and Head of Operations Management of the Company in January 2020. A civil engineer by profession, he has extensive experience in project development, having managed various residential, commercial, institutional and industrial projects in the Philippines and in the Middle East. Prior to his appointment, he served as Project Development Head of the Company’s Boracay Newcoast and Twin Lakes projects.

**MICHAEL R. ROXAS**, Filipino, 43 years old, is currently the Chief Audit Executive, Chief Risk Officer and Environment Health and Safety Officer of the Company. Before joining GERI, he was the head of Risk Management & Insurance Division of Makati Development Corporation (MDC), a wholly owned subsidiary and the construction arm of Ayala Land, Inc. During his time in MDC, he championed several initiatives for MDC such as documentation and improvement of MDC’s systems and procedures, establishment of the Enterprise-wide Risk Management program, development of Business Continuity Management, and Lean Construction. He has a dynamic 16-year

management career in auditing, assurance and consultancy in real estate, retail, manufacturing and telecommunications companies. He performed financial, operations and compliance audits including business process, project management, continuous monitoring, process mapping, and fraud investigation. He has a Master's Degree in Business Administration from the Pamantasan ng Lungsod ng Maynila. He is a Certified Lead Auditor for ISO 9001:2008 Quality Management System and ISO 14001:2004 Environmental Management System. Mike is certified in Safety Program Audit, Loss Control Management and Construction Occupational Safety and Health (COSH). He also obtained the Certified Internal Control Auditor (CICA) title in February 2019. He is a member of the Institute of Internal Auditors – Philippines (IIA-P) since 2009.

**MARIA CARLA T. UYKIM**, 45 years old, Filipino, is the Corporate Secretary and Assistant Corporate Information Officer. She is also the Corporate Secretary of MREIT, Inc., San Vicente Coast, Inc., Northwin Properties, Inc., and Maple Grove Land, Inc., and a Director and Corporate Secretary of Luxury Global Malls, Inc. She is currently a Vice President for the Corporate Advisory and Compliance Division of Megaworld Corporation and is a member of Megaworld Corporation's Management Executive Committee. Prior to joining Megaworld Corporation, Atty. Uykim was an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. She obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of the double degree program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

**NELILEEN S. BAXA**, Filipino, 42 years old, is the Assistant Corporate Secretary of the Company and is currently a Senior Accounting Manager of Megaworld Corporation. She is a certified public accountant with over eighteen (18) years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc. and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

### **Significant Employees**

Other than the Company's executive officers, there are no employees who are expected to make a significant contribution to the Company's business or personnel upon whose services the Company's business is highly dependent.

### **Family Relationships**

Chairman Andrew L. Tan is the father of director, Kevin Andrew L. Tan.

### **Involvement in Certain Legal Proceedings (over the past 5 years)**

The Company has no knowledge of any of the following events that occurred during the past five (5) years up to the date of this report, which are material to an evaluation of the ability or integrity of any director or executive officer:

- a. None of them has been involved in any bankruptcy petition.
- b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding both domestic and foreign.
- c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily, enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
- d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

### **ITEM 10. EXECUTIVE COMPENSATION**

#### **KEY EXECUTIVE OFFICERS**

<b>NAME</b>	<b>POSITION</b>	<b>YEAR</b>	<b>SALARY</b>	<b>Other Annual Compensation</b>
A. Five Most Highly Compensated Officers		Estimate 2022	22.7 Million	3.5 Million
Monica T. Salomon Wilbur L. Chan	President Director for Hotels and Clubs			
Emelyn C. Martinez Felipe L. Mangubat, Jr.	EVP-Legal Head of Operations Management			
Lailani V. Villanueva	Chief Finance Officer			
B. All other officers and directors as a group unnamed			18.8 Million	2.5 Million



<b>NAME</b>	<b>POSITION</b>	<b>YEAR</b>	<b>SALARY</b>	<b>Other Annual Compensation</b>
<b>A. Five Most Highly Compensated Officers</b>  Monica T. Salomon Wilbur L. Chan  Emelyn C. Martinez Felipe L. Mangubat, Jr.  Lailani V. Villanueva	President Director for Hotels and Clubs EVP-Legal Head of Operations Management Chief Finance Officer	2021	21.6 Million	3.4 Million
<b>B. All other officers and directors as a group unnamed</b>			16.3 Million	2.1 Million
<b>C. Five Most Highly Compensated Officers</b>  Monica T. Salomon Wilbur L. Chan  Emelyn C. Martinez Jennifer L. Romualdez * Felipe L. Mangubat Jr. **  Lailani V. Villanueva	President Director for Hotels and Clubs EVP-Legal SVP – Operations Head of Operations Management Chief Finance Officer	2020	21.8 Million	3.9 Million
<b>D. All other officers and directors as a group unnamed</b>			15.9 Million	2.0 Million
* Until February 29, 2020 <b>E. ** Starting March 1, 2020</b>				

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to Php25 million in 2021, and Php25.7 million in 2020. The projected total annual compensation for the current year is Php26.2 million.

The total annual compensation paid to all senior personnel from AVP and up are all payable in cash. The total annual compensation includes the basic salary and 13th month pay.

The Company has no other arrangement with regard to the remuneration of its existing officers aside from the compensation received as herein stated.

## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The Directors receive reasonable per diem.

On 23 September 2011, the Board of Directors of the Company approved an Executive Stock Option Plan and this was approved on 8 November 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the Plan is to enable the key Company executives, directors and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Corporate Governance Committee of the Board.

Under the Plan, the Company shall initially reserve for exercise of stock options up to 500 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve (12) months immediately preceding the date of grant. The options shall vest within three (3) years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three (3) year period. The Company shall receive cash for the stock options.

Pursuant to this ESOP, on 16 February 2012, the Company granted the option to its key company directors and executives to subscribe to 100 million shares of the Company, at an exercise price of Php1.93 (1<sup>st</sup> Tranche). On 18 February 2013, the Company granted another stock option to the same set of directors and officers for the same number of shares (100 million shares) at an exercise price of Php1.69 (2<sup>nd</sup> Tranche). On 7 March 2014, the Company granted another stock option to the same set of directors and officers for the same number of shares (100 million shares) at an exercise price of Php1.50 (3<sup>rd</sup> Tranche). On 9 March 2015 and 17 June 2016, the Company granted another stock option to certain key officers of the company for 50 Million shares for each tranche at an exercise price of Php1.65 (4<sup>th</sup> Tranche) and Php1.00 (5<sup>th</sup> Tranche), respectively.

The PSE approved the Company's application for the listing of 100,000,000 common shares (1st Tranche), an additional 100,000,000 common shares (2nd Tranche), an additional 100,000,000 common shares (3<sup>rd</sup> Tranche), an additional 50,000,000 common shares (4<sup>th</sup> Tranche), and an additional 50,000,000 common shares (5<sup>th</sup> Tranche) on 25 May 2012, 28 January 2014, 17 June 2014, 24 July 2015, and 11 November 2016, respectively.

An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option's Life Cycle.

As of 31 December 2021, none of the Option Holders has exercised the options granted to them under the ESOP, and no underlying shares have been subscribed nor fully paid for by the Option Holders in connection therewith.

The 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Tranches of the ESOP expired on 15 February 2019, 17 February 2020, 6 March 2021, and 8 March 2022, respectively. Thus, as of 15 March 2022, a total of fifty million common shares of unexercised options remain valid under the ESOP.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

**Security Ownership of Certain Record and Beneficial Owners**

Security ownership of certain record and beneficial owners owning more than 5% of any class of the Corporation's voting securities as of 31 December 2021 are as follows:

<b>Title of Class</b>	<b>Name, address of record owner and relationship with issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent (Based in total shares)</b>
Common Shares	Megaworld Corporation 30th Floor, Alliance Global Tower, 36 <sup>th</sup> St. corner 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation	Filipino	9,042,732,139	82.31%
Common shares	PCD Nominee Corporation (Filipino) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders	Filipino	1,490,872,540	13.57%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

### **Security Ownership of Management**

As of 31 December 2021 common shares owned by all directors and executive officers of GERI, representing original issues and stock dividends are as follows:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
Common	Dr. Andrew L. Tan	2 (direct)	Filipino	0.00%
Common	Lourdes T. Gutierrez-Alfonso	2 (direct)	Filipino	0.00%
Common	Monica T. Salomon	1 (direct)	Filipino	0.00%
Common	Kevin Andrew L. Tan	2 (direct)	Filipino	0.00%
Common	Ferdinand T. Santos	30,007 (direct)	Filipino	0.00%
Common	Wilbur L. Chan	2,611,825 (direct)	Filipino	0.02%
Common	Giancarlo S. Ng	1 (direct)	Filipino	0.00%
Common	Jesus B. Varela	1 (direct)	Filipino	0.00%
Common	Cresencio P. Aquino	1 (direct)	Filipino	0.00%
<b>Other Executive Officers</b>				
Common	Lailani V. Villanueva	0	Filipino	n/a
Common	Marie Emelyn Gertrudes C. Martinez	0	Filipino	n/a
Common	Karen B. Maderazo	0	Filipino	n/a
Common	Felipe L. Mangubat, Jr.	0	Filipino	n/a
Common	Michael R. Roxas	0	Filipino	n/a
Common	Maria Carla T. Uykim	0	Filipino	n/a
Common	Nelileen S. Baxa	0	Filipino	n/a

### **Voting Trust Holders of 5% or more**

The Company knows of no persons holding more than 5% of common shares under voting trust or similar agreement.

### **Changes in Control**

There has been no change in the control of the Company since it became a subsidiary of Megaworld Corporation.

## **ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Group, in its regular conduct of business, has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, marketing, leasing and administrative service agreements.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements.

Except with respect to the Related Party Transactions as discussed in Note 25 to the consolidated financial statements as at 31 December 2021 and 2020 and for each of the last three (3) years ended 31 December 2021, there was no transaction during the last three (3) years involving the Company in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of the Company's total outstanding shares and members of their immediate family had a material interest.

## **PART IV – EXHIBITS AND SCHEDULES**

### **ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C**

#### **a.) Exhibits**

The following exhibit is incorporated by reference in this report:

#### 2021 Consolidated Audited Financial Statements

No other exhibits, as indicated in the Index to Exhibits are either applicable to the Company or require no answer.

#### **b.) Reports on SEC Form 17-C**

The following reports on SEC Form 17-C were among those filed during the last six months period covered by this report:

##### 1. Standard Disclosures

- Public Ownership Report
- Foreign Ownership Report
- List of Top 100 Stockholders
- Notice of Annual Stockholders' Meeting
- Attendance of GERI Directors and Officers on ACGR Seminar
- 24 June 2021 Organizational Board Meeting – election of Corporate Officers
- 24 June 2021 Annual Stockholders' Meeting & Election of Board of Directors
- Certification of Independent Director
- Compliance Report on Corporate Governance

##### 2. Press Releases

- 26 April 2021 Press Release – “GERI Sells More Residential Projects in the Provinces”


- 14 May 2021 Press Release – “GERI Properties in Alabang, Boracay and Antipolo Sold Fast in Q1”
- 09 August 2021 Press Release – “GERI’s H1 net income up 11% to P603-M”
- 11 November 2021 Press Release – “Real Estate Sales, Hotel Revenues Boost GERI’s 3Q Profits”

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in Quezon City on March , 2022.

By:

  
**Atty. Monica T. Salomon**  
 President  
*Principal Operating Officer*

  
**Lailani V. Villanueva**  
 Chief Finance Officer  
*Principal Financial Officer*

  
**Atty. Maria Carla T. Uykim**  
*Corporate Secretary*

  
**Gervinna Z. Lopez-Garde**  
 Controller  
*Principal Accounting Officer*

SUBSCRIBED AND SWORN to before me this        day of March 2022, affiants exhibiting to me their valid identification card, as follows:

<u>NAMES</u>	<u>TIN/UMID/ SSS No.</u>	<u>Expiration Date</u>	<u>Place of Issue</u>
Monica T. Salomon	TIN 182-240-560-000	--	Manila
Lailani V. Villanueva	CRN 0002-1985165-5	--	Manila
Maria Carla T. Uykim	TIN 159-353-280-000	--	--
Gervinna Z. Lopez-Garde	TIN 242-194-123-000	--	NCR

Doc. No: \_\_\_\_\_;  
 Page No.: \_\_\_\_\_;  
 Book No.: \_\_\_\_\_;  
 Series of 2022.

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

Sec Registration Number

A	S	O	9	4	0	0	4	4	6	2
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COMPANY NAME

G	L	O	B	A	L	-	E	S	T	A	T	E		R	E	S	O	R	T	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)

9	T	H		F	L	O	O	R		E	A	S	T	W	O	O	D		G	L	O	B	A	L		P	L	A	Z	A
P	A	L	M		T	R	E	E		A	V	E	N	U	E		B	A	G	U	M	B	A	Y	A	N				
1	1	1	0		Q	U	E	Z	O	N		C	I	T	Y															

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

lvillanueva@global-estate.ph

Company's Telephone Number/s

5-328-4370

Mobile Number

N/A

No. of Stockholders

4,183

Annual Meeting (Month / Day)

Last Thursday of June

Fiscal Year (Month / Day)

December-31

CONTACT PERSON INFORMATION

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

Name of Contact Person

LAILANI V. VILLANUEVA

Email Address

lvillanueva@global-estate.ph

Telephone Number/s

5-328-4370

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

9/F Eastwood Global Plaza, Palm Tree Ave., Eastwood City, Bagumbayan, Quezon 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 to 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.





## GLOBAL-ESTATE RESORTS, INC.

9<sup>th</sup> Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2<sup>nd</sup> District Philippines  
Telephone No. 328-4374

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Global-Estate Resorts, Inc and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Andrew L. Tan**  
Chairman of the Board

**Monica T. Salomon**  
President

**Lailani V. Villanueva**  
Chief Finance Officer

Signed this 24<sup>th</sup> day of February, 2022



## GLOBAL-ESTATE RESORTS, INC.

9<sup>th</sup> Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2<sup>nd</sup> District Philippines  
Telephone No. 328-4374

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of MAR 27 2022 at QUEZON CITY, Philippines, affiant(s) exhibited to me their respective Identification Cards, as follows:

### NAMES

Andrew L. Tan  
Monica T. Solomon  
Lailani V. Villanueva

### Tax Identification Number

TIN 125-960-003-000  
Passport No. P0979017A  
Unified Multi-Purpose ID CRN -0002-1985165-5

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my Notarial seal on the date and place above written.

Doc No. 215  
Page No. 44  
Book. I  
Series of 2022

  
**CELINE-MARIA B. JANOLO**  
NOTARY PUBLIC

City of Quezon

Adm Matter No NP-254 (2021-2022)

9<sup>th</sup> Floor Eastwood Global Plaza Building,

Palm Tree Avenue, Eastwood City, Bagumbayan **Quezon City**

Attorney's Roll No. 65785

IBP No. 171094, 12/21/2021 / **Batangas Chapter**

PTR No. 2368147, 01/04/2022 / **Quezon City**

MCLE Compliance No. VII-0005610

Issued on 26 November 2021



**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**Global-Estate Resorts, Inc. and Subsidiaries**

December 31, 2021, 2020 and 2019



## Report of Independent Auditors

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**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Global-Estate Resorts, Inc. and Subsidiaries  
(A Subsidiary of Megaworld Corporation)**

9/F Eastwood Global Plaza  
Palm Tree Avenue, Eastwood City  
Bagumbayan, Quezon City

### ***Opinion***

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

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

### ***Basis for Opinion***

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

***Emphasis of Matters***

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruption brought by the COVID-19 pandemic.

Also, we draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting beliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements.

Our opinion is not modified in respect of this matter.

***Key Audit Matters***

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***(a) Revenue Recognition on Real Estates Sales and Determination of Related Costs******Description of the Matter***

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P3.7 billion or 74.6% of the consolidated revenues and income and P1.6 billion or 49.1% of consolidated cost and expenses, respectively, for the year ended December 31, 2021. Areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition and measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. An error in the application of the requirements of the revenue recognition standard, and management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales, and the basis of significant judgments and estimates are disclosed in Notes 2 and 3, respectively, to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 19 and 22, respectively, to the consolidated financial statements.

***How the Matter was Addressed in the Audit***

We have obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an assessment of the design and operating effectiveness of controls related to revenue recognition processes employed by the Group, as well as tests of information technology general controls (ITGC). We also performed tests of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results.

In addressing the risks of material misstatements in revenue recognition, we have performed inspection of sample agreements for compliance with a set of criteria for revenue recognition and testing of controls over contract approval. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recognition and allocation of costs of projects and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the design and operating effectiveness of relevant controls with respect to the revenue and cost processes. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

### **(b) Impairment of Property and Equipment and Investment Properties**

#### *Description of the Matter*

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates as a consequence of certain measures implemented by the Philippine government in response to the COVID-19 pandemic, which significantly impacted the revenues reported for this segment. Moreover, the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic and lease concessions. The impairment of real properties under the hotel operations and rental segments is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. Real properties under hotel operations (part of property and equipment) and rental segments (part of investment properties) amounted to P628.5 million and P5.4 billion, respectively, or 1.16% and 9.94% of consolidated total assets as of December 31, 2021.



The Group's policy for impairment of non-financial assets are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment of non-financial assets are more fully described in Note 3 to the consolidated financial statements. The segment information, carrying amount of investment properties and carrying amount of property and equipment and are disclosed in Notes 4, 11 and 12, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of impairment of property and equipment and investment properties included the following:

- Understood the Group's process in making accounting judgments and estimates relating to impairment of non-financial assets, particularly in the determination of recoverable amount of real properties under hotel operations and rental segments, and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group relating to the measurement of the recoverable amounts of investment properties and property and equipment;
- Involved the work of firm experts in testing the appropriateness of the assumptions and methodology used in determining the value-in-use, which include the appropriateness of the pre-tax discount rate and growth rates, and reasonableness of the cash flow projections prepared by management, including consideration of the impact of COVID-19 on the room rates, occupancy rates, lease rates and lease restructuring and terminations; and,
- Performed sensitivity analysis on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amounts of the property and equipment and investment properties to exceed their recoverable amount.

***Other Information***

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

**PUNONGBAYAN & ARAULLO**



By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2022

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes		2021		2020
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	<b>P</b>	3,949,449,148	P	2,239,105,042
Trade and other receivables - net	6		7,529,861,186		7,078,288,731
Contract assets	19		1,914,210,251		1,936,273,057
Advances to real estate property owners	9		45,442,620		217,433,954
Advances to related parties	25		714,141,424		717,625,029
Inventories - net	7		18,872,379,522		18,221,005,862
Prepayments and other current assets - net	8		3,245,392,771		3,268,871,910
Total Current Assets			36,270,876,922		33,678,603,585
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables - net	6		2,604,563,540		2,143,693,587
Contract assets	19		1,233,089,935		857,722,890
Advances to real estate property owners	9		1,258,287,730		1,066,134,052
Investment in an associate - net	10		731,432,952		732,027,425
Investment property - net	11		10,797,030,614		10,824,754,225
Property and equipment - net	12		912,535,908		940,361,431
Right-of-use assets - net	13		150,159,058		128,232,911
Other non-current assets - net	14		160,092,926		189,697,156
Total Non-current Assets			17,847,192,663		16,882,623,677
<b>TOTAL ASSETS</b>					
		<b>P</b>	54,118,069,585	<b>P</b>	50,561,227,262

	Notes	2021	2020
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	15	P 1,387,254,907	P 1,470,588,240
Trade and other payables	16	3,605,270,531	3,338,759,931
Contract liabilities	19	491,603,288	472,550,220
Due to joint venture partners	17	400,238,268	410,467,353
Advances from related parties	25	850,531,858	916,543,597
Redeemable preferred shares	26	251,597,580	251,597,580
Customers' deposits	2	1,226,743,675	1,114,701,002
Lease liabilities	13	84,127,139	46,816,744
		<u>8,297,367,246</u>	<u>8,022,024,667</u>
Total Current Liabilities			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	15	6,105,669,497	3,863,970,580
Contract liabilities	19	267,065,145	327,009,832
Customers' deposits	2	73,650,170	182,764,669
Retirement benefit obligation	23	127,234,441	125,775,212
Deferred tax liabilities - net	24	2,135,571,400	2,078,888,861
Lease liabilities	13	442,785,024	426,818,577
Redeemable preferred shares	26	-	251,597,580
Other non-current liabilities	18	597,836,442	731,137,402
		<u>9,749,812,119</u>	<u>7,987,962,713</u>
Total Non-current Liabilities			
Total Liabilities		<u>18,047,179,365</u>	<u>16,009,987,380</u>
<b>EQUITY</b>			
Equity attributable to shareholders of the Parent Company:			
Capital stock	26	10,986,000,000	10,986,000,000
Additional paid-in capital		4,747,739,274	4,747,739,274
Revaluation reserves		32,585,760	7,628,466
Retained earnings		14,218,026,127	12,906,744,489
		<u>29,984,351,161</u>	<u>28,648,112,229</u>
Non-controlling interest	10	6,086,539,059	5,903,127,653
Total Equity		<u>36,070,890,220</u>	<u>34,551,239,882</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 54,118,069,585</u></b>	<b><u>P 50,561,227,262</u></b>

*See Notes to Consolidated Financial Statements.*

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES AND INCOME</b>				
Real estate sales	6, 19	P 3,717,314,154	P 3,614,255,530	P 5,906,525,172
Rental income	11, 19	408,929,904	619,359,588	746,691,845
Marketing fees	9	148,531,430	314,157,595	180,867,447
Hotel operations	19	145,950,403	201,209,745	813,928,144
Service income	2	131,419,980	124,218,552	172,020,165
Finance and other income	20	433,968,542	322,396,825	287,307,555
Gain on sale of investment in associate	10	-	-	188,514,452
		<u>4,986,114,413</u>	<u>5,195,597,835</u>	<u>8,295,854,780</u>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sales	21, 22	1,628,491,489	1,538,459,693	2,794,278,385
Cost of rentals and services	21, 22	344,233,070	317,293,791	331,144,642
Cost of hotel operations	21, 22	75,864,785	113,669,079	442,819,864
Other operating expenses	21	1,044,689,038	1,122,279,497	1,737,131,547
Finance costs and other charges	20	220,512,155	156,338,409	280,829,826
Equity share in net losses of associates	10	594,473	120,265	101,665
		<u>3,314,385,010</u>	<u>3,248,160,734</u>	<u>5,586,305,929</u>
<b>PROFIT BEFORE TAX</b>		1,671,729,403	1,947,437,101	2,709,548,851
<b>TAX EXPENSE</b>	24	177,036,359	647,156,777	792,811,959
<b>NET PROFIT</b>		<u>1,494,693,044</u>	<u>1,300,280,324</u>	<u>1,916,736,892</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Remeasurements of retirement benefit plan	23	34,002,912	3,372,833	( 45,519,012 )
Tax income (expense)	24	( 9,045,618 )	( 1,011,850 )	13,655,704
		<u>24,957,294</u>	<u>2,360,983</u>	<u>( 31,863,308 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 1,519,650,338</u>	<u>P 1,302,641,307</u>	<u>P 1,884,873,584</u>
<b>Net profit attributable to:</b>				
Parent Company's shareholders		P 1,311,281,638	P 1,086,836,496	P 1,489,054,664
Non-controlling interest		183,411,406	213,443,828	427,682,228
		<u>P 1,494,693,044</u>	<u>P 1,300,280,324</u>	<u>P 1,916,736,892</u>
<b>Total comprehensive income attributable to:</b>				
Parent Company's shareholders		P 1,336,238,932	P 1,089,197,479	P 1,457,191,356
Non-controlling interest		183,411,406	213,443,828	427,682,228
		<u>P 1,519,650,338</u>	<u>P 1,302,641,307</u>	<u>P 1,884,873,584</u>
<b>EARNINGS PER SHARE</b>				
	27			
Basic		<u>P 0.119</u>	<u>P 0.099</u>	<u>P 0.136</u>
Diluted		<u>P 0.115</u>	<u>P 0.096</u>	<u>P 0.131</u>

*See Notes to Consolidated Financial Statements.*

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Attributable to Owners of the Parent Company					Non-controlling Interest (See Note 2)	Total Equity
	Capital Stock (See Note 26)	Additional Paid-in Capital	Revaluation Reserves (See Note 23)	Retained Earnings (See Note 2)	Total		
Balance at January 1, 2021	P 10,986,000,000	P 4,747,739,274	P 7,628,466	P 12,906,744,489	P 28,648,112,229	P 5,903,127,653	P 34,551,239,882
Total comprehensive income for the year	-	-	24,957,294	1,311,281,638	1,336,238,932	183,411,406	1,519,650,338
Balance at December 31, 2021	<b>P 10,986,000,000</b>	<b>P 4,747,739,274</b>	<b>P 32,585,760</b>	<b>P 14,218,026,127</b>	<b>P 29,984,351,161</b>	<b>P 6,086,539,059</b>	<b>P 36,070,890,220</b>
Balance at January 1, 2020	P 10,986,000,000	P 4,747,739,274	P 5,267,483	P 11,819,907,993	P 27,558,914,750	P 5,689,683,825	P 33,248,598,575
Total comprehensive income for the year	-	-	2,360,983	1,086,836,496	1,089,197,479	213,443,828	1,302,641,307
Balance at December 31, 2020	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 7,628,466</u>	<u>P 12,906,744,489</u>	<u>P 28,648,112,229</u>	<u>P 5,903,127,653</u>	<u>P 34,551,239,882</u>
Balance at January 1, 2019	P 10,986,000,000	P 4,747,739,274	P 37,130,791	P 10,329,960,376	P 26,100,830,441	P 5,312,001,597	P 31,412,832,038
Share-based employee compensation	-	-	-	892,953	892,953	-	892,953
Cash dividends	-	-	-	-	-	( 50,000,000 )	( 50,000,000 )
Total comprehensive income for the year	-	-	( 31,863,308 )	1,489,054,664	1,457,191,356	427,682,228	1,884,873,584
Balance at December 31, 2019	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 5,267,483</u>	<u>P 11,819,907,993</u>	<u>P 27,558,914,750</u>	<u>P 5,689,683,825</u>	<u>P 33,248,598,575</u>

*See Notes to Consolidated Financial Statements.*

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,671,729,403	P 1,947,437,101	P 2,709,548,851
Adjustments for:				
Depreciation and amortization	21	356,424,161	360,640,145	353,525,753
Finance income	20	( 177,933,238 )	( 164,191,512 )	( 159,732,966 )
Finance costs	20	113,752,201	131,202,017	236,057,259
Loss on refund and sales cancellation	20	106,759,954	14,447,453	39,063,331
Gain on derecognition of payables	20	( 106,187,235 )	( 94,917,309 )	( 76,848,443 )
Foreign exchange (gains) / loss	20	( 15,262,638 )	10,119,955	5,308,846
Equity share in net losses of associates	10	594,473	120,265	101,665
Gain on sale of investment in associate	10	-	-	( 188,514,452 )
Impairment losses	8, 10, 25	-	-	93,552,635
Share-based employee compensation	26	-	-	892,953
Operating profit before working capital changes		<u>1,949,877,081</u>	2,204,858,115	3,012,955,432
Decrease (increase) in trade and other receivables		( 715,659,970 )	112,733,580	( 3,001,311,234 )
Decrease (increase) in contract assets		( 353,304,239 )	( 1,281,574,607 )	1,987,630,761
Decrease (increase) in inventories		( 509,485,835 )	22,106,519	( 300,588,211 )
Increase in prepayments and other current assets		( 146,966,870 )	( 214,388,451 )	( 1,127,026,225 )
Decrease (increase) in advances to real estate property owners		( 30,391,429 )	51,357,123	( 79,955,577 )
Decrease (increase) in refundable deposits		6,828,979	( 7,171,275 )	( 4,739,183 )
Decrease in other non-current assets		630,075	81,015,792	7,206,765
Increase (decrease) in trade and other payables		324,139,016	( 371,075,167 )	580,279,997
Increase (decrease) in contract liabilities		( 40,891,619 )	( 433,082,646 )	163,810,582
Increase (decrease) in customers' deposits		2,928,174	( 50,263,044 )	165,123,661
Increase in retirement benefit obligation		34,904,263	21,989,821	7,234,860
Increase (decrease) in other non-current liabilities		( 133,300,833 )	48,494,152	( 286,031,117 )
Cash generated from operations		<u>389,306,793</u>	184,999,912	1,124,590,511
Interest received		9,054,204	39,897,286	38,813,894
Interest paid		( 258,340,562 )	( 249,512,260 )	( 288,086,438 )
Cash paid for income taxes		( 39,835,078 )	( 163,838,514 )	( 163,890,165 )
Net Cash From (Used in) Operating Activities		<u>100,185,357</u>	( 188,453,576 )	711,427,802
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investment property	11	( 116,582,384 )	( 236,252,651 )	( 332,932,921 )
Property and equipment	12	( 76,291,689 )	( 9,584,509 )	( 121,987,813 )
Collections of advances to related parties	25	7,860,549	189,176,412	103,637,827
Cash advances granted to related parties	25	( 4,376,944 )	( 29,143,617 )	( 304,494,937 )
Proceeds from disposals of property and equipment	12	87,321	17,143	699,184
Proceeds from sale of investment in associate	10	-	-	297,484,908
Net Cash Used in Investing Activities		( 189,303,147 )	( 85,787,222 )	( 357,593,752 )
<i>Balance brought forward</i>		( P 89,117,790 )	( P 274,240,798 )	P 353,834,050

	Notes	2021	2020	2019
<i>Balance carried forward</i>		( P 89,117,790 )	( P 274,240,798 )	P 353,834,050
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of interest-bearing loans	33	3,628,953,824	2,000,000,000	2,500,000,000
Repayments of interest-bearing loans	33	( 1,470,588,240 )	( 1,689,747,078 )	( 1,536,466,462 )
Redemption of preferred shares	26	( 251,597,580 )	( 251,597,580 )	( 251,597,580 )
Repayments of advances from related parties	25	( 75,650,853 )	( 94,707,395 )	( 103,187,691 )
Repayment of lease liabilities	33	( 46,917,893 )	( 63,023,129 )	( 151,902,934 )
Cash advances obtained from related parties	25	-	1,067,562	94,800,749
Cash dividends paid		-	-	( 50,000,000 )
Net Cash From (Used in) Financing Activities		<u>1,784,199,258</u>	( <u>98,007,620</u> )	<u>501,646,082</u>
Effects of Exchange Rates Changes on Cash and Cash Equivalents		<u>15,262,638</u>	( <u>10,119,955</u> )	( <u>5,308,846</u> )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,710,344,106</b>	( <b>382,368,373</b> )	<b>850,171,286</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>2,239,105,042</u>	<u>2,621,473,415</u>	<u>1,771,302,129</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b><u>P 3,949,449,148</u></b>	<b><u>P 2,239,105,042</u></b>	<b><u>P 2,621,473,415</u></b>

**Supplemental Information on Non-cash Investing and Financing Activities:**

- (1) In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Moreover, reclassifications of inventories, property and equipment, and investment property have been made. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 7, 11 and 12).
- (2) In 2021, 2020, and 2019, the Group recognized right-of-use assets amounting to P68.2 million, P105.1 million, and P228.1 million, respectively. Lease liabilities recognized in 2021, 2020, and 2019 amounted to P62.1 million, P84.1 million, and P610.3 million respectively (see Notes 13 and 33).
- (3) In 2021, the Company applied Advances to contractors amounting to P51.1 million against payments made for investment property additions during the year (see Notes 11 and 14).

*See Notes to Consolidated Financial Statements.*



**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994. It is primarily engaged in the development of integrated tourism and leisure estates, and integrated lifestyle communities with residential, retail, hotel and/or leisure components. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

On May 25, 2021, the Philippines Securities and Exchange Commission (SEC) approved the change in the Company's registered office and principal place of business from 16<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City to 9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on May 21, 2021.

The Company is a subsidiary of Megaworld Corporation (Megaworld or the parent company) with an ownership interest of 82.31%. Megaworld is 67.00% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company.

Megaworld was incorporated in the Philippines primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. Megaworld is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

AGI is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The shares of stock of the Company, Megaworld and AGI are listed at the Philippine Stock Exchange (PSE).

## 1.1 Composition of the Group

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group):

<u>Subsidiaries/Associates</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
<b>Subsidiaries:</b>		
Fil-Estate Properties, Inc. (FEPI)		100%
Aklan Holdings Inc. (AHI)	(a)	100%
Blue Sky Airways, Inc. (BSAI)	(a)	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(a)	100%
MCX Corporation (MCX)	(a)	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%
Prime Airways, Inc. (PAI)	(a)	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%
Fil-Estate Golf and Development, Inc. (FEGDI)		100%
Golforce, Inc. (Golforce)	(b)	100%
Southwoods Ecocentrum Corp. (SWEC)	(b)	60%
Philippine Aquatic Leisure Corp. (PALC)	(c)	60%
Fil-Estate Urban Development Corp. (FEUDC)		100%
Novo Sierra Holdings Corp. (NSHC)		100%
Elite Communities Property Services, Inc. (ECPSI)	(d)	100%
Savoy Hotel Boracay, Inc.	(e)	100%
Belmont Hotel Boracay, Inc.	(e)	100%
Megaworld Global-Estate, Inc. (MGEI)	(f)	60%
Twin Lakes Corp. (TLC)		51%
Twin Lakes Hotel, Inc. (TLHI)	(g)	51%
Oceanfront Properties, Inc. (OPI)		50%
Global Homes and Communities, Inc. (GHCI)		100%
Southwoods Mall, Inc. (SMI)		51%
<b>Associates:</b>		
Fil-Estate Network, Inc. (FENI)		20%
Fil-Estate Sales, Inc. (FESI)		20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%
Fil-Estate Realty Corp. (FERC)		20%
Nasugbu Properties, Inc. (NPI)	(h)	14%

Non-controlling interests (NCI) in 2021 represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEI, TLC, TLHI, OPI and SMI (see Note 10.2).

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

**Explanatory notes:**

- a. Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.
- b. Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.
- c. Subsidiary of SWEC.
- d. Subsidiary acquired in 2018. ECPSI is engaged primarily to manage and administer real estate properties.
- e. Subsidiaries engaged primarily to operate and manage resort hotels.
- f. Subsidiary acquired in prior years primarily to market the Group's projects.
- g. A subsidiary of TLC. TLHI was incorporated in 2018 to operate Twin Lakes Hotel, one of the real estate projects of TLC.
- h. Associates because GERI has a representation in the BOD.

### ***1.2 Continuing Impact of COVID-19 Pandemic on the Group's Business***

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In response to this matter, the Group has taken the following actions:

- maximized digital platforms to sell real estate projects in order to limit face to face engagements;
- focused on sale of residential and commercial lots outside Metro Manila to meet a robust demand of these products;
- assisted tenants in implementing social distancing measures which in effect lowered the foot traffic in malls and commercial spaces;
- continued to work closely with tenants to determine and address their needs;
- expanded outdoor dining areas in lifestyle malls to meet customer demand for alfresco dining though still implementing social distancing measures;
- launched E-Concierge, a mobile application that allows contactless interaction between guests and hotel staff from check-in to check-out, including virtual ordering of food from various food and beverage outlets inside the hotels; and,
- obtained lower cost funding through bank financing to support its business operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective.

As a result of the actions taken by management, the Group's operations showed the following results:

- net profit of the Group in 2021 is 15.0% higher than that of 2020;
- real estate sales is 2.9% higher as compared to that of 2020 as a result of resumption of construction activities;
- rental income posted a decline of 34.0% in 2021. This is the net effect of decrease in occupancy rate of office space, rental concessions, and lower foot traffic in mall and commercial spaces; and,
- revenue from hotel operations decreased by 27.5% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with quarantine guidelines.

Management will continue to take actions to continually improve the operations. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

### ***1.3 Approval of the Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's BOD on February 24, 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Company are disclosed in detail below and in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(b) SEC Financial Reporting Reliefs Availed by the Group*

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding page are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

<b>Relief</b>	<b>Description and Implication</b>	<b>Deferral period</b>
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:</p> <ul style="list-style-type: none"> <li>• finance costs and other charges would have been higher;</li> <li>• cost of real estate inventories sold would have been lower;</li> <li>• total comprehensive income would have been lower;</li> <li>• retained earnings would have been lower; and,</li> <li>• the carrying amount of real estate inventories would have been lower.</li> </ul>	Until December 31, 2023

Relief	Description and Implication	Deferral period
<p>PIC Q&amp;A No. 2018-12-D, <i>Concept of the Significant Financing Component in the Contract to Sell</i> and PIC Q&amp;A No. 2020-04, <i>Addendum to PIC Q&amp;A 2018-12-D: Significant Financing Component Arising from Mismatch Between the Percentage of Completion and Schedule of Payments</i></p>	<p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.</p>	<p>Until December 31, 2023</p>

<b>Relief</b>	<b>Description and Implication</b>	<b>Deferral period</b>
PIC Q&A No. 2018-12-E, <i>Treatment of land in the determination of POC</i>	Land on which the real estate development will be constructed shall also be excluded in the assessment of POC.  Had the Group elected not to defer this provision of the standard, it would not have an impact on the consolidated financial statements as the cost of land is excluded in the assessment of the POC.	Exclusion of land in the assessment of progress is deferred until December 31, 2023

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to third consolidated statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

**2.2 Adoption of Amended PFRS**

(a) *Effective in 2021 that is Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7, PFRS 9, and PFRS 16 (Amendments)	:	Financial Instruments: Disclosures, Financial Instruments, and Leases – Interest Rate Benchmark Reform Phase 2
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

- (i) The Group adopted for the first time the application of the amendments to PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no significant impact on the Group's consolidated financial statements as the Group do not have any financial instruments subject to LIBOR.
- (ii) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions Beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
  - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the “10 per cent” Test for Derecognition of Liabilities*
  - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January 1, 2023)



- (vii) PAS 1 (Amendments), *Presentation of Financial Statements – Definition of Accounting Estimates* (effective from January 1, 2023)
  - (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
  - (ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)
- (c) *PIC Q&As Relevant to the Real Estate Industry Applicable in 2021*

Discussed below and in the succeeding page are the PIC Q&As effective January 1, 2021 that are applicable to the Group, including the descriptions of their impact to the Group's consolidated financial statements.

- (i) PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC15 and PIC Q&A No. 2020-02, Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials delivered on-site that are not customized, such as steel and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. In the case of uninstalled materials that are not customized, since the Group is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The application of the PIC Q&A had no significant financial impact to Group's consolidated financial statements since the Group does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

- (ii) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

PIC Q&A No. 2020-03 concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group assessed to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as part of the Contract Assets account, hence, the adoption did not have a significant impact on the 2021 consolidated financial statements.

- (iii) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

This PIC Q&A superseded PIC Q7A No. 2018-14, The interpretation provides three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- Repossessed property is recognized at fair value less cost to repossess;
- Repossessed property is recognized at fair value plus repossession cost; or,
- Cancellation is accounted for as a modification of the contract

The Group assessed that it will account for cancellations of sales contracts and repossession of property as a modification of contract, hence, the adoption of this PIC Q&A did not have a significant impact on the Group's consolidated financial statements.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in the Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in joint operations and transactions with NCI as follows:

#### **(a) Investments in Subsidiaries**

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (negative goodwill) is recognized directly as gain in profit or loss (see also Note 2.11).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Losses of Associates account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is an objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. If the investment in associate is subsequently sold, the Group recognize in profit or loss the difference between the consideration received and the carrying amount of the investment.

Distributions received from the associates, if any, are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Interests in Joint Operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operations, the Group recognized in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

No adjustment and consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

(d) *Transactions with NCI*

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Company holds interests in various subsidiaries and associates as presented in Notes 1 and 10.

#### **2.4 Foreign Currency Transactions and Translations**

The accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as Foreign currency gains (losses) under Finance and Other Income or Charges – net in the consolidated statement of income.

#### **2.5 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

##### *(a) Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. The financial asset category currently relevant to the Group is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables [except for Value-added tax (VAT) on contracts with customers, Advances to raw landowners and Advances to officers and employees], Advances to Real Estate Property Owners, Advances to Related Parties, and Refundable deposits (as part of Other Non-current Assets account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income on financial assets at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of comprehensive income as part of Finance and Other Income account.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, contract assets, and other financial assets carried at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due (see Note 29.2).

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, 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).

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligations over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at Default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial assets subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## **2.6 Inventories**

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.20). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

## **2.7 Prepayments and Other Assets**

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Advances to contractors pertain to advance payments made by the Group for the construction of real estate properties intended for sale (i.e. held as inventory) and investment properties. This is classified as current asset if it will be applied as payments for construction of assets to be classified as inventories. Otherwise, this will be classified as non-current asset.



Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

## ***2.8 Property and Equipment***

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and impairment losses, if any. As no finite useful life for land can be determined, the related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

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

Building	50 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years
Building and office improvements	5-10 years

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## ***2.9 Investment Property***

Investment property consists of parcels of land and buildings, including those under construction, held or intended for lease or for capital appreciation or both. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Land development and improvements	20 years
Building and improvements	25-50 years

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing costs (see Note 2.20). Cost is recognized when materials purchased and services performed in relation to construction of an asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, estimated useful lives and method of depreciation of investment property are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.17).

Transfers from other accounts (such as property and equipment or real estate inventory) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use (see Note 2.8).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

## ***2.10 Financial Liabilities***

Financial liabilities, which include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Due to Joint Venture Partners, Redeemable Preferred Shares, Lease Liabilities and Other Non-current Liabilities account (except Advance rental), are recognized when the Group becomes a party to the contractual terms of the instrument. These are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## **2.11 Business Combination**

### *(a) Accounting for Business Combination Using the Acquisition Method*

Business acquisitions of entities not under common control of a principal stockholder are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill, if any, represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

*(b) Accounting of Business Combination Using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2, *Application of the Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (Amended by PIC Q&As Nos. 2015-01 and 2018-13); hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves”, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

## **2.12 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Company’s BOD - its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group’s products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm’s length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### ***2.13 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.14 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.15 Revenue and Expense Recognition***

Revenue comprises revenue from sale of real properties, hotel operations and leasing activities. The Group's leasing activities are accounted for under PFRS 16 (see Note 2.16).

To determine whether to recognize revenue from revenue covered by PFRS 15, the Group follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1. Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

The specific recognition criteria of the various revenue streams of the Group are as follows:

- (a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under Revenues and Income section in the consolidated statement of comprehensive income.

- (b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under Revenues and Income section in the consolidated statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Group.

- (c) *Hotel operations* – Revenues from room accommodation and services are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer. For food and beverage, revenue is recognized at a point in time upon delivery to and receipt of food and beverage by the customer.
- (d) *Service income* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Service income comprises fees from maintenance of golf course and management fees.
- (e) *Marketing fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Prepayments and Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.20).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, considerations received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

## **2.16 Leases**

The Group accounts for its leases as follows:

### *(a) Group as Lessee*

The Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments mainly pertain to fixed payments agreed in the contract. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in consolidated profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.



(b) *Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all the risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income are recognized based on the pattern reflecting constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Sublease which was previously classified as operating lease applying PAS 17, *Leases*, but finance lease applying PFRS 16 is accounted as a new finance lease entered into at the date of initial application of PFRS 16 on January 1, 2019. The effect of recognizing the net investment in the sublease is recognized as adjustment to the opening balance of retained earnings.

### ***2.17 Impairment of Non-financial Assets***

The Group's investments in associates, investment property, property and equipment, right-of-use assets and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

### ***2.18 Employee Benefits***

The Group's employee benefits are recognized and measured as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), if any, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance and Other Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

### ***2.19 Share-based Employee Remuneration***

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

### ***2.20 Borrowing Costs***

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Inventories account (see Note 2.6). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, if any, is deducted from the borrowing costs eligible for capitalization.

### ***2.21 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

Based on the requirement of SEC MC No. 2019-60, *Rules of Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% if the Group's consolidated total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

## ***2.22 Income Taxes***

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. These are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.23 Equity***

Capital stock represents the nominal value of shares that have been issued.

APIC represents premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves pertain to remeasurements of retirement benefit obligation.

Retained earnings includes all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income and share-based employee remuneration, reduced by the amounts of dividends declared, if any.

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Company's shareholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

### ***2.24 Basic and Diluted Earnings per Share***

Basic earnings per share (EPS) is computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Group's potentially dilutive shares consist only of share options (see Note 27).

### ***2.25 Events after the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(b) *Evaluation of the Timing of Satisfaction of Performance Obligations*

(i) *Real Estate Sales*

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments. On the other hand, performance obligation for completed real estate properties is satisfied at a point in time when the control over the real estate property is transferred to the buyer.

(ii) *Hotel Operations*

The Group determines that its revenue from hotel operations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

*(iii) Forfeited Collections and Deposits*

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

*(c) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for group of various customer segments that have similar loss patterns (i.e., product type, customer type, and coverage by letters of guarantee and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Note 29.2(b).

In relation to advances to related parties, that the maximum period over which ECL should be measured is the longest contractual period where the Group is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances existing at the reporting date, management has assessed that all strategies indicate that the Group can fully recover the outstanding balance of its receivables, except for those discussed in Note 29.2(b).

*(d) Distinction among Investment Property and Owner-occupied Properties*

The Group determines whether an asset qualifies as an item of investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held 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.

(e) *Distinction Between Real Estate Inventories and Investment Properties*

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings 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 capital appreciation. The Group considers management's intention over these assets in making its judgment.

(f) *Determination of Significant Influence over Entities in which the Group Holds Less than 20% Ownership*

The Group determines whether significant influence exists over an investee company over which the Group holds less than 20% of the investee's capital stock. The Group considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee, provision of essential technical information for the development of the various projects of these investees, and routine participation in management decisions in making its judgment. Based on management's judgment, the Group has significant influence over these investee companies (see Note 1).

(g) *Consolidation of Entities in which the Company Holds 50% Ownership or Less*

Management considers that the Company has de facto control over OPI even though it does not hold more than 50% of the ordinary shares and voting rights of this subsidiary due to the factors discussed below.

The Company holds 50% equity interest over OPI and has: (1) the ability to direct the relevant activities of the subsidiary; (2) the rights to variable returns from its involvement with the subsidiary; and, (3) the ability to use its power to affect its returns from its involvement with the subsidiary. Based on management's judgment, the Company has control over OPI; hence, the said subsidiary was consolidated in the financial statements of the Group.

(h) *Distinction Between Operating and Finance Leases (as a Lessor)*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Group's lease agreements, as lessor, are classified either operating or finance leases.

(i) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 28.

### ***3.2 Key Sources of Estimation Uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed in the succeeding pages.



(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using the effective interest rate on the most recent loan. Since the date of the availment is near the initial date of application, management is satisfied that the selected rate reflects the risks specific to the Group.

(b) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(c) *Revenue Recognition for Performance Obligations Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(d) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 29.2.

(e) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable values inventories are higher than their related carrying values as of the end of the reporting periods.

(f) *Fair Value of Stock Options*

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted. The estimates and assumptions used are presented in Note 26.2, which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

(g) *Estimation of Useful Lives of Investment Property, Property and Equipment and Right-of-use Assets*

The Group estimates the useful lives of investment property, property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property, property and equipment, and development right are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of investment property, property and equipment, and right-of-use assets are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2021 and 2020, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(h) *Fair Value Measurement of Investment Property*

Investment property is measured using the cost model. For disclosure purposes, the Group determines the fair values of building and building improvements using the discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates.

These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land and land development and improvements, the Group determines the fair value of land through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 11 and 31.3.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2021 and 2020 will be fully utilized within the prescribed period of availment. The carrying value of deferred tax assets as of those dates is disclosed in Note 24.

(j) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2019, certain advances to contractors were found to be impaired (see Note 8). No impairment losses were recognized on investment property, property and equipment, and right-of-use assets and other non-financial assets for the years ended December 31, 2021, 2020 and 2019 (see Notes 11, 12 and 13).

(k) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(l) *Basis for Revenue Recognition Benchmark*

The Group recognizes its revenue from sale of real estate in full when 10% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment to complete the payment of the total contract price.

## 4. SEGMENT INFORMATION

### *4.1 Business Segments*

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office projects. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment includes hotel services, sale of food and beverages, and parties and events services. The Service Income segment relates to maintenance of golf courses. The Corporate and Others segment includes marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.12. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

### *4.2 Segment Assets and Segment Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment property, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages and taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

### *4.3 Intersegment Transactions*

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

### *4.4 Analysis of Segment Information*

The tables presented in the succeeding pages present revenue and profit information regarding industry segments for the years ended December 31, 2021, 2020 and 2019 and certain asset and liability information regarding segments at December 31, 2021, 2020 and 2019.

**As of and for the Year Ended December 31, 2021**

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Total Segment</u>
<b>TOTAL REVENUES</b>						
Sales to external customers	P 3,871,797,094	P 408,929,904	P 145,950,403	P 131,419,980	P 404,566,734	P 4,962,664,115
Intersegment sales	-	70,286,871	-	27,768,869	391,777,108	489,832,848
Total revenues	<u>P 3,871,797,094</u>	<u>P 479,216,775</u>	<u>P 145,950,403</u>	<u>P 159,188,849</u>	<u>P 796,343,842</u>	<u>P 5,452,496,963</u>
<b>RESULTS</b>						
Segment results	P 1,095,598,326	P 80,002,289	P 36,221,862	P 85,622,152	P 310,698,210	P 1,608,142,839
Unallocated expenses						-
Income from operations						1,608,142,839
Finance income	119,271,609	-	-	-	56,661,629	177,933,238
Finance costs	-	-	-	-	( 113,752,201)	( 113,752,201)
Equity in net earnings						
of associates	-	-	-	-	( 594,473)	( 594,473)
Income before tax						1,671,729,403
Tax expense						( 177,036,359)
Net profit before						
non-controlling interest						1,494,693,044
Non-controlling interest share in						
net profit						183,411,406
Net income attributable to						
the Company's shareholders						<u>P 1,311,281,638</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 39,712,084,622	P 6,533,292,701	P 1,426,787,528	P 303,817,005	P 4,660,277,102	P 52,636,258,958
Investments in and advances						
to associates and other						
related parties	-	-	-	-	1,445,574,376	1,445,574,376
Deferred tax assets	-	-	35,830,838	405,413	-	36,236,251
Total assets	<u>P 39,712,084,622</u>	<u>P 6,533,292,701</u>	<u>P 1,462,618,366</u>	<u>P 304,222,418</u>	<u>P 6,105,851,478</u>	<u>P 54,118,069,585</u>
Segment liabilities	P 11,461,866,680	P 683,592,131	P 481,161,635	P 88,249,203	P 3,196,738,316	P 15,911,607,965
Deferred tax liabilities	2,135,571,400	-	-	-	-	2,135,571,400
Total Liabilities	<u>P 13,597,438,080</u>	<u>P 683,592,131</u>	<u>P 481,161,635</u>	<u>P 88,249,203</u>	<u>P 3,196,738,316</u>	<u>P 18,047,179,365</u>
<b>OTHER SEGMENT INFORMATION</b>						
Project and capital expenditures	P 2,148,196,959	P 167,647,680	P 3,876,826	P 839,981	P 48,417,337	P 2,368,978,782
Depreciation and amortization	43,665,936	273,128,743	21,347,764	2,015,892	16,265,826	356,424,161

As of and for the Year Ended December 31, 2020

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Total Segment</u>
<b>TOTAL REVENUES</b>						
Sales to external customers	P 3,680,929,821	P 619,359,588	P 201,209,745	P 124,218,552	P 472,362,908	P 5,098,080,614
Intersegment sales	-	89,519,365	-	48,211,608	112,907,938	250,638,911
Total revenues	<u>P 3,680,929,821</u>	<u>P 708,878,953</u>	<u>P 201,209,745</u>	<u>P 172,430,160</u>	<u>P 585,270,846</u>	<u>P 5,348,719,525</u>
<b>RESULTS</b>						
Segment results	P 1,247,476,055	P 256,255,035	P 11,768,897	P 3,033,911	P 396,033,972	P 1,914,567,871
Unallocated expenses						-
Income from operations						1,914,567,871
Finance income	95,534,170	-	-	-	68,657,342	164,191,512
Finance costs	-	-	-	-	( 131,202,017)	( 131,202,017)
Equity in net earnings						
of associates	-	-	-	-	( 120,265)	( 120,265)
Income before tax						1,947,437,101
Tax expense						( 647,156,777)
Net profit before						
non-controlling interest						1,300,280,324
Non-controlling interest share in						
net profit						<u>213,443,828</u>
Net income attributable to						
the Company's shareholders						<u>P 1,086,836,496</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 37,219,206,391	P 6,781,703,425	P 1,103,911,238	P 266,331,354	P 3,740,422,400	P 49,111,574,808
Investments in and advances						
to associates and other						
related parties	-	-	-	-	1,449,652,454	1,449,652,454
Unallocated assets	-	-	-	-	-	-
Total assets	<u>P 37,219,206,391</u>	<u>P 6,781,703,425</u>	<u>P 1,103,911,238</u>	<u>P 266,311,354</u>	<u>P 5,190,074,854</u>	<u>P 50,561,227,262</u>
Segment liabilities	P 9,526,864,303	P 740,150,290	P 468,311,158	P 70,753,683	P 3,125,019,085	P 13,931,098,519
Deferred tax liabilities – net	<u>2,078,888,861</u>	-	-	-	-	<u>2,078,888,861</u>
Total segment liabilities	<u>P 11,605,753,164</u>	<u>P 740,150,290</u>	<u>P 468,311,158</u>	<u>P 70,753,683</u>	<u>P 3,125,019,085</u>	<u>P 16,009,987,380</u>
<b>OTHER SEGMENT INFORMATION</b>						
Project and capital expenditures	P 1,539,317,486	P 240,487,487	P 6,897,246	P 270,873	P 20,174,988	P 1,807,148,080
Depreciation and amortization	31,466,822	261,132,053	30,989,847	12,728,945	22,642,434	358,960,101

As of and for the Year Ended December 31, 2019

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Total Segment</u>
<b>TOTAL REVENUES</b>						
Sales to external customers	P 6,062,091,916	P 746,691,845	P 813,928,144	P172,020,165	P 496,956,488	P 8,291,688,558
Intersegment sales	-	108,358,631	-	-	77,932,047	186,290,678
Total revenues	<u>P 6,062,091,916</u>	<u>P 855,050,476</u>	<u>P 813,928,144</u>	<u>P172,020,165</u>	<u>P 574,888,535</u>	<u>P 8,477,979,236</u>
<b>RESULTS</b>						
Segment results	<u>P 2,189,099,477</u>	<u>P 373,995,224</u>	<u>P 135,827,924</u>	<u>P 8,397,283</u>	<u>P 78,654,901</u>	P 2,785,974,809
Unallocated expenses						-
Income from operations						2,785,974,809
Finance income	68,467,736	-	-	-	91,265,230	159,732,966
Finance costs	-	-	-	-	( 236,057,259)	( 236,057,259)
Equity share in net						
losses of associates	-	-	-	-	( 101,665)	( 101,665)
Income before tax						2,709,548,851
Tax expense						( 792,811,959)
Net profit before						
non-controlling interest						1,916,736,892
Non-controlling interest share in						
net profit						<u>427,682,228</u>
Net income attributable to						
the Company's shareholders						<u>P 1,489,054,664</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P36,799,037,737	P6,300,922,240	P1,175,665,711	P289,135,470	P3,593,172,363	P48,157,933,521
Investments in and advances						
to associates and other						
related parties	-	-	-	-	1,609,805,514	1,609,805,514
Unallocated assets	-	-	-	-	-	-
Total assets	<u>P 36,799,037,737</u>	<u>P 6,300,922,240</u>	<u>P 1,175,665,711</u>	<u>P 289,135,470</u>	<u>P 5,202,977,877</u>	<u>P 49,767,739,035</u>
Segment liabilities	P 9,584,950,486	P 729,554,662	P 565,653,419	P 98,380,836	P3,973,809,893	P14,952,349,296
Deferred tax liabilities – net	1,566,791,164	-	-	-	-	1,566,791,164
Total segment liabilities	<u>P 11,151,741,650</u>	<u>P 729,554,662</u>	<u>P 565,653,419</u>	<u>P 98,380,836</u>	<u>P 3,973,809,893</u>	<u>P 16,519,140,460</u>
<b>OTHER SEGMENT INFORMATION</b>						
Project and capital expenditures	P 3,104,512,073	P1,081,995,898	P 53,611,777	P 6,249,158	P 58,672,774	P 4,305,041,680
Depreciation and amortization	31,728,205	249,232,973	24,181,907	22,964,213	24,472,644	352,579,942

#### 4.5 Reconciliations

Presented below is a reconciliation of the Group's net revenues to the revenues presented in its consolidated statements of comprehensive income.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net revenues</b>			
Total segment revenues	<b>P 5,452,496,963</b>	P 5,348,719,525	P 8,477,979,236
Day – one loss on installments contract receivables	<b>( 154,482,940)</b>	( 66,674,291)	( 155,566,744)
Elimination of intersegment revenues	<b>( 489,832,848)</b>	( 250,638,911)	( 186,290,678)
Revenues as reported in consolidated profit or loss*	<b><u>P 4,808,181,175</u></b>	<u>P 5,031,406,323</u>	<u>P 8,136,121,814</u>

\*excluding Finance income (see Note 20.1)

There are no revenues from a single customer amounting to 10% or more of the Group's revenue.

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at the end of the reporting periods:

	<u>2021</u>	<u>2020</u>
Cash on hand and in banks	<b>P 2,760,641,366</b>	P 1,173,837,108
Short-term placements	<b><u>1,188,807,782</u></b>	<u>1,065,267,934</u>
	<b><u>P 3,949,449,148</u></b>	<u>P 2,239,105,042</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made between 7 to 90 days at prevailing market interest rates and earn effective interest ranging from 0.01% to 1.125% in 2021 and 0.25% to 0.60% in 2020.

Interest income earned from cash in banks and short-term placements is included as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 20.1).



## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following as at December 31:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Current:			
Installment contract and other trade receivables	25.2	<b>P7,112,591,663</b>	P 6,648,650,338
VAT on contracts with customers		<b>523,690,211</b>	423,214,177
Unearned discount and interest		<b>( 125,432,774)</b>	( 73,076,209)
Advances to officers and employees	25.3	<b>193,437,226</b>	248,223,186
Advances to raw landowners		<b>59,196,996</b>	58,652,413
Finance lease receivable	28.1	<b>81,915,204</b>	52,633,520
Others		<b><u>224,804,959</u></b>	<u>260,333,606</u>
		<b>8,070,203,486</b>	7,618,631,031
Allowance for impairment		<b>( <u>540,342,300</u>)</b>	( <u>540,342,300</u> )
		<b><u>P7,529,861,186</u></b>	<u>P7,078,288,731</u>
Non-current:			
Installment contract receivables		<b>P1,960,489,061</b>	P1,510,133,640
VAT on contracts with customers		<b>229,013,091</b>	198,262,264
Unearned discount and interest		<b>( 75,928,397)</b>	( 105,342,959)
Finance lease receivable	28.1	<b><u>490,989,785</u></b>	<u>540,640,642</u>
		<b><u>P2,604,563,540</u></b>	<u>P 2,143,693,587</u>

Installment contract receivables represent receivables from sale of real estate and resort shares for sale and are normally collectible monthly within one to five years. The titles to the real estate and resort shares sold remain with the Group until such receivables are fully collected. The installment period of sales contracts averages from three to five years.

Installment contract receivables are noninterest-bearing and are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Interest income from amortization amounted to P92.6 million, P95.5 million and P68.5 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 20.1).

Meanwhile, the related day-one loss on the discounting of the interest free installment contracts receivables amounting to P154.5 million, P66.7 million and P155.6 million in 2021, 2020 and 2019, respectively, is presented as a deduction against the Real Estate Sales account in the consolidated statements of comprehensive income.

VAT on contracts with customers represents the VAT component of the contract price of real estate sales to the extent recognized either as installment contract receivables or contract assets.

Advances to officers and employees are noninterest-bearing, unsecured and settled through salary deduction or liquidation.

Advances to raw landowners are noninterest-bearing cash advances pertaining to amounts advanced by the Group to certain raw landowners as down payment for lots to be acquired for future real estate development.

Finance lease receivables pertains to the sublease of development rights to a third party. Interest income on the finance lease amounted to P42.1 million, P45.5 million and P44.3 million in 2021, 2020 and 2019, respectively, and are presented as part of Finance Income under Finance and Other Income account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 20.1).

Other receivables include interest receivable from third parties.

All of the Group's trade and other receivables have been reviewed for impairment. In 2021 and 2020, management assessed that no additional impairment loss is needed to be recognized. As of December 31, 2021 and 2020, certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer since the titles to the real estate properties sold remain with the Group until such receivables are fully collected. This assessment is undertaken each financial year using the simplified approach in measuring ECL as fully disclosed in Note 29.2(b).

## 7. INVENTORIES

Except for the portion of Golf and resorts shares for sale stated at net realizable value, inventories at the end of 2021 and 2020 were stated at cost. The details of inventories are shown below.

	<u>2021</u>	<u>2020</u>
At cost:		
Real estate for sale	<b>P11,386,972,479</b>	P10,968,155,171
Property development cost	<b>2,088,914,308</b>	2,266,516,585
Raw land inventory	<b><u>2,497,451,968</u></b>	<u>2,108,961,669</u>
	<b><u>15,973,338,755</u></b>	<u>15,343,633,425</u>
Golf and resort shares for sale at NRV:		
At cost	<b>2,987,452,269</b>	2,965,783,939
Allowance for impairment	<b>(<u>88,411,502</u>)</b>	( <u>88,411,502</u> )
	<b><u>2,899,040,767</u></b>	<u>2,877,372,437</u>
	<b><u>P18,872,379,522</u></b>	<u>P18,221,005,862</u>

Real estate for sale mainly pertains to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects, including capitalized borrowing costs amounting to P222.3 million and P184.1 million for the years ended December 31, 2021 and 2020, respectively. The said interest was incurred in relation to the interest-bearing loans obtained in 2021, 2020, 2019 and 2017 (see Note 15). The capitalization rate averaged 4.82% and 3.56% in 2021 and 2020, respectively.

In 2021 and 2020, the Group reclassified property development cost and real estate for sale with a total carrying amount of P31.5 million and P14.4 million, respectively, to investment property as such properties are held to earn rentals (see Note 11).

Property development costs include on-going costs incurred by the Group for its own projects. In addition, this account also includes the costs incurred by the Group for the joint development of various projects that are treated as jointly controlled operations; there were no separate entities created by these joint venture agreements. The jointly controlled operations are undertaken under project agreements with different venture partners. The costs relating to these joint projects represent the amount of investments placed by the Group as original investor/developer or the amount assigned/transferred to the Group by associates or by related parties who were the original investors/developers in the project agreement.

Raw land inventory pertains to acquisition costs of raw land intended for future development of real estate for sale, including other costs and expenses incurred to effect the transfer of title of the property to the Group.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

As at December 31, 2021 and 2020, the Group neither has other contingent liabilities with regard to the joint ventures nor that the probability of loss that may arise from contingent liabilities is remote.

There are no impairment losses recognized in 2021 and 2020.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Advances to contractors and suppliers		<b>P 1,378,110,469</b>	P1,546,737,633
Input VAT		<b>887,038,032</b>	919,661,668
Creditable withholding tax		<b>328,641,282</b>	386,666,470
Prepayments		<b>285,663,530</b>	215,519,090
Deferred commission	19.3	<b>299,438,713</b>	145,464,948
Others		<b>85,217,670</b>	73,539,026
		<b>3,264,109,696</b>	3,287,588,835
Allowance for impairment		<b>(18,716,925)</b>	(18,716,925)
		<b><u>P3,245,392,771</u></b>	<b><u>P3,268,871,910</u></b>

Advances to contractors and suppliers, which are noninterest-bearing and unsecured, pertain to amounts advanced to the Group's contractors and suppliers as down payment for services to be rendered and goods to be delivered to the Group for the development of real estate projects.

Deferred commission represents incremental costs of obtaining a contract to sell real estate property to customers, which are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

The Group's advances to contractors and suppliers have been reviewed for impairment. Certain advances were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized amounting to P5.1 million in 2019 (nil in 2021 and 2020) which is presented as part of Miscellaneous under Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 21).

## 9. ADVANCES TO REAL ESTATE PROPERTY OWNERS

This account represents advances to real estate property owners and various charges in connection with several project agreements entered into by the Group. The terms of the agreements provide that the Group will undertake the improvement, subdivision and development of the properties. The agreements further stipulate that the Group and the property owners share either in the form of the developed real estate properties or upon collection of sales proceeds using certain pre-agreed sharing ratios. Collections of the advances from the said property owners are generally received upon sale of property owners' shares in the projects.

The outstanding amounts, net of unearned discount and interest, at the end of the reporting period are as follows:

	<u>2021</u>	<u>2020</u>
Advances to real estate property owners	<b>P 1,338,894,518</b>	P 1,322,635,846
Unearned discount and interest	<b>( 35,164,168)</b>	( 39,067,840)
	<b><u>P1,303,730,350</u></b>	<u>P1,283,568,006</u>

The advances to real estate property owners are classified in the consolidated financial position as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 45,442,620</b>	P 217,433,954
Non-current	<b><u>1,258,287,730</u></b>	<u>1,066,134,052</u>
	<b><u>P1,303,730,350</u></b>	<u>P1,283,568,006</u>

The net commitment for construction expenditures of the Group amounted to:

	<u>2021</u>	<u>2020</u>
Total commitment for construction expenditures	<b>P6,398,467,228</b>	P 6,138,652,108
Total expenditures incurred	<b>( 5,812,051,334)</b>	( 5,568,364,014)
Net commitment	<b><u>P 586,415,894</u></b>	<u>P 570,288,094</u>

The Group's interests on jointly-controlled operations and projects up to 50% in both 2021 and 2020. The list of the Group's jointly controlled projects (which are not jointly-controlled entities) are as follows:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Pahara @ Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta Barbara Heights Shophouse District

As at December 31, 2021 and 2020, the Group has neither other contingent liabilities with regard to these joint ventures nor has assessed that the probability of loss that may arise from contingent liabilities is remote.

The amortization of unearned discount and interest amounting to P3.9 million in both 2021 and 2020 is presented as part of Finance income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 20.1).

The real estate property owners related to the Alabang West, Pahara @ Southwoods and Holland Park projects were charged marketing fees in 2021, 2020 and 2019 amounting to P148.5 million, P250.3 million and P152.7 million, respectively, which are presented as part of Marketing fees in the consolidated statements of comprehensive income.

All of the Group's advances have been analyzed for ECL. Based on management's evaluation, expected loss is not significant.

## 10. INVESTMENTS IN ASSOCIATES AND NON-CONTROLLING INTERESTS

### 10.1 Investments in Associates

The components of the carrying values of investments in associates accounted for under the equity method at the end of the reporting periods are as follows:

	<u>2021</u>	<u>2020</u>
Acquisition costs:		
NPI	<b><u>P 734,396,528</u></b>	<u>P 734,396,528</u>
Accumulated equity share		
in net losses:		
Balance at beginning of year	( 2,369,103)	( 2,248,838)
Equity share in net losses for the year	<u>( 594,473)</u>	<u>( 120,265)</u>
	<b><u>( 2,963,576)</u></b>	<u>( 2,369,103)</u>
	<b><u>P 731,432,952</u></b>	<u>P 732,027,425</u>

Investments in FENI, FESI, FERSAI and FERC were written-off in previous years.

In 2019, the Group sold its 15% ownership interest in Boracay Newcoast Hotel Group, Inc. (BNHGI) to a third party for P297.5 million. Gain from this transaction amounted to P188.5 million which represent the excess of the consideration received over the book value of disposed investment and is presented as Gain on Sale of Investment in Associate in the 2019 consolidated statement of comprehensive income. No similar transaction occurred in 2021 and 2020.

Significant influence that exists in these associates is brought about by the Group's provision of essential technical information for the development of the various projects of these investee companies.

The place of incorporation, which is also the principal place of business, of the Group's associates is presented below.

- (a) NPI, FESI – Renaissance Towers, Meralco Avenue, Pasig City  
 (b) FERC, FENI, FERSAI – Paragon Plaza, Reliance St., Mandaluyong City

The aggregated amounts of assets, liabilities, revenues and net loss of NPI are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	<b>P 255,428,161</b>	P 259,669,626
Non-current assets	<b>5,411,008,680</b>	5,411,008,680
Current liabilities	<b>1,317,011,624</b>	1,317,006,155
Revenues	<b>3,980</b>	8,725
Net loss	<b>4,246,233</b>	859,037

NPI does not have any non-current liabilities as of December 31, 2021 and 2020.

The reconciliation of the above summarized information to the carrying amount of the interest in NPI is as follows:

	<u>2021</u>	<u>2020</u>
Net assets at end of year	<b>P4,349,425,217</b>	P4,353,671,450
Equity ownership interest	<u>14%</u>	<u>14%</u>
	<b>608,919,530</b>	609,514,003
Nominal goodwill	<u>122,513,422</u>	<u>122,513,422</u>
Balance at end of year	<b><u>P 731,432,952</u></b>	<b><u>P 732,027,425</u></b>

The fair values of the associates' shares of stock are not available as of the end of the reporting periods.

Based on the assessment of the management, aside from those that have been written-off in previous years, the investment in an associate is not impaired due to the active efforts of the Group to raise funds in order to push through with the associate's projects.

## 10.2 Subsidiaries with Material Non-controlling Interests

The Group includes subsidiaries with material NCI, with details shown below.

Name of Subsidiary	Material NCI	Proportion of Ownership Interest and Voting Rights Held by NCI		Profit Allocated to NCI		Accumulated NCI	
		2021	2020	2021	2020	2021	2020
TLC	Various stockholders	49%	49%	P 96,358,759	P 45,567,297	P 3,766,880,026	P 3,670,521,267
SMI	Megaworld	49%	49%	26,894,654	94,807,612	1,208,176,191	1,181,281,537
OPI	Various stockholders	50%	50%	31,325,736	55,616,033	350,962,040	319,636,304
SWEC	Various stockholders	40%	40%	23,081,924	17,019,437	315,774,700	292,692,776

No dividends were paid by the subsidiaries to the NCI in 2021 and 2020.

The place of incorporation of TLC, SMI, SWEC and OPI is summarized below.

- (a) TLC and SMI – Renaissance Towers, Meralco Avenue, Pasig City
- (b) SWEC – Southwoods Ecocentrum, Brgy. Soro-Soro, Biñan, Laguna
- (c) OPI – 5<sup>th</sup> Floor, F&M Lopez II Building, 109 C. Palanca St., Legaspi Village, Makati City

## 10.3 Interest in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

The summarized financial information of TLC, SMI, SWEC and OPI, before intragroup eliminations, are shown below.

	TLC		SMI		SWEC		OPI	
	2021	2020	2021	2020	2021	2020	2021	2020
Current assets	<b>P 5,154,120,425</b>	P 4,835,265,248	<b>P 740,511,987</b>	P 718,479,620	<b>P 607,883,234</b>	P 623,334,704	<b>P 964,080,914</b>	P 969,441,770
Non-current assets	<b>6,118,317,246</b>	5,715,874,568	<b>2,907,102,072</b>	3,020,195,568	<b>371,449,181</b>	339,261,897	<b>381,500,457</b>	469,711,660
Total assets	<b><u>P 11,272,437,671</u></b>	<u>P 10,551,139,816</u>	<b><u>P 3,647,614,059</u></b>	<u>P 3,738,675,188</u>	<b><u>P 979,332,415</u></b>	<u>P 962,596,601</u>	<b><u>P 1,345,581,371</u></b>	<u>P 1,439,153,430</u>
Current liabilities	<b>P 1,305,604,988</b>	P 1,223,538,168	<b>P 876,814,635</b>	P 993,726,285	<b>P 161,904,006</b>	P 174,596,247	P 577,845,293	P 668,027,492
Non-current liabilities	<b>2,181,504,466</b>	1,728,309,174	<b>302,374,922</b>	331,044,275	<b>53,987,482</b>	53,834,870	105,812,000	131,853,332
Total liabilities	<b><u>P 3,487,106,454</u></b>	<u>P 2,951,847,342</u>	<b><u>P 1,179,189,557</u></b>	<u>P 1,324,770,560</u>	<b><u>P 215,891,488</u></b>	<u>P 228,431,117</u>	<b><u>P 683,657,293</u></b>	<u>P 799,880,824</u>
Equity attributable to shareholders of the Company	<b><u>P 3,970,518,921</u></b>	<u>P 3,875,639,161</u>	<b><u>P 1,258,896,496</u></b>	<u>P 1,231,091,360</u>	<b><u>P 458,064,556</u></b>	<u>P 440,499,290</u>	<b><u>P 330,962,039</u></b>	<u>P 319,636,303</u>
Non-controlling interests	<b><u>P 3,814,812,296</u></b>	<u>P 3,723,653,312</u>	<b><u>P 1,209,528,006</u></b>	<u>P 1,182,813,268</u>	<b><u>P 305,376,371</u></b>	<u>P 293,666,194</u>	<b><u>P 330,962,039</u></b>	<u>P 319,636,303</u>
Revenue	<b><u>P 986,521,655</u></b>	<u>P 736,200,090</u>	<b><u>P 288,865,380</u></b>	<u>P 470,109,278</u>	<b><u>P 115,645,400</u></b>	<u>P 92,765,970</u>	<b><u>P 171,350,218</u></b>	<u>P 356,579,253</u>
Profit for the year attributable to shareholders of the Company	<b>P 100,291,769</b>	P 72,372,582	<b>P 27,625,220</b>	P 98,017,195	<b>P 34,405,767</b>	P 20,966,627	<b>P 31,325,735</b>	P 55,616,032
Profit for the year attributable to NCI	<b>96,358,759</b>	69,534,442	<b>26,894,654</b>	94,173,383	<b>23,081,924</b>	13,977,752	<b>31,325,736</b>	55,616,032
Profit for the year	<b><u>P 196,650,528</u></b>	<u>P 141,907,024</u>	<b><u>P 54,519,874</u></b>	<u>P 192,190,578</u>	<b><u>P 57,487,691</u></b>	<u>P 34,944,379</u>	<b><u>P 62,651,471</u></b>	<u>P 111,232,064</u>
Net cash from (used) in operating activities	<b>(P 123,787,411)</b>	(P 56,237,505)	<b>P 193,614,442</b>	P 417,607,590	<b>(P 9,015,099)</b>	P 42,642,667	<b>P 132,983,812</b>	(P 32,469,599)
Net cash from (used) in investing activities	<b>( 7,154,435)</b>	( 113,714,839)	<b>( 71,851,752)</b>	( 110,106,806)	<b>1,832,925</b>	( 488,471)	<b>46,024</b>	80,368
Net cash from (used) in financing activities	<b>1,020,457</b>	308,947,254	<b>( 92,028,398)</b>	( 283,269,268)	<b>( 30,000,000)</b>	( 38,000,000)	<b>( 140,453,079)</b>	17,029,668
Effect of foreign exchange rates	<b>( 6,017,912)</b>	4,596,449	<b>-</b>	-	<b>-</b>	-	<b>-</b>	-
Net cash inflow (outflow)	<b><u>(P 135,939,301)</u></b>	<u>P 143,591,359</u>	<b><u>P 29,734,292</u></b>	<u>P 24,231,516</u>	<b><u>(P 37,182,174)</u></b>	<u>P 4,154,196</u>	<b><u>(P 7,423,243)</u></b>	<u>(P 15,359,563)</u>

TLC, SMI, SWEC and OPI have no other comprehensive income in the year 2021 and 2020; hence, the respective total comprehensive income (loss) of these subsidiaries are the same with the profit (loss) recognized in both years.



## 11. INVESTMENT PROPERTY

The Group's investment properties comprise of buildings and several parcels of land which are owned to earn rental income or for capital appreciation or for both. The gross carrying amounts and accumulated depreciation and amortization of investment properties at the beginning and end of the reporting periods are shown below.

	<u>Building and Improvements</u>	<u>Land and Land Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2021				
Cost	P 6,332,290,543	P 5,626,550,535	P 39,461,099	P 11,998,302,177
Accumulated depreciation and amortization	( 1,061,566,024)	( 139,705,539)	-	( 1,201,271,563)
Net carrying value	<b><u>P 5,270,724,519</u></b>	<b><u>P 5,486,844,996</u></b>	<b><u>P 39,461,099</u></b>	<b><u>P 10,797,030,614</u></b>
December 31, 2020				
Cost	P 5,990,099,949	P 5,770,242,592	P 38,857,749	P 11,799,200,290
Accumulated depreciation and amortization	( 834,740,526)	( 139,705,539)	-	( 974,446,065)
Net carrying value	<b><u>P 5,155,359,423</u></b>	<b><u>P 5,630,537,053</u></b>	<b><u>P 38,857,749</u></b>	<b><u>P 10,824,754,225</u></b>
December 31, 2019				
Cost	P 5,817,111,960	P 5,692,736,082	P 38,697,020	P 11,548,545,062
Accumulated depreciation and amortization	( 624,111,121)	( 139,705,539)	-	( 763,816,660)
Net carrying value	<b><u>P 5,193,000,839</u></b>	<b><u>P 5,553,030,543</u></b>	<b><u>P 38,697,020</u></b>	<b><u>P 10,784,728,402</u></b>
January 1, 2019				
Cost	P 4,887,003,477	P 6,202,106,714	P 35,373,334	P 11,124,483,525
Accumulated depreciation and amortization	( 447,050,266)	( 139,705,539)	-	( 586,755,805)
Net carrying value	<b><u>P 4,439,953,211</u></b>	<b><u>P 6,062,401,175</u></b>	<b><u>P 35,373,334</u></b>	<b><u>P 10,537,727,720</u></b>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown in below.

	<u>Building and Improvements</u>	<u>Land and Land Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 5,155,359,423	P 5,630,537,053	P 38,857,749	P 10,824,754,225
Additions	94,590,654	72,453,680	603,350	167,647,684
Reclassifications	247,599,940	( 216,145,737 )	-	31,454,203
Depreciation and amortization charges for the year	( 226,825,498)	-	-	( 226,825,498)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<b><u>P 5,270,724,519</u></b>	<b><u>P 5,486,844,996</u></b>	<b><u>P 39,461,099</u></b>	<b><u>P 10,797,030,614</u></b>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 5,193,000,839	P 5,553,030,543	P 38,697,020	P 10,784,728,402
Additions	158,585,412	77,506,510	160,729	236,252,651
Reclassifications	14,402,577	-	-	14,402,577
Depreciation and amortization charges for the year	( 210,629,405)	-	-	( 210,629,405)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<b><u>P 5,155,359,423</u></b>	<b><u>P 5,630,537,053</u></b>	<b><u>P 38,857,749</u></b>	<b><u>P 10,824,754,225</u></b>

	<u>Building and Improvements</u>	<u>Land and Land Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 4,439,953,211	P 6,062,401,175	P 35,373,334	P 10,537,727,720
Additions	329,609,235	-	3,323,686	332,932,921
Reclassifications	604,785,205	( 509,370,632)	-	95,414,573
Depreciation and amortization charges for the year	( 181,346,812)	-	-	( 181,346,812)
Balance at December 31, 2019, net of accumulated depreciation and amortization	<u>P 5,193,000,839</u>	<u>P 5,553,030,543</u>	<u>P 38,697,020</u>	<u>P 10,784,728,402</u>

Rental revenues recognized in 2021, 2020 and 2019 amounted to P408.9 million, P619.4 million and P746.7 million, respectively, and are presented as Rental Income account under Revenues and Income section of the consolidated statements of comprehensive income [see Note 25.2(a)]. Depreciation charges substantially represent the direct costs in leasing these properties. Other operating costs in leasing these properties include Real property taxes amounting to P56.1 million and P22.2 million in 2021 and 2020, respectively, and Repairs and maintenance amounting to P0.4 million and P6.4 million in 2021 and 2020, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 21).

In 2021, the balances of advances to contractors were applied to the cost of additions (see Note 14).

Except for the Construction in progress and land held for undetermined future use, all of the Group's investment properties generated rental income as at December 31, 2021 and 2020.

Based on management's estimate, the fair value of building and improvements amounted to P10,502.0 million and P11,166.5 million as determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 7.48% and 5.94% as at December 31, 2021 and 2020, respectively.

On the other hand, the fair value of land and land development and improvements amounted to P30,413.5 million and P30,371.2 million as determined through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property as at December 31, 2021 and 2020, respectively.

Moreover, the carrying value of construction in progress approximates its fair value as of December 31, 2021 and 2020.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 31.3.

## 12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Building and Office Improvements</u>	<u>Total</u>
December 31, 2021						
Cost	P 1,600,000	P 1,159,750,023	P 297,896,101	P 320,275,461	P 147,112,259	P 1,926,633,844
Accumulated depreciation and amortization	-	( 403,602,283 )	( 245,210,310 )	( 295,184,988 )	( 70,100,355 )	( 1,014,097,936 )
Net carrying amount	<u>P 1,600,000</u>	<u>P 756,147,740</u>	<u>P 52,685,791</u>	<u>P 25,090,473</u>	<u>P 77,011,904</u>	<u>P 912,535,908</u>
December 31, 2020						
Cost	P 1,600,000	P 1,159,750,023	P 282,641,198	P 313,891,228	P 115,617,251	P 1,873,499,700
Accumulated depreciation and amortization	-	( 379,636,598 )	( 219,081,667 )	( 280,497,775 )	( 53,922,229 )	( 933,138,269 )
Net carrying amount	<u>P 1,600,000</u>	<u>P 780,113,425</u>	<u>P 63,559,531</u>	<u>P 33,393,453</u>	<u>P 61,695,022</u>	<u>P 940,361,431</u>
January 1, 2020						
Cost	P 1,600,000	P 1,159,750,023	P 280,579,978	P 309,927,389	P 112,074,944	P 1,863,932,334
Accumulated depreciation and amortization	-	( 367,688,401 )	( 181,741,239 )	( 256,641,975 )	( 43,331,998 )	( 849,403,613 )
Net carrying amount	<u>P 1,600,000</u>	<u>P 792,061,622</u>	<u>P 98,838,739</u>	<u>P 53,285,414</u>	<u>P 68,742,946</u>	<u>P 1,014,528,721</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Building and Office Improvements</u>	<u>Total</u>
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 1,600,000	P 780,113,425	P 63,559,531	P 33,393,453	P 61,695,022	P 940,361,431
Additions	-	-	15,342,224	6,384,233	54,565,232	76,291,689
Disposals	-	-	( 87,321 )	-	-	( 87,321 )
Reclassifications	-	-	-	-	( 23,070,224 )	( 23,070,224 )
Depreciation and amortization charges for the year	-	( 23,965,685 )	( 26,128,643 )	( 14,687,213 )	( 16,178,126 )	( 80,959,667 )
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 1,600,000</u>	<u>P 756,147,740</u>	<u>P 52,685,791</u>	<u>P 25,090,473</u>	<u>P 77,011,904</u>	<u>P 912,535,908</u>
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 1,600,000	P 792,061,622	P 98,838,739	P 53,285,414	P 68,742,946	P 1,014,528,721
Additions	-	-	2,078,363	3,963,839	3,542,307	9,584,509
Disposals	-	-	( 17,143 )	-	-	( 17,143 )
Depreciation and amortization charges for the year	-	( 11,948,197 )	( 37,340,428 )	( 23,855,800 )	( 10,590,231 )	( 83,734,656 )
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 1,600,000</u>	<u>P 780,113,425</u>	<u>P 63,559,531</u>	<u>P 33,393,453</u>	<u>P 61,695,022</u>	<u>P 940,361,431</u>

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 21).

The Group's fully depreciated assets that are still being used in operations has a total original cost of P431.7 million and P331.9 million as at December 31, 2021 and 2020, respectively.

## 13. LEASES

The Group, as a lessee, has leases for certain offices and commercial lots. With the exception of short-term leases, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group incur maintenance fees on such items in accordance with the lease contracts.

In 2021, the Company entered into a new lease agreement with its parent company, Megaworld, for a lease of office space in Fort Bonifacio in Taguig City. The Company recognized right-of-use asset amounting to P68.2 million and lease liabilities amounting to P62.1 million.

In 2020, the Company entered into a new lease agreement with Megaworld for the transfer of office space. The Company recognized right-of-use assets and lease liabilities amounting to P90.0 million. Consequently, the Company derecognized the remaining carrying amount of right-of-use asset and lease liability for the old office space amounting to P81.1 million and P79.9 million, respectively. The loss resulting from the derecognition amounting to P2.7 million is presented as part of Miscellaneous under Other Operating Expenses account in the 2021 consolidated statement of comprehensive income (see Note 21).

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	<u>Number of right-of-use assets leased</u>	<u>Range of remaining term</u>	<u>Average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with termination options</u>
<b>December 31, 2021</b>					
Offices	3	2 – 13 years	13 years	3	3
Commercial lot	1	27 years	27 years	1	1
<b>December 31, 2020</b>					
Offices	2	3 – 14 years	14 years	2	2
Commercial lot	1	28 years	28 years	1	1

The carrying amounts of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movements during the periods are shown below and in the succeeding page.

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<b><u>December 31, 2021</u></b>			
Cost			
Balance at beginning of year	P 111,843,748	P 25,645,963	P 137,498,711
Additions	<u>68,229,397</u>	<u>-</u>	<u>68,229,397</u>
Balance at end of year	<u>180,073,145</u>	<u>25,654,963</u>	<u>205,728,108</u>
Accumulated amortization			
Balance at beginning of year	6,529,270	2,736,530	9,265,800
Amortization for the year	<u>44,934,985</u>	<u>1,368,265</u>	<u>46,303,250</u>
Balance at end of year	<u>51,464,255</u>	<u>4,104,795</u>	<u>55,569,050</u>
Carrying amount at December 31, 2021	<b><u>P 128,608,890</u></b>	<b><u>P 21,550,168</u></b>	<b><u>P 150,159,058</u></b>

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<u>December 31, 2020</u>			
Cost			
Balance at beginning of year	P 202,411,639	P 25,654,963	P 228,066,602
Additions	105,078,280	-	105,078,280
Derecognition	( 195,646,171)	-	( 195,646,171)
Balance at end of year	<u>111,843,748</u>	<u>25,654,963</u>	<u>137,498,711</u>
Accumulated amortization			
Balance at beginning of year	57,826,083	1,368,265	59,194,348
Derecognition	( 114,524,588)	-	( 114,524,588)
Amortization for the year	<u>63,227,775</u>	<u>1,368,265</u>	<u>64,596,040</u>
Balance at end of year	<u>6,529,270</u>	<u>2,736,530</u>	<u>9,265,800</u>
Carrying amount at December 31, 2020	<u>P 105,314,478</u>	<u>P 22,918,433</u>	<u>P 128,232,911</u>

### ***13.2 Lease Liabilities***

Lease liabilities are presented in the consolidated statements of financial position as at December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 84,127,139</b>	P 46,816,744
Non-current	<b><u>442,785,024</u></b>	<u>426,818,577</u>
	<b><u>P 526,912,163</u></b>	<u>P 473,635,321</u>

The carrying amounts of the Group's lease liabilities as at December 31, 2021 and 2020 and the movements during the periods are shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 473,635,321</b>	P 494,291,683
Addition	<b>62,125,930</b>	84,106,668
Derecognition	-	( 79,921,472)
Interest amortization	<b>38,068,805</b>	38,181,571
Repayment of lease liabilities	<b>( 46,917,893)</b>	( 63,023,129)
Balance at end of year	<b><u>P 526,912,163</u></b>	<u>P 473,635,321</u>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The undiscounted maturity analysis of lease liabilities at December 31 2021 and 2020 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>December 31, 2021</b>							
Lease payment	P 120,162,364	P 67,803,125	P 69,740,970	P 59,057,832	P 28,993,255	P 718,399,295	P1,062,530,240
Finance charges	( 36,035,225)	( 33,636,993)	( 30,846,284)	( 27,763,670)	( 26,439,824)	( 382,522,682)	( 537,244,678)
Net present value	<b><u>P 84,127,139</u></b>	<b><u>P 34,166,132</u></b>	<b><u>P 38,894,686</u></b>	<b><u>P 31,294,162</u></b>	<b><u>P 2,553,431</u></b>	<b><u>P335,876,613</u></b>	<b><u>P 526,912,163</u></b>
<b>December 31, 2020</b>							
Lease payment	P 81,102,415	P 52,869,172	P 54,722,262	P 55,630,803	P 45,913,954	P 747,392,551	P1,037,631,157
Finance charges	( 34,285,671)	( 32,894,847)	( 31,248,676)	( 29,330,922)	( 27,273,214)	( 408,962,506)	( 563,995,836)
Net present value	<b><u>P 46,816,744</u></b>	<b><u>P 19,974,325</u></b>	<b><u>P 23,473,586</u></b>	<b><u>P 26,299,881</u></b>	<b><u>P 18,640,740</u></b>	<b><u>P338,430,045</u></b>	<b><u>P 473,635,321</u></b>

### ***13.3 Lease Payments Not Recognized as Liabilities***

The Group has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses related to short-term leases amounted to P35.2 million, P63.0 million and P60.9 million for the years ended December 31, 2021, 2020 and 2019, respectively, and are presented as part of Other Operating Expenses and as part of Cost of Hotel Operations account in the consolidated statements of comprehensive income (see Note 21).

At December 31, 2021 and 2020, the Group is committed to short-term leases, and the total commitment at those dates are P16.8 million and P5.6 million, respectively.

### ***13.4 Additional Profit or Loss and Cash Flow Information***

The total cash outflow in respect of leases amounted to P46.9 million and P63.0 million in 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P38.1 million and P38.2 million in 2021 and 2020, respectively, and is presented as part of Finance Costs and Other Charges in the 2021 consolidated statement of comprehensive income (see Note 20.2).

## **14. OTHER NON-CURRENT ASSETS**

This account consists of:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Refundable deposits	29.2	<b>P 118,111,018</b>	P 129,920,380
Deferred tax assets - net	24	<b>36,236,251</b>	-
Softwares		<b>3,380,323</b>	5,739,144
Advances to contractors		-	51,065,300
Others		<b><u>2,365,334</u></b>	<b><u>2,972,332</u></b>
		<b><u>P 160,092,926</u></b>	<b><u>P 189,697,156</u></b>

In 2021, Advances to Contractors were reclassified to Investment Properties by SMI upon the completion of the construction of properties held for undetermined future use (see Note 11).

As of December 31, 2021 and 2020, management assessed that the Group's other non-current assets are fully recoverable. As such, no impairment losses are recognized in 2021 and 2020.

Amortization for the Group's softwares amounting to P2.3 million and P1.5 million for the years ended December 31, 2021 and 2020, respectively, are presented as part of Depreciation and Amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 21).

## 15. INTEREST-BEARING LOANS

The Group's interest-bearing loans are broken down as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P1,387,254,907</b>	P1,470,588,240
Non-current	<b><u>6,105,669,497</u></b>	<u>3,863,970,580</u>
	<b><u>P7,492,924,404</u></b>	<u>P5,334,558,820</u>

In 2021, the Company obtained two unsecured long-term loans from local banks. The first loan amounting P1.0 billion is payable quarterly for a term of four years, bears a fixed interest rate of 5.37% and is payable quarterly in arrears. The other loan amounting to P500.0 million is payable in six years and bears a floating rate ranging from 3.50% to 3.70% and is payable quarterly in arrears. The outstanding balance pertaining to these loans amounted to P1.5 billion as of December 31, 2021.

The Company and TLC obtained an unsecured, interest-bearing loan from Megaworld in the last quarter of 2021 totalling P2.0 billion with an interest rate of 6.33% and shall be payable for a maximum term of eight years. As of December 31, 2021, the related outstanding balance of this loan is P2.0 billion.

TLC also obtained another unsecured interest-bearing loan from Megaworld in the last quarter of 2021 amounting to P129.0 million with an interest rate of 6% and shall be payable for a maximum term of five years. The outstanding balance of the related loan as at December 31, 2021 is P129.0 million.

In 2020, the Company obtained an unsecured long-term loan from a local bank amounting to P1.0 billion, payable quarterly for a term of five years bearing a fixed rate of 5.26% and is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P1.0 billion as of December 31, 2021 and 2020.

In December 2020, the Company obtained an unsecured interest-bearing loan from a local bank amounting to P500.0 million payable quarterly for a term of seven years with a floating interest rate ranging from 3.50% to 3.70% and is payable quarterly in arrears. The related outstanding balance for this loan amounted to P500.0 million as at December 31, 2021 and 2020.

In March 2020, TLC obtained additional unsecured interest-bearing loan from a local bank amounting to P500.0 million. The loans bear a floating interest rates ranging from 5.0% to 5.3% subject to 30 days to 180 days repricing. Quarterly installments beginning November 2020 are due until the loan is fully settled in 2024 for these interest-bearing loans. The outstanding balance pertaining to these loans amounted to P343.8 million and P468.8 million as at December 31, 2021 and 2020, respectively.

In 2019, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion, payable quarterly for a term of five years. The loan bears a floating interest rate ranging from 4.75% to 5% and is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P1.2 billion and P1.6 billion as of December 31, 2021 and 2020, respectively.

In August and November 2019, TLC obtained unsecured interest-bearing loans from a local commercial bank amounting to P300.0 million and P200.0 million, respectively, for the funding requirements of the construction of projects in Twin Lakes Tagaytay. As of December 31, 2021 and 2020, the outstanding balance pertaining to these loans amounted to P343.8 million and P468.8 million, respectively.

In November 2018, SWEC renewed its unsecured credit line facility with a local bank amounting to P150.0 million, which shall be used for working capital purposes. In December 2018, initial loan drawdown for this line amounted to P50.0 million, payable within 180 days. This was extended for another 180 days in 2019. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days. In June 2020, the loan was renewed for a period of 180 days which was then paid in full upon maturity. There is no related outstanding balance as at December 31, 2021 and 2020.

In December 2017, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. In 2020, another unsecured loan was obtained on the same bank amounting to P0.5 billion which is payable quarterly for a term of seven years. The loans bear a floating interest rate and is payable quarterly in arrears. The outstanding balance pertaining to these loans amounted to P0.5 billion as at December 31, 2021 and 2020, respectively.

In 2016, the Company obtained a P2.0 billion unsecured loan with a term of five years from a local bank with principal to be paid in quarterly instalments, commencing on the 5th quarter from date of initial drawdown. This loan carries a floating interest rate, which is repriced every 30 to 180 days as agreed by the parties. On October 25, 2018, the interest rate was fixed subject to repricing after one year. The interest is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P0.3 billion as at December 31, 2020 and was fully paid in 2021.

In 2015, the Company obtained a P1.5 billion unsecured loan with a term of five years from the initial drawdown, inclusive of a grace period on principal repayment of two years. The loan bears a fixed interest rate payable quarterly in arrears. The outstanding balance as at December 31, 2019 pertaining to this loan amounted to P0.2 billion and was paid in full in 2020.

The Group has properly complied with the loan agreements' covenants as of the end of the reporting period (see Note 32).

The total accrued interest payable amounted to P11.7 million and P12.8 million as of December 31, 2021 and 2020, respectively, is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).



Total interest costs incurred attributable to these loans amounted to P258.2 million and P275.8 million in 2021 and 2020, respectively. Of these amounts, P222.3 million and P184.1 million in 2021 and 2020, respectively, were capitalized by the Company as part of Inventories account (see Note 7). Interest charged to expense is presented as part of Finance costs under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 20.2).

## 16. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Trade payables		<b>P 2,100,701,169</b>	P 2,172,627,406
Accrued expenses	15, 26.3	<b>720,126,955</b>	341,004,062
Retention payable		<b>300,228,143</b>	278,673,607
Liabilities for land acquisition		<b>246,821,195</b>	205,791,333
Income tax payable		<b>4,224,517</b>	44,878,883
Others		<b><u>233,168,552</u></b>	<u>295,784,640</u>
		<b><u>P3,605,270,531</u></b>	<u>P3,338,759,931</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Liabilities for land acquisition represent the unpaid portion of raw land acquired by the Group for the development of real estate projects.

Accrued expenses represent accruals for dividends on preferred shares, commission, utilities, professional fees, outside services, interest and other expenses incurred in the normal operations of the Group.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are remitted back to the contractors. Those which are due to be remitted beyond 12 months from the end of the reporting period is presented under Other Non-current Liabilities in the consolidated statements of financial position (see Note 18).

Other payables consist primarily of refund liability, unearned rentals, payables to government and other regulatory agencies.

## 17. DUE TO JOINT VENTURE PARTNERS

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The account pertains to payables to golf share partners and lot owners amounting to P400.2 million at the end of 2021 and P410.5 million at the end of 2020. The total amounts are currently due and demandable and presented under the Current Liabilities section of the consolidated statements of financial position.

## 18. OTHER NON-CURRENT LIABILITIES

The details of the account are as follows:

	Note	2021	2020
Retention payable	16	<b>P 503,165,372</b>	P 582,304,798
Security deposits		<b>86,611,433</b>	132,707,104
Advance rental		<b>3,952,871</b>	4,893,138
Others		<b>4,106,766</b>	11,232,362
		<b><u>P 597,836,442</u></b>	<b><u>P 731,137,402</u></b>

## 19. REVENUES

### 19.1 Disaggregation of Revenues

The Group derives revenues mainly from sale of real properties, rentals and hotel operations. An analysis of the Group's major sources of revenues is presented below and in the succeeding page.

	Segments			
	Real Estate	Hotel Operations	Rentals	Total
<b>2021</b>				
<b>Geographical areas:</b>				
Luzon	P 2,348,391,884	P 121,284,615	P 382,197,507	P 2,851,874,006
Visayas	<u>1,368,922,270</u>	<u>24,665,788</u>	<u>26,732,397</u>	<u>1,420,320,455</u>
	<b><u>P 3,717,314,154</u></b>	<b><u>P 145,950,403</u></b>	<b><u>P 408,929,904</u></b>	<b><u>P 4,272,194,461</u></b>
<b>Types of product or services:</b>				
Residential lots	P 1,458,599,235	P -	P -	P 1,458,599,235
Residential condominium	2,210,765,295	-	-	2,210,765,295
Commercial lots and spaces	47,949,624	-	-	47,949,624
Room accommodation	-	90,922,737	-	90,922,737
Food and beverage	-	55,027,666	-	55,027,666
Rentals	-	-	408,929,904	408,929,904
	<b><u>P 3,717,314,154</u></b>	<b><u>P 145,950,403</u></b>	<b><u>P 408,929,904</u></b>	<b><u>P 4,272,194,461</u></b>
<b>2020</b>				
<b>Geographical areas:</b>				
Luzon	P 1,532,468,756	P 117,582,776	P 588,788,992	P 2,238,840,524
Visayas	<u>2,081,786,774</u>	<u>83,626,969</u>	<u>30,570,596</u>	<u>2,195,984,339</u>
	<b><u>P 3,614,255,530</u></b>	<b><u>P 201,209,745</u></b>	<b><u>P 619,359,588</u></b>	<b><u>P 4,434,824,863</u></b>
<b>Types of product or services:</b>				
Residential lots	P 1,726,399,698	P -	P -	P 1,726,399,698
Residential condominium	1,710,426,820	-	-	1,710,426,820
Commercial lots and spaces	177,429,012	-	-	177,429,012
Room accommodation	-	168,174,048	-	168,174,048
Food and beverage	-	33,035,697	-	33,035,697
Rentals	-	-	619,359,588	619,359,588
	<b><u>P 3,614,255,530</u></b>	<b><u>P 201,209,745</u></b>	<b><u>P 619,359,588</u></b>	<b><u>P 4,434,824,863</u></b>

	Segments			
	Real Estate	Hotel Operations	Rentals	Total
2019				
Geographical areas:				
Luzon	P 3,677,471,016	P 133,679,197	P 720,830,644	P 4,531,980,857
Visayas	<u>2,229,054,156</u>	<u>680,248,947</u>	<u>25,861,201</u>	<u>2,935,164,304</u>
	<u>P 5,906,525,172</u>	<u>P 813,928,144</u>	<u>P 746,691,845</u>	<u>P 7,467,145,161</u>
Types of product or services:				
Residential lots	P 2,817,874,868	P -	P -	P 2,817,874,868
Residential condominium	2,851,330,712	-	-	2,851,330,712
Commercial lots and spaces	237,319,592	-	-	237,319,592
Room accommodation	-	701,825,855	-	701,825,855
Food and beverage	-	112,102,289	-	112,102,289
Rentals	<u>-</u>	<u>-</u>	<u>746,691,845</u>	<u>746,691,845</u>
	<u>P 5,906,525,172</u>	<u>P 813,928,144</u>	<u>P 746,691,845</u>	<u>P 7,467,145,161</u>

## 19.2 Contract Accounts

The significant changes in the contract assets and liabilities balances during the year are presented below:

### a. Contract Assets

The Group's contract assets are classified as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 1,914,210,251</b>	P 1,936,273,057
Non-current	<b><u>1,233,089,935</u></b>	<u>857,722,890</u>
	<b><u>P 3,147,300,186</u></b>	<b><u>P 2,793,995,947</u></b>

The significant changes in the contract assets balances during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P2,793,995,947</b>	P1,542,549,924
Transfers from contract assets recognized at the beginning of year to installment contract receivables	<b>( 958,901,947)</b>	( 15,980,987)
Increase as a result of changes in measurement of progress	<b><u>1,312,206,186</u></b>	<u>1,267,427,010</u>
Balance at end of year	<b><u>P3,147,300,186</u></b>	<b><u>P 2,793,995,947</u></b>

*b. Contract Liabilities*

The Group's contract liabilities is classified as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 491,603,288</b>	P 472,550,220
Non-current	<u>267,065,145</u>	<u>327,009,832</u>
	<b><u>P 758,668,433</u></b>	<b><u>P 799,560,052</u></b>

The significant changes in the contract liabilities balances during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 799,560,052</b>	P 1,232,642,698
Revenue recognized that was included in contract liability at the beginning of year	<b>( 90,802,017)</b>	( 435,567,068)
Change due to cash received excluding amount recognized as revenue during the year	<u>49,910,397</u>	<u>2,484,422</u>
Balance at end of year	<b><u>P 758,668,432</u></b>	<b><u>P 799,560,052</u></b>

**19.3 Direct Contract Costs**

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 8). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization for 2021 and 2020 is presented as part of Commission under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 21).

The movements in balances of deferred commission in 2021 and 2020 is presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 145,464,948</b>	P 140,424,475
Additions for the year	<b>236,320,446</b>	166,761,356
Amortization for the year	<b>( 82,346,681)</b>	( 161,720,883)
Balance at end of year	<b><u>P 299,438,713</u></b>	<b><u>P 145,464,948</u></b>

#### 19.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2021 and 2020 is P4.2 billion and P4.4 billion, respectively. The Group expects to recognize revenue from unsatisfied contracts as of December 31 as summarized below.

	<u>2021</u>	<u>2020</u>
Within a year	<b>P 1,587,246,213</b>	P1,252,464,713
More than one year to three years	<b>2,481,033,486</b>	3,153,860,830
More than three years to five years	<u><b>134,845,310</b></u>	<u>25,091,270</u>
	<u><b>P 4,203,125,009</b></u>	<u>P4,431,416,813</u>

## 20. FINANCE INCOME AND FINANCE COSTS

### 20.1 Finance and Other Income

Presented below are the details of this account.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Finance income	5, 6, 9	<b>P 177,933,238</b>	P 164,191,512	P 159,732,966
Gain on derecognition of payables		<b>106,187,235</b>	94,917,309	76,848,443
Foreign currency gains – net		<b>15,262,638</b>	-	-
Miscellaneous		<u><b>134,585,431</b></u>	<u>63,288,004</u>	<u>50,726,146</u>
		<u><b>P 433,968,542</b></u>	<u>P 322,396,825</u>	<u>P 287,307,555</u>

Miscellaneous income includes forfeiture of reservation fees from customers and other income of the Group.

### 20.2 Finance Costs and Other Charges

Presented below are the details of this account.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Finance costs	13, 15, 23.2,25.2, 25.4, 25.8 26.3	<b>P 113,752,201</b>	P 131,202,017	P 236,057,259
Loss on refund and sales cancellations		<b>106,759,954</b>	14,447,453	39,063,331
Foreign currency losses – net		-	10,119,955	5,308,846
Miscellaneous		<u>-</u>	<u>568,984</u>	<u>400,390</u>
		<u><b>P 220,512,155</b></u>	<u>P 156,338,409</u>	<u>P 280,829,826</u>

A loss on refund is recognized when the customer is entitled for a refund on sales cancellation.

## 21. OPERATING EXPENSE BY NATURE

Presented below are the details of this account.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of real estate sales	22.1	<b>P 1,628,491,489</b>	P 1,538,459,693	P 2,794,278,385
Salaries and employee benefits	23.1	<b>471,738,400</b>	469,363,078	540,171,801
Depreciation and amortization	11, 12, 13, 14	<b>356,424,161</b>	360,640,145	353,525,753
Taxes and licenses	11	<b>129,638,059</b>	121,102,660	160,992,513
Professional fees and outside services		<b>93,220,366</b>	56,938,603	71,364,878
Commissions	19.3, 25.5	<b>82,346,681</b>	161,720,883	372,735,140
Cost of hotel operations	22.3	<b>75,864,785</b>	113,669,079	442,819,864
Utilities and supplies		<b>46,266,096</b>	72,590,153	96,475,962
Rental	25.2	<b>35,212,264</b>	40,311,182	60,877,616
Advertising and promotions		<b>21,346,530</b>	16,960,531	55,533,804
Transportation		<b>15,217,638</b>	11,132,108	23,815,725
Repairs and maintenance	11	<b>9,268,482</b>	12,266,920	8,842,327
Representation		<b>4,033,292</b>	4,971,662	7,293,633
Gas and oil		<b>6,847,679</b>	983,150	2,058,248
Miscellaneous	8, 11, 13 25.6, 29.2	<b>117,362,460</b>	110,592,213	314,588,789
		<b><u>P 3,093,278,382</u></b>	<b><u>P 3,091,702,060</u></b>	<b><u>P 5,305,374,438</u></b>

Miscellaneous expenses mainly include impairment loss from advances to contractors and suppliers, insurance, membership dues, communication expense, service fees charged by a stockholder and cost of materials and overhead incurred in relation to the maintenance of the golf course.

These expenses are classified in the consolidated statements of comprehensive income as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of real estate sales	22.1	<b>P 1,628,491,489</b>	P 1,538,459,693	P 2,794,278,385
Cost of rentals and services	22.2	<b>344,233,070</b>	317,293,791	331,144,642
Cost of hotel operations	22.3	<b>75,864,785</b>	113,669,079	442,819,864
Other operating expenses		<b>1,044,689,038</b>	1,122,279,497	1,737,131,547
		<b><u>P 3,093,278,382</u></b>	<b><u>P 3,091,702,060</u></b>	<b><u>P 5,305,374,438</u></b>

## 22. DIRECT COSTS

### 22.1 Cost of Real Estate Sales

The composition of the cost of real estate sales for the years ended December 31 are as follows:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Construction costs		<b>P 1,510,858,245</b>	P 1,349,962,692	P 2,450,708,835
Land cost		<b>76,405,742</b>	157,995,301	248,034,848
Borrowing cost		<b><u>41,227,502</u></b>	<u>30,501,700</u>	<u>95,534,702</u>
	21	<b><u>P 1,628,491,489</u></b>	<u>P 1,538,459,693</u>	<u>P 2,794,278,385</u>

### 22.2 Cost of Rentals and Services

The composition of the cost of rentals for the years ended December 31 are as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Depreciation and amortization	21	<b>P 228,490,621</b>	P 217,670,672	P 193,986,612
Maintenance	11	<b>49,444,463</b>	54,505,242	39,635,110
Land development and construction		<b>24,958,339</b>	14,898,478	52,746,809
Landscape		<b>15,651,499</b>	7,573,239	7,255,997
Salaries & employee benefits		<b>15,305,455</b>	16,826,489	19,026,472
Civil works and survey		<b>9,513,277</b>	3,621,957	15,881,175
Rental expense		<b>227,500</b>	390,000	355,000
Transportation and travel		<b>58,941</b>	108,004	381,482
Miscellaneous		<b><u>582,975</u></b>	<u>1,699,710</u>	<u>1,875,985</u>
	21	<b><u>P 344,233,070</u></b>	<u>P 317,293,791</u>	<u>P 331,144,642</u>

### 22.3 Cost of Hotel Operations

The composition of the cost of hotel operations for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Salaries and employee benefits	<b>P 26,140,571</b>	P 47,184,387	P 34,389,716
Utilities	<b>19,651,448</b>	19,153,571	115,527,197
Food and beverage	<b>17,956,448</b>	8,702,596	68,030,870
Depreciation	<b>5,489,754</b>	7,229,906	8,113,540
Outside services	<b>1,666,375</b>	9,007,087	28,595,198
Repairs and maintenance	<b>928,121</b>	2,295,292	5,303,001
Commission	<b>611,822</b>	6,099,056	15,247,664
Club bookings	<b>-</b>	2,161,646	90,792,259
Rent expense	<b>-</b>	-	47,442,082
Miscellaneous	<b><u>3,420,246</u></b>	<u>11,835,538</u>	<u>29,378,337</u>
	<b><u>P 75,864,785</u></b>	<u>P 113,669,079</u>	<u>P 442,819,864</u>

## 23. EMPLOYEE BENEFITS

### 23.1 Salaries and Employee Benefits

Salaries and employee benefits which are presented as part of Other Operating Expenses in the consolidated statements of comprehensive income are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term benefits		<b>P 432,576,656</b>	P 452,721,132	P 531,089,188
Post-employment defined benefit	23.2	<b>39,161,744</b>	16,641,946	8,189,660
Share-based employee compensation	26.2	-	-	892,953
	21	<b><u>P 471,738,400</u></b>	<b><u>P 469,363,078</u></b>	<b><u>P 540,171,801</u></b>

### 23.2 Post-employment Defined Benefit Plan

#### (a) Characteristics of the Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 85% to 150% of the employee's monthly salary for every year of service depending on the number of years of service. The normal retirement age is 60 years old and applicable upon completion of five years of faithful and continuous service to the Group. However, an employee who attains the age of 50 with the completion of no less than 10 years of service or has completed 15 years of service and opts for an early retirement is likewise entitled to the same benefits.

#### (b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020. The movements in present value of the retirement benefit obligation are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 125,775,212</b>	P 107,158,224
Current service cost	<b>39,161,744</b>	16,641,946
Interest expense	<b>4,698,369</b>	5,347,875
Benefits paid	<b>( 8,397,972)</b>	-
Actuarial losses (gains) arising from:		
Experience adjustments	<b>6,872,744</b>	( 3,608,569)
Changes in financial assumptions	<b>( 40,875,656)</b>	235,736
Balance at end of year	<b><u>P 127,234,441</u></b>	<b><u>P 125,775,212</u></b>



The amounts of post-employment benefit recognized in the consolidated statements of comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current service cost	<b>P 39,161,744</b>	P 16,641,946	P 8,189,660
Interest cost	<u><b>4,698,369</b></u>	<u>5,347,875</u>	<u>4,409,032</u>
	<u><b>P 43,860,113</b></u>	<u>P 21,989,821</u>	<u>P 12,598,692</u>
<i>Reported in other comprehensive income –</i>			
Actuarial losses (gains)			
arising from:			
Experience adjustments	<b>P 6,872,744</b>	(P 3,608,569)	P 4,395,049
Changes in financial assumptions	<u><b>(40,875,656)</b></u>	<u>235,736</u>	<u>41,123,963</u>
	<u><b>(P 34,002,912)</b></u>	<u>(P 3,372,833)</u>	<u>P 45,519,012</u>

The amounts of current service cost incurred are presented as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Notes 21 and 23.1). The amounts of interest expense related to the retirement benefit obligation are presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 20.2).

The amount recognized in other comprehensive income is included as an item that will not be reclassified subsequently to profit or loss.

In determining the amount of retirement benefit obligation, the following actuarial assumptions were used for the reporting periods:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rates	<b>4.10%</b>	3.70%	4.99%
Expected rate of salary increase	<b>4.00%</b>	4.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of employees retiring at the age of 60 is 24 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as interest rate risk and longevity and salary risks.

(i) *Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the Group's timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumptions</u>	<u>Increase in Assumptions</u>	<u>Decrease in Assumptions</u>
<b><u>December 31, 2021</u></b>			
Discount rate	+/- 0.5%	P 7,455,726	P 23,303,693
Salary increase rate	+/- 1.0%	34,492,997	( 921,177)
<b><u>December 31, 2020</u></b>			
Discount rate	+/- 0.5%	(P 9,737,774)	P 13,005,941
Salary increase rate	+/- 1.0%	17,577,185	( 11,895,975)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded as at December 31, 2021. While there is no minimum funding requirement in the country, the non-funding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

As at December 31, 2021, the Group is yet to determine how much and when to fund the post-employment benefit plan.

The maturity profile for the next 20 years of undiscounted expected benefit payments from the plan follows:

	<u>2021</u>		<u>2020</u>
Within one year	<b>P 5,504,433</b>	P	11,442,582
More than one year to five years	<b>18,601,837</b>		16,603,023
More than five years to 10 years	<b>55,506,162</b>		47,327,269
More than 10 years to 15 years	<b>65,653,536</b>		47,525,211
More than 15 years to 20 years	<b><u>239,563,453</u></b>		<u>162,084,023</u>
	<b><u>P 384,829,421</u></b>	P	<u>284,982,108</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 22.5 years.

## 24. CURRENT AND DEFERRED TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% or 20% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable were lower by P16.0 million than the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25% or 20%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P346.4 million and such was recognized in the 2021 profit or loss (P345.9 million) and in other comprehensive income or loss (P0.5 million).

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% or 20% 2021 and at 30% in 2020 and 2019	<b>P 181,323,703</b>	P 188,863,821	P 585,912,738
MCIT at 1% in 2021 and 2% in 2020 and 2019	<b>5,126,919</b>	122,007	3,721,366
Final tax at 20% and 15%	<b>1,746,291</b>	3,180,862	3,232,513
Effect of change in income tax rate	<b>( 16,004,614)</b>	-	-
Deferred tax expense relating to origination and reversal of temporary differences	<b>350,780,647</b>	454,990,087	199,945,342
Effect of the change in income tax rate	<b>( 345,936,587)</b>	-	-
	<b><u>P 177,036,359</u></b>	<b><u>P 647,156,777</u></b>	<b><u>P 792,811,959</u></b>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense (income) relating to remeasurements of retirement benefit plan	<b>P 8,500,728</b>	P 1,011,850	(P 13,655,704)
Effect of the change in income tax rate	<b><u>544,890</u></b>	<u>-</u>	<u>-</u>
	<b><u>P 9,045,618</u></b>	<b><u>P 1,011,850</u></b>	<b><u>(P 13,655,704)</u></b>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the consolidated statements of comprehensive income is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit at 25% or 20% in 2021 and 30% in 2020 and 2019	<b>P 417,932,350</b>	P 584,231,130	P 812,864,654
Effect of the change in income tax rate	<b>( 361,941,201)</b>	-	-
Adjustments for income subjected to lower income tax rates	<b>( 405,776)</b>	( 1,582,884)	( 1,646,124)
Tax effects of:			
Non-deductible expenses	<b>132,267,624</b>	175,983,348	55,529,431
Unrecognized deferred tax assets	<b>10,334,703</b>	-	1,535,206
Income tax benefit from previously unrecognized deferred tax assets	<b>475,530</b>	-	( 24,554,113)
Non-deductible interest expense	<b>355,713</b>	1,339,541	1,404,741
Application of net-operating loss carry-over (NOLCO)	-	( 585,740)	( 16,493,280)
Expired deferred tax assets	-	-	3,273,168
Non-taxable income	<b>( 21,982,584)</b>	( 112,228,618)	( 39,101,724)
Tax expense	<b><u>P 177,036,359</u></b>	<u>P 647,156,777</u>	<u>P 792,811,959</u>

The Group's deferred tax liabilities and deferred tax assets relate to the following as at December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax liabilities:		
Unrealized gross profit on real estate sales	<b>P 1,758,064,440</b>	P 1,924,847,951
Finance lease	<b>120,530,636</b>	131,997,515
Capitalized borrowing cost	<b>125,233,048</b>	111,257,512
Deferred commission	<b>116,695,252</b>	64,717,810
Marketing fee receivable	<b>114,878,200</b>	86,796,791
Leases	<b>57,354,755</b>	56,945,127
Rental income	<b>38,319,344</b>	74,205,532
Unrecognized foreign exchange gains – net	<b>1,620,384</b>	-
Refund liability	<b><u>1,205,191</u></b>	<u>-</u>
<i>Balance carried forward</i>	<b><u>P 2,333,901,250</u></b>	<u>P 2,450,768,238</u>

	<u>2021</u>	<u>2020</u>
<i>Balance forwarded</i>	<b>P 2,333,901,250</b>	P 2,450,768,238
Deferred tax assets:		
Allowance for impairment	( 116,301,356)	( 146,044,623)
Share-based employee compensation	( 59,106,392)	( 70,927,670)
Retirement benefit obligation	( 22,805,595)	( 37,570,413)
NOLCO	-	( 22,353,900)
Accrued expenses	-	( 87,193,064)
Refund liability	-	( 4,799,516)
Unrealized foreign exchange losses – net	-	( 2,990,191)
MCIT	( 116,507)	-
	<b>( 198,329,850)</b>	<b>( 371,879,377)</b>
	<b><u>P 2,135,571,400</u></b>	<b><u>P 2,078,888,861</u></b>

The components of the deferred tax assets as of December 31, 2021 separately reported under the Other Non-current Assets account (see Note 14) are as follows:

Deferred tax assets –	
Retirement benefit obligation	P 3,686,147
NOLCO	<u>34,757,705</u>
	38,443,852
Deferred tax liabilities –	
Leases	( <u>2,207,601</u> )
	<u><u>36,236,251</u></u>

The components of deferred tax expense (income) are as follows:

	<u>Consolidated Statements of Comprehensive Income</u>					
	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrealized profit on real estate sales	(P 166,783,511)	P 314,604,857	P 194,489,466	P -	P -	P -
Finance lease	( 15,141,135)	13,655,320	13,276,680	-	-	-
Capitalized borrowing cost	13,975,536	15,071,293	5,158,163	-	-	-
Marketing fee receivable	28,081,409	86,796,791	-	-	-	-
Rental income	( 30,483,690)	( 8,417,525)	39,886,030	-	-	-
Deferred commission	51,977,441	12,602,982	3,124,573	-	-	-
Unrealized foreign exchange gains - net	4,610,575	-	( 616,707)	-	-	-
Allowance for impairment	24,340,770	-	( 409,511)	-	-	-
Accrued expenses	87,193,064	43,410,644	( 55,828,067)	-	-	-
Share-based employee compensation	11,821,278	-	( 267,886)	-	-	-
Retirement benefit obligation	20,124,289	( 14,565,703)	( 1,599,046)	9,045,618	1,011,850	( 13,655,704)
MCIT	( 116,507)	13,739,144	( 1,020,857)	-	-	-
Leases	( 18,356,361)	6,643,236	( 11,148,121)	-	-	-
Refund liability	6,004,707	( 4,799,516)	-	-	-	-
Unrealized foreign exchange losses - net	-	( 1,397,536)	( 1,592,655)	-	-	-
NOLCO	( 12,403,805)	( 22,353,900)	16,493,280	-	-	-
Deferred tax expense (income)	<b><u>P 4,844,060</u></b>	<b><u>P 454,990,087</u></b>	<b><u>P 199,945,342</u></b>	<b><u>P 9,045,618</u></b>	<b><u>P 1,011,850</u></b>	<b><u>(P 13,655,704)</u></b>

The details of NOLCO which was applied and expired during the year are shown below.

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Applied During the Year</u>	<u>Expired During the Year</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2021	P 91,716,789	(P 5,734,846)	P -	P 85,981,943	2026
2020	3,641,024	-	-	3,641,024	2025
2019	307,785	( 307,785)	-	-	2022
2018	<u>25,720,027</u>	<u>( 25,720,027)</u>	<u>-</u>	<u>-</u>	2021
	<b><u>P 121,385,625</u></b>	<b><u>(P 31,762,658)</u></b>	<b><u>P -</u></b>	<b><u>P 89,622,967</u></b>	

NOLCO incurred in 2021 and 2020 can be claimed as deduction for the next five consecutive taxable years or until 2026 and 2025, respectively, in accordance with Section 4 of R.A. 11494, *Bayanihan to Recover as One Act*.

Majority of the entities within the Group are subject to the RCIT, which is computed at 25% of net taxable income as defined under the tax regulations or MCIT, computed at 1% of the gross taxable income, whichever is higher. The total of the MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown in the succeeding page.

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Applied During the Year</u>	<u>Expired During the Year</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2021	P 61,133	P -	P -	P 61,133	2024
2020	24,017	-	-	24,017	2023
2019	31,357	-	-	31,357	2022
2018	<u>13,563</u>	<u>-</u>	<u>( 13,563)</u>	<u>-</u>	2021
	<b><u>P 130,070</u></b>	<b><u>P -</u></b>	<b><u>(P 13,563)</u></b>	<b><u>P 116,507</u></b>	

Certain subsidiaries within the Group did not recognize deferred tax assets in accordance with the relevant accounting standard. The unrecognized deferred tax assets are broken down as follows:

	<u>2021</u>	<u>2020</u>
NOLCO	<b>P 63,146,937</b>	P 11,273,892
MCIT	<b>116,507</b>	97,990
Allowance for impairment	<u>-</u>	<u>1,535,206</u>
	<b><u>P 63,263,444</u></b>	<b><u>P 12,907,088</u></b>

Management has assessed that for other entities within the Group, the net losses incurred as well as the related NOLCO, can be recovered through their respective future operations.

The Group opted to continue claiming itemized deductions for the years ended December 31, 2021, 2020 and 2019 in computing for its income tax due.

## 25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associates, related parties under common ownership, the Company's key management personnel and others as described below and in the succeeding pages.

### *25.1 Summary of Related Party Transactions*

The summary of the Group's transactions with its related parties for the years ended December 31, 2021, 2020 and 2019, and the related outstanding balances as at December 31, 2021 and 2020 is discussed in the succeeding pages.

Related Party Category	Notes	Amount of Transactions			Outstanding Balances	
		2021	2020	2019	2021	2020
<b>Parent company:</b>						
Avaliment of advances – net of interest and repayments	25.4	P 38,745,018	(P 9,475,016)	(P 14,516,888)	(P 742,486,481)	(P 781,231,499)
Right-of-use asset	25.2 (b)	( 31,653,608)	( 49,846,367)	57,262,294	126,614,033	88,537,510
Lease liability	25.2 (b)	( 25,130,147)	53,831,702	( 138,478,275)	( 122,896,541)	( 84,646,573)
Commission expense	25.5	3,609,256	6,119,167	21,500,974	-	-
Services	25.6	8,571,429	8,571,429	8,571,429	-	-
Interest-bearing loans	25.8	( 2,128,433,550)	-	-	( 2,128,433,550)	-
Interest	25.8	( 520,274)	-	-	( 520,274)	-
<b>Associates:</b>						
Granting of cash advances – net of collections and reclass	25.3	4,376,944	-	( 35,899,045)	22,381,181	18,004,237
<b>Other investees of shareholders:</b>						
Granting of cash advances – net of collections	25.3	(P 7,860,549)	(P 160,032,795)	P 148,320,873	P 691,760,243	P 699,620,792
Avaliment of advances – net of repayments	25.4	( 27,266,721)	( 94,527,647)	( 14,815,498)	( 108,045,377)	( 135,312,098)
Lease of office spaces	25.2	6,742,495	6,742,495	6,742,495	-	-
<b>Key Management Personnel –</b>						
Compensation	25.7	27,070,337	27,589,919	31,158,167	-	-

Unless otherwise stated, the related receivables and payables from these transactions are short-term, unsecured, noninterest-bearing and are generally settled in cash upon demand. Based on management's assessment, certain advances to related parties were impaired as of December 31, 2021 and 2020 as discussed in Notes 25.3 and 29.2(c).

## 25.2 Lease of Office Spaces

### (a) Group as a Lessor

The Company leases portions of its investment property to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rate of 5%. The revenues earned from these related parties are included as part of Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income (see Note 11). The related outstanding receivables from these transactions are presented as part of Installment contract and other trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

### (b) Company as a Lessee

In 2016, the Company entered into a lease agreement as lessee with Megaworld for the new space where the Company transferred its office in 2017. On January 1, 2019, in connection with the adoption of PFRS 16, the Company recognized right-of-use asset and lease liability amounting to P195.6 million and P182.8 million, respectively. The corresponding amortization of the right-of-use asset amounted to P57.3 million in 2020 and is presented as part of Depreciation and amortization under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 21). Interest incurred on lease liability amounted to P8.0 million in 2020 and is presented as part of Finance costs under Finance Costs and Other Charges in the 2020 consolidated statement of comprehensive income (see Note 20.2). No amount was recognized in 2021 for amortization of the right-of-use asset and interest expense due to its pre-termination in 2020.



In December 2020, the Company entered into a new lease agreement as lessee with Megaworld covering the Company's new office space. The Company recognized right-of-use asset and lease liability amounting to P90.0 million and P84.1 million, respectively, in relation to this new lease agreement. Consequently, the Company derecognized the remaining carrying amount of right-of-use asset and lease liability for the old office space amounting to P81.1 million and P78.4 million, respectively. The derecognition of the right-of-use asset and lease liability resulted in a loss amounting to P2.7 million and is presented as part of Other Operating Expenses in the 2020 consolidated statement of comprehensive income. The carrying amounts of the right-of-use asset and lease liability amounted to P88.5 million and P84.6 million, respectively, as of December 31, 2020. While the carrying amounts of the right-of-use asset and lease liability as of December 31, 2021 amounted to P72.0 million and P70.7 million, respectively.

In January 2021, the Company entered into another lease agreement as lessee with Megaworld covering the Company's new office space. The Company recognized right-of-use asset and lease liability amounting to P68.2 million and P62.1 million, respectively, in relation to this new lease agreement. The carrying amounts of the right-of-use asset and lease liability amounted to P54.6 million and P52.2 million, respectively, as of December 31, 2021.

### ***25.3 Advances to Related Parties***

The Group grants advances to its associates and other related parties for working capital purposes. These advances to related parties are unsecured, noninterest-bearing and repayable in cash upon demand.

The balances of these advances, shown as Advances to Related Parties account in the consolidated statements of financial position as at December 31, are presented below.

	<u>2021</u>	<u>2020</u>
Associates	<b>P 22,381,181</b>	P 18,004,237
Other investee companies of shareholders	<u><b>691,760,243</b></u>	<u>699,620,792</u>
	<u><b>P 714,141,424</b></u>	<u>P 717,625,029</u>

A summary of transactions with these related parties are as follows:

	<u>Amount of Transactions</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Associates:			
Balance at beginning of year	<b>P 18,004,237</b>	P 18,004,237	P 53,903,282
Cash advances granted	<b>4,376,944</b>	-	1,546,324
Collections	<u>-</u>	<u>-</u>	<u>( 37,445,369)</u>
Balance at end of year	<u><b>P 22,381,181</b></u>	<u>P 18,004,237</u>	<u>P 18,004,237</u>

	<b>Amount of Transactions</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Other investee companies of shareholders:			
Balance at beginning of year	<b>P 699,620,792</b>	P 859,653,587	P 711,332,714
Collections	<b>( 7,860,549)</b>	( 189,176,412)	( 66,192,458)
Cash advances granted	-	29,143,617	302,948,613
Impairment	-	-	( 88,435,282)
Balance at end of year	<b><u>P 691,760,243</u></b>	<b><u>P 699,620,792</u></b>	<b><u>P 859,653,587</u></b>

The Group also has short-term, unsecured and non-interest-bearing outstanding advances to officers and employees amounting to P193.4 million and P248.2 million as of December 31, 2021 and 2020, respectively, which are presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). These are settled through salary deduction or liquidation.

As of December 31, 2021 and 2020, management assessed that certain advances to related parties amounting to P88.4 million are not recoverable [see Note 29.2 (c)]. Accordingly, this has been fully provided with allowance for impairment in the prior years. No impairment loss were recognized in 2021 and 2020.

#### ***25.4 Advances from Related Parties***

The Group obtains advances from its parent company and other related parties for working capital purposes. These advances are unsecured and are repayable in cash upon demand. Also, except for the advances from Megaworld, these advances are non-interest-bearing.

The balances of these advances, shown as Advances from Related Parties account in the consolidated statements of financial position as at the end of the reporting periods, are presented below.

	<b>2021</b>	<b>2020</b>
Parent company	<b>P 742,486,481</b>	P 781,231,499
Other investee companies of shareholders	<b><u>108,045,377</u></b>	<u>135,312,098</u>
	<b><u>P 850,531,858</u></b>	<b><u>P 916,543,597</u></b>

A summary of transactions with these related parties are as follows:

	<b>Amount of Transactions</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Parent company:			
Balance at beginning of year	<b>P 781,231,499</b>	P 771,756,483	P 757,239,595
Repayments	<b>( 48,384,132)</b>	-	-
Interest expense	<b>9,639,114</b>	8,587,202	8,088,332
Cash advances obtained	-	<u>887,814</u>	<u>6,428,556</u>
Balance at end of year	<b><u>P 742,486,481</u></b>	<b><u>P 781,231,499</u></b>	<b><u>P 771,756,483</u></b>

	<b>Amount of Transactions</b>		
	<b>2021</b>	2020	2019
Other investee companies of shareholders:			
Balance at beginning of year	<b>P 135,312,098</b>	P 229,839,745	P 244,655,243
Repayments	<b>( 27,266,721)</b>	( 94,707,395)	( 103,187,691)
Cash advances obtained	<u>-</u>	<u>179,748</u>	<u>88,372,193</u>
Balance at end of year	<b><u>P 108,045,377</u></b>	<b><u>P 135,312,098</u></b>	<b><u>P 229,839,745</u></b>

The advances from Megaworld bear annual interest of 6.0%. The interest expense incurred in 2021, 2020 and 2019 are presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 20.2).

The related unpaid interest of the advances from Megaworld amounting P56.2 million as at December 31, 2020 (nil in 2021) is included as part of the Advances from Related Parties account in the consolidated statements of financial position.

### ***25.5 Commissions***

In the normal course of business, the Group pays commissions to Megaworld for marketing services rendered by the latter with the purpose of increasing sales from its on-going projects. The commissions are based on pre-agreed rates and are payable once a certain percentage of the contract price has been collected. Commissions incurred in 2021, 2020 and 2019 are presented as part of Commissions under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 21). There was no outstanding balance from this transaction as of December 31, 2021 and 2020.

### ***25.6 Services***

The Group obtains services from parent company for a fixed consideration. The amount of expenses incurred from such transaction is recorded as part of Miscellaneous under Other Operating Expenses account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 21). There was no outstanding balance from this transaction as of December 31, 2021 and 2020.

### ***25.7 Key Management Personnel Compensation***

The Group's key management personnel compensation includes the following:

	<u>Notes</u>	<u>2021</u>	2020	2019
Short-term benefits		<b>P 23,012,469</b>	P 23,030,597	P 24,722,959
Post-employment defined benefit	23.1	<b>4,057,868</b>	4,559,322	5,542,255
Share-based employee compensation	26.2	<u>-</u>	<u>-</u>	<u>892,953</u>
		<b><u>P 27,070,337</u></b>	<b><u>P 27,589,919</u></b>	<b><u>P 31,158,167</u></b>

### **25.8 Interest-Bearing Loans**

In 2021, the Company and TLC obtained an unsecured, interest-bearing loans from Megaworld for its working capital requirements. The outstanding balance of the loans as at December 31, 2021 amounted to P2.1 billion and is presented as part of Interest-bearing Loans account in the 2021 consolidated statement of financial position (see Note 15). The related interest from these loans are presented as part of Finance Costs and Other Charges in the 2021 consolidated statement of comprehensive income (see Note 20.2).

## **26. EQUITY AND REDEEMABLE PREFERENCE SHARES**

### **26.1 Capital Stock**

Capital stock as of December 31, 2021 and 2020 consists of:

	<u>Shares</u>	<u>Amount</u>
Common shares – P1 par value		
Authorized	<u>20,000,000,000</u>	<u>P 20,000,000,000</u>
Issued and outstanding		
Balance at end of year	<u>10,986,000,000</u>	<u>P 10,986,000,000</u>

On November 23, 1995, the SEC approved the listing of the Company’s common shares totaling 150.0 million. The shares were initially issued at an offer price of P19.50 per common share. As at December 31, 2021 and 2020, there are 4,183 and 4,200 holders of the listed shares, respectively, which closed at P1.01 per share and P1.20 per share, respectively.

The Company also made additional listings of 2.2 billion, 5.0 billion and 2.5 billion shares on January 11, 2007, January 20, 2011 and August 14, 2013, respectively.

### **26.2 Employee Stock Option Plan**

On September 23, 2011, the BOD of the Company approved an Executive Stock Option Plan (the ESOP) for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least two-thirds of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of the Company, who are largely responsible for its further growth and development, to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The ESOP is being administered by the Executive Compensation Committee of the BOD.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 500.0 million common shares of the Company’s outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company’s shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The Company shall receive cash for the stock options.

As of December 31, 2020, pursuant to this ESOP, the Company has granted the option to its key company executives to subscribe to 400.0 million shares of the Company. An option holder may exercise in whole or in part his vested option, provided that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. A total of 400.0 million options have vested as at December 31, 2021 and 2020, respectively, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below.

Grant dates	:	February 16, 2012, February 18, 2013 March 7, 2014, March 9, 2015, July 14, 2016
Vesting period ends	:	February 15, 2015, February 17, 2016. March 6, 2017, February 16, 2018 July 13, 2019
Option life	:	Seven years
Share price at grant dates	:	P2.10, P2.09, P1.60, P1.63, P1.02
Exercise price at grant dates	:	P1.93, P1.69, P1.50, P1.65, P1.00
Average fair value at grant dates	:	P2.27, P0.74, P0.42, P0.34, P0.24
Average standard deviation of share price returns	:	57.10%, 20.85%, 16.16%, 12.16%, 15.29%
Average risk-free investment rates	:	2.46%, 2.14%, 2.46%, 2.51%, 2.59%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P0.9 million share-based employee compensation is recognized for the year ended December 31, 2019 respectively (nil for 2021 and 2020), and is included as part of Salaries and employee benefits under Other Operating Expenses in the 2019 consolidated statement of comprehensive income (see Notes 21 and 23.1), and is credited to Retained Earnings in the equity section of the consolidated statements of financial position.

### ***26.3 Redeemable Preferred Shares***

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.3% subject to the existence of TLC's unrestricted retained earnings. The accrued interest on these preferred shares amounting to P0.49 million and P0.9 million as at December 31, 2021 and 2020, respectively, is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16). The related interest expense recognized amounting to P11.1 million, P17.0 million, P22.7 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance costs under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 20.2).

The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10<sup>th</sup> anniversary date. The sixth anniversary date was on December 3, 2018. Accordingly, 1/5 of the aggregate face value amounting to P251.6 million has been redeemed both in 2021 and 2020.

Based on PAS 32, the preferred shares are considered as financial liabilities due to fixed redemption date and mandatory dividends to the holders. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

## 27. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Basic:			
Net profit attributable to Company's shareholders	<b>P 1,311,281,638</b>	P 1,086,836,496	P 1,489,054,664
Divided by weighted number of outstanding common shares	<u><b>10,986,000,000</b></u>	<u>10,986,000,000</u>	<u>10,986,000,000</u>
	<u><b>P 0.119</b></u>	<u>P 0.099</u>	<u>P 0.136</u>
Diluted:			
Net profit attributable to Company's shareholders	<b>P 1,311,281,638</b>	P 1,086,836,496	P 1,489,054,664
Divided by weighted number of outstanding common shares	<u><b>11,376,972,222</b></u>	<u>11,376,972,222</u>	<u>11,376,972,222</u>
	<u><b>P 0.115</b></u>	<u>P 0.096</u>	<u>P 0.131</u>

In relation to the approved ESOP for key executive officers, the vested options exercisable by any of the option holders are considered as potentially dilutive shares as at the end of the reporting periods.

## 28. COMMITMENTS AND CONTINGENCIES

### *28.1 Lease Commitments – Group as Lessor*

The Group is a lessor under several operating leases covering real estate properties for commercial use (see Note 11). The leases have terms ranging from 1 to 25 years, with renewal options, and include annual escalation rates of 3.00% to 10.00%. The average annual rental covering these agreements amounts to P661.5 million.

Future minimum lease payments receivable under these agreements are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Within one year	<b>P 667,187,437</b>	P 571,959,088	P 672,430,216
After one year but not more than two years	<b>578,855,591</b>	564,097,443	621,639,804
After two years but not more than three years	<b>336,319,635</b>	570,929,043	606,568,060
After three years but more than four years	<b>271,939,979</b>	295,241,834	596,909,653
After four years but not more than five years	<b>423,114,746</b>	210,497,237	373,679,947
More than five years	<b><u>2,496,909,268</u></b>	<u>1,743,487,893</u>	<u>1,760,600,412</u>
	<b><u>P 4,774,326,656</u></b>	<u>P 3,956,212,538</u>	<u>P 4,631,828,092</u>

The undiscounted maturity analysis of finance lease receivable at December 31, 2021 and 2020 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
December 31, 2021							
Lease collection	P 120,334,584	P 88,699,119	P 89,346,871	P 90,014,054	P 26,281,499	P 679,150,148	P 1,093,826,275
Interest income	( 38,419,380)	( 34,355,507)	( 29,909,018)	( 25,047,216)	( 24,407,402)	( 368,782,763)	( 520,921,286)
Net present value	<b><u>P 81,915,204</u></b>	<b><u>P 54,343,612</u></b>	<b><u>P 59,437,853</u></b>	<b><u>P 64,966,838</u></b>	<b><u>P 1,874,097</u></b>	<b><u>P 310,367,385</u></b>	<b><u>P 572,904,989</u></b>
December 31, 2020							
Lease collection	P 94,764,348	P 88,070,235	P 88,699,119	P 89,346,871	P 90,014,054	P 705,431,648	P 1,156,326,275
Interest income	( 42,130,828)	( 38,419,379)	( 34,355,507)	( 29,909,018)	( 25,047,216)	( 393,190,165)	( 563,052,113)
Net present value	<b><u>P 52,633,520</u></b>	<b><u>P 49,650,856</u></b>	<b><u>P 54,343,612</u></b>	<b><u>P 59,437,853</u></b>	<b><u>P 64,966,838</u></b>	<b><u>P 312,241,483</u></b>	<b><u>P 593,274,162</u></b>

## 28.2 Others

There are other commitments and contingent liabilities that may arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As of the end of the reporting period, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

## 29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 30.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described in the succeeding pages.

## **29.1 Market Risk**

### *(a) Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Group's United States (U.S.) dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar denominated financial assets, translated into Philippine pesos at the closing rates at end of 2021 and 2020, pertain to cash and cash equivalents amounting to P206.6 million and P145.4 million, respectively. The Group has no U.S. dollar denominated financial liabilities in 2021 and 2020.

If the Philippine peso had strengthened against the U.S. dollar, profit before tax would have decreased by P8.5 million and P7.6 million in 2021 and 2020, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased profit before tax in 2021 and 2020 by the same amount. This sensitivity of the net result for the year assumes a +/-4.11% and +/-5.20% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2021 and 2020, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months for 2021 and 2020 estimated at 68% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

### *(b) Interest Rate Risk*

At December 31, 2021 and 2020, the Group is exposed to changes in market interest rates through its cash and cash equivalents and long-term interest-bearing loans, which are subject to variable interest rates (see Notes 5 and 15). All other financial assets and liabilities have fixed rates.

The sensitivity of the Group's profit before tax is analyzed based on reasonably possible change for the year to a reasonably possible change in interest rates of +/-1.26% and +/-2.44% in 2021 and 2020, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from beginning of the year. All other variables held constant, if the interest rate increased by 1.26% and 2.44% in 2021 and 2020, profit before tax would have increased by P8.5 million and P15.0 million in 2021 and 2020, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2020 and 2019 would have been higher by the same amount.



## 29.2 Credit Risk

Credit risk is the risk when a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers and related parties and by placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position, as summarized below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	5	<b>P 3,949,449,148</b>	P 2,239,105,042
Trade receivables – net	6	<b>7,637,754,343</b>	7,120,453,190
Finance lease receivable	6	<b>572,904,989</b>	593,274,162
Rent receivables	6	<b>693,622,910</b>	319,569,320
Other receivables	6	<b>224,804,959</b>	260,333,606
Contract assets	19.2	<b>3,147,300,186</b>	2,793,995,947
Advances to real estate property owners	9	<b>1,303,730,350</b>	1,283,568,006
Advances to related parties	25.3	<b>714,141,424</b>	717,625,029
Refundable deposits	14	<b>118,111,018</b>	129,920,380
		<b><u>P18,361,819,327</u></b>	<b><u>P15,457,844,682</u></b>

### (a) Cash and Cash Equivalents

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

As part of Group policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

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 for impairment will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

As of December 31, 2021 and 2020, impairment allowance is not material.

(b) *Trade and Other Receivables and Contract Assets*

Credit risk of receivables and contract assets from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking information specific to the buyers and the economic environment.

The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to beyond 90 days. Furthermore, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as rental receivables are also evaluated by the Group for impairment and assessed that no ECL should be provided. Rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are in average equivalent to six months.

The estimated fair value of collateral and other security enhancements held against installment contract receivables, contract assets and rent receivables are presented below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<b>2021</b>			
Installment contract receivables – net	P 7,637,754,343	P 10,434,163,727	P -
Contract assets	3,147,300,186	7,222,926,505	-
Rent receivables	<u>693,622,910</u>	<u>470,788,223</u>	<u>222,834,687</u>
	<b><u>P 11,478,677,438</u></b>	<b><u>P 18,127,878,455</u></b>	<b><u>P 222,834,687</u></b>

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<u>2020</u>			
Installment contract			
receivables – net	P 7,120,453,190	P 10,183,902,372	P -
Contract assets	2,793,995,947	5,540,742,708	-
Rent receivables	<u>319,569,320</u>	<u>575,107,186</u>	<u>-</u>
	<u>P 10,234,018,457</u>	<u>P 16,299,758,266</u>	<u>P -</u>

Some of the unimpaired trade and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period and are presented below.

	<u>2021</u>	<u>2020</u>
Current (not past due)	<b>P7,756,332,985</b>	P7,487,794,934
Past due but not impaired:		
More than one month but not more than three months	<b>194,687,820</b>	454,484,289
More than three months but not more than six months	<b>160,032,968</b>	161,793,683
More than six months but not more than one year	<b>349,614,895</b>	123,315,121
More than one year	<u><b>377,479,127</b></u>	<u>91,351,032</u>
	<u><b>P8,838,147,795</b></u>	<u>P8,318,739,059</u>

(c) *Advances to Related Parties, Advances to Real Estate Property Owners and Refundable Deposits*

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that the outstanding receivables from certain related parties as of December 31, 2021 and 2020 are not recoverable since these related parties have no capacity to pay the advances upon demand; hence, fully provided with allowance. No additional impairment loss was recognized in 2021 and 2020 (see Note 25.3).

The Group does not consider any significant risks in the remaining advances to related parties since Megaworld and other related parties, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy.

In addition, there is also no significant risks in the advances to real estate property owners as these are advances to joint venturers in the Group's certain real estate projects which are set-off against the joint venturers' share in the collections of receivables pertaining to such projects. As of December 31, 2021 and 2020, impairment allowance is not material.

With respect to refundable deposits, management assessed that these financial assets have low probability of default since these relate to reputable companies (i.e., with high quality external credit ratings).

### 29.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of end of the reporting periods, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
<b>December 31, 2021</b>				
Interest-bearing loans	P 833,605,946	P 984,568,888	P 5,161,860,883	P 1,848,965,000
Trade and other payables	953,295,507	2,347,522,364	-	-
Advances from related parties	850,531,858	-	-	-
Due to joint venture partners	-	400,238,268	-	-
Redeemable preferred shares	-	251,597,580	-	-
Accrued dividends on preferred shares	-	439,062	-	-
Lease liabilities	59,267,883	59,267,883	225,595,182	718,399,295
Security deposits	-	-	-	86,611,433
Retention payable	-	300,228,143	-	503,135,372
	<b><u>P 2,696,701,194</u></b>	<b><u>P 4,343,862,188</u></b>	<b><u>P 5,387,456,065</u></b>	<b><u>P 3,157,141,100</u></b>
<b>December 31, 2020</b>				
Interest-bearing loans	P 992,670,581	P 722,043,473	P 4,022,522,259	P 208,068,182
Trade and other payables	636,788,702	2,378,418,739	-	-
Advances from related parties	916,543,597	-	-	-
Due to joint venture partners	-	410,467,353	-	-
Redeemable preferred shares	-	251,597,580	251,597,580	-
Accrued dividends on preferred shares	-	936,977	-	-
Lease liabilities	40,551,207	40,551,206	209,136,192	747,392,551
Security Deposits	-	-	-	132,707,104
Retention payable	-	278,673,607	-	582,304,798
	<b><u>P 2,586,554,087</u></b>	<b><u>P 4,082,688,935</u></b>	<b><u>P 4,483,256,031</u></b>	<b><u>P 1,670,472,635</u></b>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

## 30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 30.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets presented in the consolidated statements of financial position are shown in the succeeding pages.

Notes	2021		2020		
	Carrying Values	Fair Values	Carrying Values	Fair Values	
<b>Financial assets</b>					
At amortized cost:					
Cash and cash equivalents	5	<b>P 3,949,449,148</b>	<b>P 3,949,449,148</b>	P 2,239,105,042	P 2,239,105,042
Trade and other receivables – net	6	<b>9,129,087,201</b>	<b>9,347,916,671</b>	8,293,630,278	8,598,629,867
Advances to real estate property owners	9	<b>1,303,730,350</b>	<b>1,303,730,350</b>	1,283,568,006	1,283,568,006
Advances to related parties	25.3	<b>714,141,424</b>	<b>714,141,424</b>	717,625,029	717,625,029
Refundable deposits	14	<b>118,111,018</b>	<b>118,914,287</b>	129,920,380	129,920,380
		<b><u>P 15,214,519,141</u></b>	<b><u>P 15,434,151,880</u></b>	<u>P12,663,848,735</u>	<u>P 12,968,848,324</u>
<b>Financial liabilities</b>					
At amortized cost:					
Interest-bearing loan	15	<b>P 7,492,924,404</b>	<b>P 7,510,917,599</b>	P 5,334,558,820	P 5,494,600,515
Trade and other payables	16	<b>3,300,378,809</b>	<b>3,300,378,809</b>	3,015,207,441	3,015,207,441
Advances from related parties	25.4	<b>850,531,858</b>	<b>850,531,858</b>	916,543,597	916,543,597
Due to joint venture partners	17	<b>400,238,268</b>	<b>400,238,268</b>	410,467,353	410,467,353
Retention payable	16, 18	<b>803,393,515</b>	<b>803,393,515</b>	860,978,405	860,978,405
Redeemable preferred shares	26.3	<b>251,597,580</b>	<b>245,810,836</b>	503,195,160	485,834,927
Accrued dividends on preferred shares	16	<b>439,062</b>	<b>439,062</b>	936,977	936,977
Security deposits	18	<b>86,611,433</b>	<b>86,611,433</b>	132,707,104	132,707,104
Lease liabilities	13	<b>526,912,163</b>	<b>526,912,163</b>	473,635,321	473,635,321
		<b><u>P13,713,027,092</u></b>	<b><u>P 13,725,233,543</u></b>	<u>P11,648,230,178</u>	<u>P 11,790,911,640</u>

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 29.

### 30.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2021 and 2020 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders or upon instruction by the Group. As such, the Group's outstanding advances to related parties amounting to P714.1 million and P717.6 million can be offset by the amount of outstanding advances from related parties amounting to P850.5 million and P916.5 million as at December 31, 2021 and 2020, respectively (see Note 25).

The Group has cash in certain local banks to which it has outstanding loans (see Note 15). In case of the Group's default on loan amortization, cash in bank amounting to P2,760.6 million and P551.3 million can be applied against its outstanding loans from banks amounting to P5,229.7 million and P5,334.6 million as of December 31, 2021 and 2020, respectively (see Note 15).

## 31. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 31.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels shown in the succeeding pages.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### ***31.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2021 and 2020 consolidated statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2021:</b>				
<b><i>Financial Assets:</i></b>				
Cash and cash equivalents	P3,949,449,148	P -	P -	P 3,949,449,148
Trade and other receivables – net	-	-	9,347,916,671	9,347,916,671
Advances to real estate property owners	-	-	1,303,730,350	1,303,730,350
Advances to related parties	-	-	714,141,424	714,141,424
Refundable deposits	-	-	118,914,287	118,914,287
	<b><u>P3,949,449,148</u></b>	<b><u>P -</u></b>	<b><u>P11,484,702,732</u></b>	<b><u>P15,434,151,880</u></b>
<b><i>Financial Liabilities:</i></b>				
Interest-bearing loans	P -	P -	P 7,510,917,599	P 7,510,917,599
Trade and other payables	-	-	3,300,378,809	3,300,378,809
Advances from related parties	-	-	850,531,858	850,531,858
Due to joint venture partners	-	-	400,238,268	400,238,268
Retention payable	-	-	803,393,515	803,393,515
Redeemable preferred shares	-	-	245,810,836	245,810,836
Accrued dividends on preferred shares	-	-	439,062	439,062
Security deposit	-	-	86,611,433	86,611,433
Lease liabilities	-	-	526,912,163	526,912,163
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P13,725,233,543</u></b>	<b><u>P13,725,233,543</u></b>
<b>2020:</b>				
<b><i>Financial Assets:</i></b>				
Cash and cash equivalents	P2,239,105,042	P -	P -	P 2,239,105,042
Trade and other receivables – net	-	-	8,598,629,867	8,598,629,867
Advances to real estate property owners	-	-	1,283,568,006	1,283,568,006
Advances to related parties	-	-	717,625,029	717,625,029
Refundable deposits	-	-	129,920,380	129,920,380
	<b><u>P2,239,105,042</u></b>	<b><u>P -</u></b>	<b><u>P10,729,743,282</u></b>	<b><u>P12,968,848,324</u></b>

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
<u>2020:</u>							
<i>Financial Liabilities:</i>							
Interest-bearing loans	P -		P -		P 5,494,600,515		P 5,494,600,515
Trade and other payables	-		-		3,015,207,441		3,015,207,441
Advances from related parties	-		-		916,543,597		916,543,597
Due to joint venture partners	-		-		410,467,353		410,467,353
Retention payable	-		-		860,978,405		860,978,405
Redeemable preferred shares	-		-		485,834,927		485,834,927
Accrued dividends on preferred shares	-		-		936,977		936,977
Security deposits	-		-		132,707,104		132,707,104
Lease liabilities	-		-		<u>473,635,321</u>		<u>473,635,321</u>
	<u>P -</u>		<u>P -</u>		<u>P11,790,911,640</u>		<u>P11,790,911,640</u>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market is determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. For those with short term duration, the carrying amount approximates the fair value.

### ***31.3 Investment Property Measured at Cost for Which Fair Value is Disclosed***

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is its current use.

The fair value of the investment property was determined based on the following approaches (see Note 11):

#### *(i) Fair Value Measurement for Land and Land Development and Improvements*

The Level 3 fair value of land and land developments and improvements amounted to P30,413.5 million and P30,371.2 million as at December 31, 2021 and 2020, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

#### *(ii) Fair Value Measurement for Building and Improvements*

The fair value of the Group's building and improvements, which are classified under Level 3 of the fair value hierarchy, amounted to P10,502.0 million and P11,166.5 million, as at December 31, 2021 and 2020, respectively, and is determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 7.48% and 5.94% in 2021 and 2020, respectively. The expected cash flows are based on the best use of the property, which is to earn rentals over its estimated useful life.

*(iii) Fair Value Measurement of Construction in Progress*

The Level 3 fair value of the construction in progress was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated cost used in the valuation will result in higher fair value of the properties. Management assessed that the fair value of the construction in progress approximates its carrying values.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

### 32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group also monitors its debt coverage ratio (DCR) and current ratio as required by its loan obligations (see Note 15). The Group has complied with its covenant obligations, including maintaining the required DCR and current ratio.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2021</u>	<u>2020</u>
Total liabilities	<b>P 18,047,179,365</b>	P 16,009,987,380
Total equity	<b><u>36,070,890,220</u></b>	<u>34,551,239,882</u>
Debt-to-equity ratio	<b><u>0.50 :1.00</u></b>	<u>0.46 :1.00</u>



### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2021 and 2020 is presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

	<b>Interest-bearing Loans</b> <small>(See Note 15)</small>	<b>Advances from Related Parties</b> <small>(See Note 25.4)</small>	<b>Lease Liabilities</b> <small>(See Note 13.2)</small>	<b>Total</b>
Balance as of January 1, 2021	P 5,334,558,820	P 916,543,597	P 473,635,321	P 6,724,737,738
Cash flows from financing activities:				
Additional borrowings	3,628,953,824		-	3,628,953,824
Repayments of borrowings	( 1,470,588,240 )	( 75,650,853 )	( 46,917,893 )	( 1,593,156,986 )
Non-cash financing activities:				
Recognition of lease liability	-	-	62,125,930	62,125,930
Derecognition of lease liability	-	-	-	-
Interest expense	-	9,639,114	-	9,639,114
Interest amortization on lease liabilities	-	-	38,068,805	38,068,805
Balance as of December 31, 2021	<b><u>P 7,492,924,404</u></b>	<b><u>P 850,531,858</u></b>	<b><u>P 526,912,163</u></b>	<b><u>P 8,870,368,425</u></b>
Balance as of January 1, 2020	P 5,024,305,898	P 1,001,596,228	P 494,291,683	P 6,520,193,809
Cash flows from financing activities:				
Additional borrowings	2,000,000,000	1,067,562	-	2,001,067,562
Repayments of borrowings	( 1,689,747,078 )	( 94,707,395 )	( 63,023,129 )	( 1,847,477,602 )
Non-cash financing activities:				
Recognition of lease liability	-	-	84,106,667	84,106,667
Derecognition of lease liability	-	-	( 79,921,472 )	( 79,921,472 )
Interest expense	-	8,587,202	-	8,587,202
Interest amortization on lease liabilities	-	-	38,181,572	38,181,573
Balance as of December 31, 2020	<b><u>P 5,334,558,820</u></b>	<b><u>P 916,543,597</u></b>	<b><u>P 473,635,321</u></b>	<b><u>P 6,724,737,739</u></b>
Balance as of January 1, 2019	P 4,060,772,360	P 1,001,894,838	P -	P 5,062,667,198
Adoption of PFRS 16	-	-	610,257,526	610,257,526
Cash flows from financing activities:				
Additional borrowings	2,500,000,000	94,800,749	-	2,594,800,749
Repayments of borrowings	( 1,536,466,462 )	( 103,187,691 )	( 151,902,935 )	( 1,791,557,088 )
Non-cash financing activities –				
Interest expense	-	8,088,332	-	8,088,332
Interest amortization on lease liabilities	-	-	35,937,092	35,937,092
Balance as of December 31, 2019	<b><u>P 5,024,305,898</u></b>	<b><u>P 1,001,596,228</u></b>	<b><u>P 494,291,683</u></b>	<b><u>P 6,520,193,809</u></b>



**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange Commission  
Filed Separately from the Basic  
Consolidated Financial Statements**

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**The Board of Directors and Stockholders  
Global-Estate Resorts, Inc. and Subsidiaries  
(A Subsidiary of Megaworld Corporation)**

9/F Eastwood Global Plaza  
Palm Tree Avenue, Eastwood City  
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global-Estate Resorts, Inc. and subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug.27, 2024)

February 24, 2022

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2021**

Report of Independent Auditors on Supplementary Schedules Filed Separately  
from the Basic Financial Statements

(1) Supplementary Schedules to Financial Statements  
*(Annex 68-J, Revised SRC Rule 68)*

Schedule

A	Financial Assets (Marketable Securities)	n/a
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	Long-Term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	n/a
G	Capital Stock	5
(2)	Reconciliation of Retained Earnings Available for Dividend Declaration	6
(3)	Map Showing the Relationship Between and Among Related Parties	7

GLOBAL - ESTATE RESORTS, INC. AND SUBSIDIARIES  
(A Subsidiary of Megaworld Corporation)

Schedule B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
DECEMBER 31, 2021  
(Amounts in Philippine Pesos)

Name and Designator of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balances		Balance at End of Year
			Amount Collected	Amounts Written-off	Current	Non-current	
<b>Amounts Due from Related Parties</b>							
FERC	P 2,141,360	P -	P -	P -	P 2,141,360	P -	P 2,141,360
FERSAI	1	7,518,689	-	-	7,518,690	-	7,518,690
BNHGI	3,141,747	-	-	-	3,141,747	-	3,141,747
NPI	12,721,130	-	-	-	12,721,130	-	12,721,130
Other related parties	699,620,791	313,507,054	324,509,348	-	688,618,497	-	688,618,497
<b>Total</b>	<b>P 717,625,029</b>	<b>P 321,025,743</b>	<b>P 324,509,348</b>	<b>P -</b>	<b>P 714,141,424</b>	<b>P -</b>	<b>P 714,141,424</b>
<b>Advances to Officers and Employees</b>							
Binag Macaraig, Melody	P 375,626	P -	P 239,837	P -	P 135,789	P -	P 135,789
Globio, Salvino	264,693	-	111,507	-	153,186	-	153,186
Haguisan, Hennie	1,229,763	-	1,229,763	-	-	-	-
Samson, Ma. Rica	216,337	618,000	446,849	-	387,488	-	387,488
Villanueva, Lanie	142,784	-	142,784	-	-	-	-
Bravo, Melissa Anne	49,871	521,986	133,449	-	438,408	-	438,408
Lim, Meliza Anne	-	600,283	120,021	-	480,262	-	480,262
Carbon, Thomas George M.	-	443,688	86,106	-	357,582	-	357,582
David, Chatt S.	428,772	-	248,664	-	180,108	-	180,108
Luzung, Fred	624	467,355	74,572	-	393,407	-	393,407
Mangubat, Felipe	21,403	722,652	157,119	-	586,936	-	586,936
Lopez, Gervinna	94,326	-	94,326	-	-	-	-
Quintana, Allan	-	735,207	113,058	-	622,149	-	622,149
Herrera, Christopher	126,992	533,249	216,083	-	444,158	-	444,158
Roxas, Michael	351,305	-	134,659	-	216,646	-	216,646
Others	244,920,690	31,660,368	87,539,951	-	189,041,107	-	189,041,107
<b>Total</b>	<b>P 248,223,186</b>	<b>P 36,302,788</b>	<b>P 91,088,748</b>	<b>P -</b>	<b>P 193,437,226</b>	<b>-</b>	<b>P 193,437,226</b>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**

*(A Subsidiary of Megaworld Corporation)*

**Schedule C - Amounts Receivable from or Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements**

**December 31, 2021**

*(Amounts in Philippine Pesos)*

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
<b>Amounts Receivable from Related Parties Eliminated During Consolidation:</b>							
Fil-Estate Property, Inc.	P 7,690,929,414	P 120,835,541	p -	p -	P 7,811,764,955	P -	P 7,811,764,955
Novo Sierra Holdings Corp.	353,067	-	-	-	353,067	-	353,067
Fil-Estate Urban Development Corporation	143,492,964	750,522	-	-	144,243,486	-	144,243,486
Oceanfront Properties	234,591,186	-	100,453,079	-	134,138,107	-	134,138,107
Twin Lakes Corporation	-	7,322,182	-	-	7,322,182	-	7,322,182
Southwoods Mall, Inc.	132,458,084	-	32,116,910	-	100,341,174	-	100,341,174
Megaworld Global Estate Inc.	26,745,701	15,450,983	-	-	42,196,684	-	42,196,684
Global Homes and Communities Inc.	108,655,654	2,500,000	-	-	111,155,654	-	111,155,654
	<b>P 8,337,226,070</b>	<b>P 146,859,228</b>	<b>P 132,569,989</b>	<b>P -</b>	<b>P 8,351,515,309</b>	<b>P -</b>	<b>P 8,351,515,309</b>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
(A Subsidiary of Megaworld Corporation)  
Schedule D - Long Term Debt  
December 31, 2021  
(Amounts in Philippine Pesos)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Bank loan	P 5,363,970,580	P 1,387,254,907	P 3,976,715,673
Megaworld Corporation	<u>2,128,953,824</u>	<u>-</u>	<u>2,128,953,824</u>
	<u>P 7,492,924,404</u>	<u>P 1,387,254,907</u>	<u>P 6,105,669,497</u>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**  
**DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

Name of Related Party	Balance at Beginning of Year	Balance at End of Period
Megaworld Corporation	P 781,231,499	P 742,486,481
Others	<u>135,312,096</u>	<u>108,045,377</u>
<b>TOTAL</b>	<b><u>P 916,543,595</u></b>	<b><u>P 850,531,858</u></b>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
SCHEDULE G - CAPITAL STOCK  
DECEMBER 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares	20,000,000,000	10,986,000,000	-	9,043,850,659	2,722,654	1,939,426,687

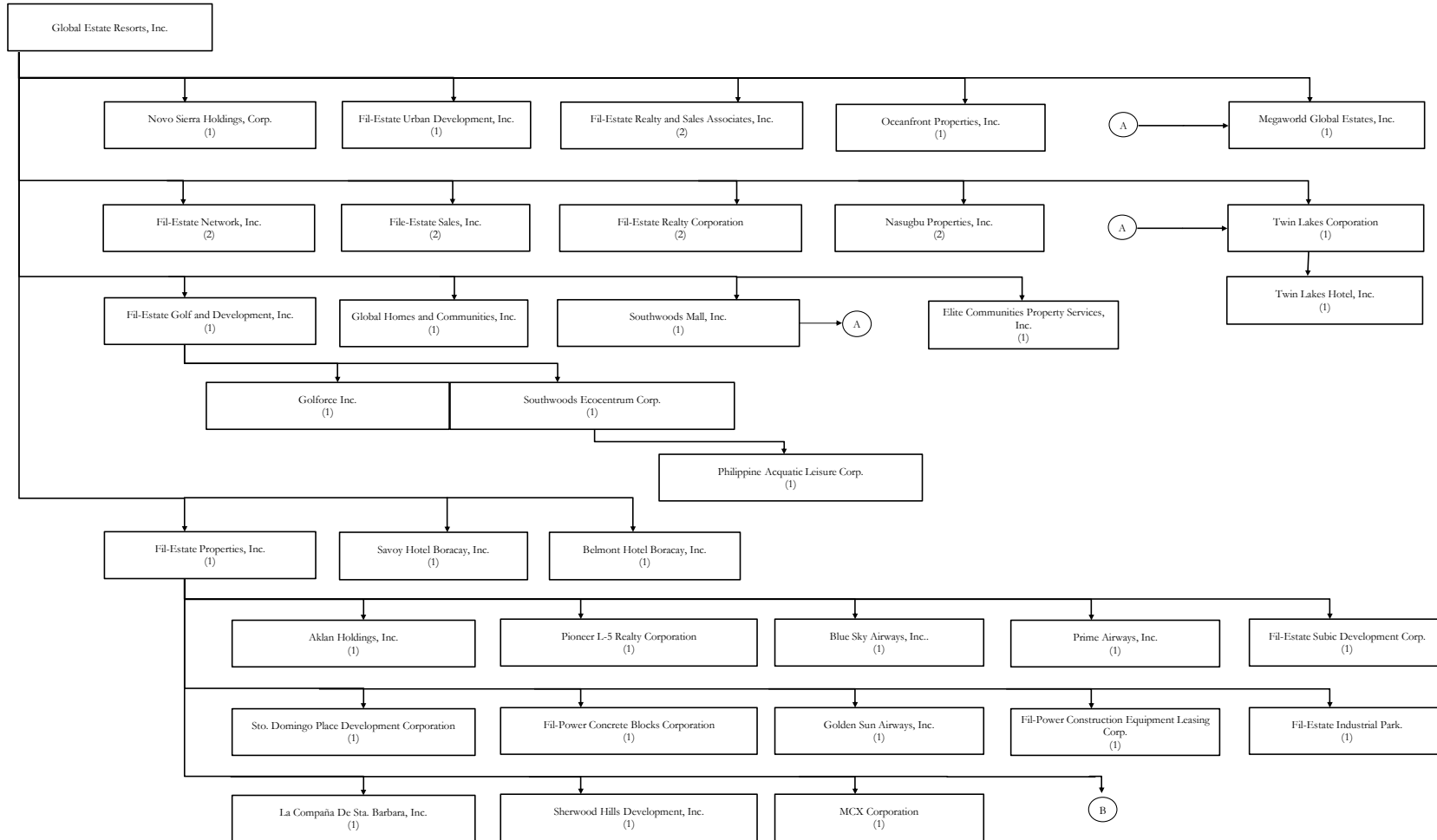


**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City

**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2021**

<b>Unappropriated Retained Earnings at Beginning of Year</b>		P <u>13,898,084,356</u>
<b>Prior Years' Outstanding Reconciling Items, net of tax</b>		
Deferred tax income	(	121,992,062)
Effect of change in income tax rate		20,332,010
Accumulated share in net income of subsidiaries	(	<u>7,431,003,858</u> )
	(	<u>7,532,663,910</u> )
<b>Unappropriated Retained Earnings at Beginning of Year, as Adjusted</b>		6,365,420,446
<b>Net Profit Realized During the Year</b>		
Net profit per audited financial statements	P	<u>1,298,852,373</u>
<b>Less: Non-actual/unrealized income, net of tax</b>		
Equity share in net income of subsidiaries	(	233,102,672)
Deferred tax income from deferred tax assets during the year	(	<u>3,946,379</u> )
	(	<u>237,049,051</u> )
		<u>1,061,803,322</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at End of Year</b>		<b>P <u>7,427,223,768</u></b>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
 Map Showing the Relationship Between Global-Estate Resorts, Inc.  
 and its Related Parties  
 December 31, 2021



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Twin Lakes Corporation



## Report of Independent Auditors on Components of Financial Soundness Indicators

**The Board of Directors and Stockholders  
Global-Estate Resorts, Inc. and Subsidiaries  
(A Subsidiary of Megaworld Corporation)**  
9/F Eastwood Global Plaza  
Palm Tree Avenue, Eastwood City  
Bagumbayan, Quezon City

---

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Estate Resorts, Inc. and Subsidiaries (the Group) for the years ended December 31, 2021 and 2020, on which we have rendered our report dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for the years then ended and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**

By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2022

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**(A Subsidiary of Megaworld Corporation)**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2021 and 2020**

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 36,270,876,922 Divide by: Total Current Liabilities 8,297,367,246 Current ratio 4.37	4.37	Total Current Assets divided by Total Current Liabilities  Total Current Assets 33,678,003,585 Divide by: Total Current Liabilities 8,022,024,667 Current ratio 4.20	4.20
Acid test ratio	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 36,270,876,922 Less: Inventories (18,872,379,522) Contract Assets (1,914,210,251) Other Current Assets (3,245,392,770) Quick Assets 12,238,894,379 Divide by: Total Current Liabilities 8,297,367,246 Acid test ratio 1.48	1.48	Quick assets (Total Current Assets less Inventories Contract Assets and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 33,678,603,585 Less: Inventories (18,221,005,862) Contract Assets (1,936,273,057) Other Current Assets (3,268,871,910) Quick Assets 10,252,452,756 Divide by: Total Current Liabilities 8,022,024,667 Acid test ratio 1.28	1.28
Solvency ratio	Total Assets divided by Total Liabilities  Total Assets 54,188,069,585 Divide by: Total Liabilities 18,047,179,365 Solvency ratio 3.00	3.00	Total Assets divided by Total Liabilities  Total Assets 50,561,227,262 Divide by: Total Liabilities 16,009,987,380 Solvency ratio 3.16	3.16
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities 18,047,179,365 Divide by: Total Equity 36,070,890,220 Debt-to-equity ratio 0.50	0.50	Total Liabilities divided by Total Equity  Total Liabilities 16,009,987,380 Divide by: Total Equity 34,551,239,882 Debt-to-equity ratio 0.46	0.46
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets 54,118,069,585 Divide by: Total Equity 36,070,890,220 Assets-to-equity ratio 1.50	1.50	Total Assets divided by Total Equity  Total Assets 50,561,227,262 Divide by: Total Equity 34,551,239,882 Assets-to-equity ratio 1.46	1.46
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT 1,928,106,765 Divide by: Interest expense 256,377,362 Interest rate coverage ratio 7.52	7.52	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT 2,078,639,118 Divide by: Interest expense 259,732,727 Interest rate coverage ratio 8.00	8.00
Return on equity	Net Profit divided by Average Total Equity  Net Profit 1,311,281,638 Divide by: Total Equity 29,984,351,161 Return on equity 0.04	0.04	Net Profit divided by Average Total Equity  Net Profit 1,086,836,496 Divide by: Total Equity 28,648,112,229 Return on equity 0.04	0.04
Return on assets	Net Profit divided by Average Total Assets  Net Profit 1,494,693,044 Divide by: Average Total Assets 52,339,648,423 Return on assets 0.03	0.03	Net Profit divided by Average Total Assets  Net Profit 1,300,280,324 Divide by: Average Total Assets 50,164,483,149 Return on assets 0.03	0.03

<b>Ratio</b>	<b>Formula</b>	<b>2021</b>	<b>Formula</b>	<b>2020</b>
Net profit margin	Net Profit divided by Total Revenue	0.30	Net Profit divided by Total Revenue	0.25
	Net Profit	1,494,693,044	Net Profit	1,300,280,324
	<u>Divide by: Total Revenue</u>	<u>4,986,114,413</u>	<u>Divide by: Total Revenue</u>	<u>5,195,597,835</u>
	Net profit margin	0.30	Net profit margin	0.25



Myrbien C. Flores &lt;mcflores@global-estate.ph&gt;

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1 message

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**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: GENERAL.ACCOUNTING@global-estate.ph  
Cc: CRSTARITA@global-estate.ph

Mon, Apr 11, 2022 at 8:35 AM

Hi GLOBAL-ESTATE RESORTS, INC.,

**Valid files**

- EAFS000426523TCRTY122021-01.pdf
- EAFS000426523RPTY122021.pdf
- EAFS000426523AFSTY122021.pdf
- EAFS000426523ITRTY122021.PDF
- EAFS000426523OTHTY122021.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-2XNQVS40A5CG9A9KPPQZXQWQ09EJFFH68**  
Submission Date/Time: **Apr 11, 2022 08:35 AM**  
Company TIN: **000-426-523**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

Sec Registration Number

A	S	O	9	4	0	0	4	4	6	2
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COMPANY NAME

G	L	O	B	A	L	-	E	S	T	A	T	E		R	E	S	O	R	T	S	,		I	N	C	.				

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

9	T	H		F	L	O	O	R		E	A	S	T	W	O	O	D		G	L	O	B	A	L		P	L	A	Z	A
P	A	L	M		T	R	E	E		A	V	E	N	U	E		B	A	G	U	M	B	A	Y	A	N				
1	1	1	0		Q	U	E	Z	O	N		C	I	T	Y															

Form Type

A	A	F	S
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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### COMPANY INFORMATION

<b>Company's Email Address</b> lvillanueva@global-estate.ph	<b>Company's Telephone Number/s</b> 5-328-4370	<b>Mobile Number</b> N/A
<b>No. of Stockholders</b> 4,183	<b>Annual Meeting (Month / Day)</b> Last Thursday of June	<b>Fiscal Year (Month / Day)</b> December-31

### CONTACT PERSON INFORMATION

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

<b>Name of Contact Person</b> LAILANI V. VILLANUEVA	<b>Email Address</b> lvillanueva@global-estate.ph	<b>Telephone Number/s</b> 5-328-4370	<b>Mobile Number</b> N/A
--	--	---	-----------------------------

### CONTACT PERSON'S ADDRESS

9/F Eastwood Global Plaza, Palm Tree Ave., Eastwood City, Bagumbayan, Quezon City
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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 to 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.



## GLOBAL-ESTATE RESORTS, INC.

9<sup>th</sup> Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2<sup>nd</sup> District Philippines  
Telephone No. 328-4374

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Global-Estate Resorts, Inc** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Andrew L. Tan**  
Chairman of the Board

**Monica T. Salomon**  
President

**Lailani V. Villanueva**  
Chief Finance Officer

Signed this 24<sup>th</sup> day of February, 2022





## GLOBAL-ESTATE RESORTS, INC.

9<sup>th</sup> Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2<sup>nd</sup> District Philippines  
Telephone No. 328-4374

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of MAR 22 2022 at QUEZON CITY, Philippines, affiant(s) exhibited to me their respective Identification Cards, as follows:

### NAMES

Andrew L. Tan  
Monica T. Solomon  
Lailani V. Villanueva

### Tax Identification Number

TIN 125-960-003-000  
Passport No. P0979017A  
Unified Multi-Purpose ID CRN -0002-1985165-5

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my Notarial seal on the date and place above written.

Doc No. 214  
Page No. 44  
Book. I  
Series of 2022

  
**CELINE-MARIA B. JANOLO**  
NOTARY PUBLIC

City of Quezon

Adm Matter No NP-254 (2021-2022)

9<sup>th</sup> Floor Eastwood Global Plaza Building,

Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City

Attorney's Roll No. 65785

IBP No. 171094, 12/21/2021 / Batangas Chapter

PTR No. 2368147, 01/04/2022 / Quezon City

MCLE Compliance No.VII-0005610

Issued on 26 November 2021



**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**Global-Estate Resorts, Inc.**

December 31, 2021, 2020 and 2019



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**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

## Report of Independent Auditors

**The Board of Directors and Stockholders  
Global-Estate Resorts, Inc.**

***(A Subsidiary of Megaworld Corporation)***

9/F Eastwood Global Plaza  
Palm Tree Avenue, Eastwood City  
Bagumbayan, Quezon City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Global-Estate Resorts, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the financial statements.

#### *Basis for Opinion*

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

---

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao  
BOA/ PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002

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***Emphasis of Matter***

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Company's financial statements of the business disruptions brought about by the COVID-19 pandemic.

Also, we draw attention to Note 2 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the financial reporting beliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the financial statements are disclosed in Note 2 to the financial statements.

Our opinion is not modified in respect of these matters.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 30 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner in the audit resulting in this independent auditor's report is Renan A. Piamonte.

### PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2022

**GLOBAL-ESTATE RESORTS, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	<b>P 2,324,849,090</b>	P 1,458,464,450
Trade and other receivables - net	5	<b>4,412,619,990</b>	4,490,630,732
Contract assets	16	<b>1,729,064,651</b>	789,052,845
Advances to related parties	21	<b>10,057,263,137</b>	10,049,094,264
Inventories	6	<b>5,009,074,703</b>	4,484,861,414
Prepayments and other current assets	7	<b>1,253,413,891</b>	1,169,432,034
		<b>24,786,285,462</b>	22,441,535,739
<b>TOTAL Current Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables - net	5	<b>1,819,138,584</b>	1,365,518,171
Contract assets	16	<b>383,776,484</b>	467,150,869
Advances to joint ventures	8	<b>203,457,118</b>	189,842,263
Investments in subsidiaries and associates	9	<b>12,104,134,126</b>	11,886,676,670
Property and equipment - net	10	<b>127,030,162</b>	123,687,479
Right-of-use assets - net	11	<b>150,159,058</b>	116,304,528
Investment property - net	12	<b>1,860,592,686</b>	1,858,604,007
		<b>16,648,288,218</b>	16,007,783,987
<b>TOTAL Non-current Assets</b>			
<b>TOTAL ASSETS</b>		<b>P 41,434,573,680</b>	P 38,449,319,726

	Notes	2021	2020
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	13	P 1,137,254,907	P 1,220,588,240
Trade and other payables	14	1,467,163,432	1,308,920,192
Contract liabilities	16	44,388,255	33,214,306
Customers' deposits	2	722,936,981	596,505,560
Advances from related parties	21	255,689,384	288,503,095
Lease liabilities	11	84,127,140	44,722,351
		<u>3,711,560,099</u>	<u>3,492,453,744</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	13	4,539,215,673	3,176,470,580
Contract liabilities	16	56,945,778	38,985,022
Customers' deposits	2	36,113,882	38,391,906
Retirement benefit obligation	19	75,871,042	72,964,659
Deferred tax liabilities - net	20	1,260,267,244	1,255,438,661
Lease liabilities	11	442,785,025	419,731,034
Other non-current liabilities	15	359,380,328	316,677,249
		<u>6,770,578,972</u>	<u>5,318,659,111</u>
		<u>10,482,139,071</u>	<u>8,811,112,855</u>
<b>EQUITY</b>			
Capital stock	22	10,986,000,000	10,986,000,000
Additional paid-in capital		4,747,739,274	4,747,739,274
Revaluation reserves		21,758,606	6,383,241
Retained earnings		15,196,936,729	13,898,084,356
		<u>30,952,434,609</u>	<u>29,638,206,871</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 41,434,573,680</u></b>	<b><u>P 38,449,319,726</u></b>

*See Notes to Financial Statements.*



**GLOBAL-ESTATE RESORTS, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>				
Real estate sales	16	<b>P 2,181,859,468</b>	P 2,277,166,353	P 3,178,016,804
Rental income	12	<b>152,636,361</b>	151,912,044	171,962,627
Management and marketing income	8, 21	<b>208,530,632</b>	285,608,174	228,287,991
Equity share in net income of subsidiaries	9	<b>233,102,672</b>	275,678,966	583,950,210
Finance income	18	<b>119,941,056</b>	116,154,150	88,761,947
Commission income	21	<b>222,394,161</b>	72,352,952	-
Others	21	<b>3,509,333</b>	17,911,853	61,478,198
		<u><b>3,121,973,683</b></u>	<u>3,196,784,492</u>	<u>4,312,457,777</u>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sales	17	<b>932,286,081</b>	939,364,349	1,459,939,404
Cost of rentals	17	<b>47,108,997</b>	46,708,989	40,267,051
Other operating expenses	17	<b>627,965,682</b>	639,951,515	849,090,124
Finance costs and other charges	18	<b>108,338,707</b>	154,029,888	239,620,118
		<u><b>1,715,699,467</b></u>	<u>1,780,054,741</u>	<u>2,588,916,697</u>
<b>PROFIT BEFORE TAX</b>		<b>1,406,274,216</b>	1,416,729,751	1,723,541,080
<b>TAX EXPENSE</b>	20	<b>107,421,843</b>	338,676,580	355,602,325
<b>NET PROFIT</b>		<u><b>1,298,852,373</b></u>	<u>1,078,053,171</u>	<u>1,367,938,755</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of retirement benefit plan	19	<b>12,879,133</b>	3,089,713	( 32,098,695 )
Equity share in other comprehensive income (loss) of subsidiaries	9	<b>5,495,321</b>	( 1,347,148 )	( 10,404,827 )
Tax income (expense)	20	<b>( 2,999,089 )</b>	( 926,914 )	9,629,609
		<u><b>15,375,365</b></u>	<u>815,651</u>	<u>( 32,873,913 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>P 1,314,227,738</b></u>	<u>P 1,078,868,822</u>	<u>P 1,335,064,842</u>
<b>EARNINGS PER SHARE</b>				
Basic	23	<u><b>P 0.118</b></u>	<u>P 0.098</u>	<u>P 0.125</u>
Diluted	23	<u><b>P 0.114</b></u>	<u>P 0.095</u>	<u>P 0.121</u>

*See Notes to Financial Statements.*

**GLOBAL-ESTATE RESORTS, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019**  
*(Amounts in Philippine Pesos)*

	<b>Capital Stock</b> <small>(See Note 22)</small>	<b>Additional Paid-in Capital</b> <small>(See Note 2)</small>	<b>Revaluation Reserves</b> <small>(See Note 19)</small>	<b>Retained Earnings</b> <small>(See Notes 2 and 22)</small>	<b>Total</b>
Balance at January 1, 2021	P 10,986,000,000	P 4,747,739,274	P 6,383,241	P 13,898,084,356	P 29,638,206,871
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>15,375,365</u>	<u>1,298,852,373</u>	<u>1,314,227,738</u>
Balance at December 31, 2021	<b><u>P 10,986,000,000</u></b>	<b><u>P 4,747,739,274</u></b>	<b><u>P 21,758,606</u></b>	<b><u>P 15,196,936,729</u></b>	<b><u>P 30,952,434,609</u></b>
Balance at January 1, 2020	P 10,986,000,000	P 4,747,739,274	P 5,567,590	P 12,820,031,185	P 28,559,338,049
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>815,651</u>	<u>1,078,053,171</u>	<u>1,078,868,822</u>
Balance at December 31, 2020	<b><u>P 10,986,000,000</u></b>	<b><u>P 4,747,739,274</u></b>	<b><u>P 6,383,241</u></b>	<b><u>P 13,898,084,356</u></b>	<b><u>P 29,638,206,871</u></b>
Balance at January 1, 2019	P 10,986,000,000	P 4,747,739,274	P 38,441,503	P 11,451,199,477	P 27,223,380,254
Share-based employee compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>892,953</u>	<u>892,953</u>
Total comprehensive income (loss) for the year	<u>-</u>	<u>-</u>	<u>( 32,873,913 )</u>	<u>1,367,938,755</u>	<u>1,335,064,842</u>
Balance at December 31, 2019	<b><u>P 10,986,000,000</u></b>	<b><u>P 4,747,739,274</u></b>	<b><u>P 5,567,590</u></b>	<b><u>P 12,820,031,185</u></b>	<b><u>P 28,559,338,049</u></b>

*See Notes to Financial Statements.*

**GLOBAL-ESTATE RESORTS, INC.**  
**(A Subsidiary of Megaworld Corporation)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019**  
**(Amounts in Philippine Pesos)**

	Notes	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,406,274,216	P 1,416,729,751	P 1,723,541,080
Adjustments for:				
Equity share in net income of subsidiaries	9	( 233,102,672 )	( 275,678,966 )	( 583,950,210 )
Depreciation and amortization	17	127,909,533	146,306,315	137,454,233
Interest income	18	( 110,568,828 )	( 116,154,150 )	( 88,761,947 )
Interest expense	18	86,722,172	124,276,029	193,800,953
Impairment losses	21	21,454,577	22,335,173	29,626,373
Unrealized foreign exchange losses (gains) - net	18	( 9,372,228 )	5,370,850	3,055,197
Loss on refund	18	161,958	1,895,180	13,137,595
Loss on pretermination of lease	11	-	2,710,438	-
Dividend income	9	-	-	( 50,000,000 )
Share-based employee compensation	19, 22	-	-	892,953
Operating profit before working capital changes		1,289,478,728	1,327,790,620	1,378,796,227
Decrease (increase) in trade and other receivables		( 313,123,015 )	378,958,454	( 2,524,518,337 )
Decrease (increase) in contract assets		( 856,637,421 )	( 1,141,107,990 )	2,424,046,993
Increase in inventories		( 531,474,850 )	( 56,592,424 )	( 770,691,499 )
Increase in prepayments and other current assets		( 189,350,448 )	( 213,189,734 )	( 588,337,119 )
Increase in advances to joint venture		( 13,614,855 )	( 3,161,417 )	( 30,801,535 )
Increase (decrease) in trade and other payables		152,800,009	( 150,278,718 )	( 145,153,573 )
Increase (decrease) in contract liabilities		29,134,705	( 440,418,644 )	221,222,472
Increase (decrease) in customers' deposits		124,153,397	( 57,917,844 )	247,877,580
Increase in retirement benefit obligation		12,932,598	12,272,890	4,129,409
Increase (decrease) in other non-current liabilities		42,703,080	19,434,709	( 24,370,379 )
Cash generated from (used in) operations		( 252,998,073 )	( 324,210,098 )	192,200,239
Cash paid for income taxes		( 1,420,173 )	( 76,371,461 )	( 58,141,275 )
Net Cash From (Used in) Operating Activities		( 254,418,245 )	( 400,581,559 )	134,058,964
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	10	( 49,768,354 )	( 22,235,946 )	( 47,336,794 )
Interest received		48,082,172	55,705,034	45,262,684
Advances granted to related parties	21	( 44,848,734 )	( 76,879,436 )	( 123,561,187 )
Acquisitions of investment property	12	( 41,836,115 )	( 169,786 )	( 77,166,676 )
Dividends received	9	21,140,537	-	50,000,000
Collections of advances to related parties	21	15,225,284	183,703,318	444,527,780
Net increase in investment in subsidiary and associates	9	-	-	( 1,250,000 )
Net Cash From (Used in) Investing Activities		( 52,005,210 )	140,123,184	290,475,807
<i>Balance brought forward</i>		( P 306,423,455 )	( P 260,458,375 )	P 424,534,771

	Notes	2021	2020	2019
<i>Balance carried forward</i>		( P 306,423,455 )	( P 260,458,375 )	P 424,534,771
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from interest-bearing loans	13, 29	2,500,000,000	1,500,000,000	2,000,000,000
Repayments of interest-bearing loans	29	( 1,220,588,240 )	( 1,583,710,411 )	( 1,461,538,462 )
Repayments of lease liabilities	11	( 37,735,957 )	( 72,842,277 )	( 151,902,934 )
Repayments of advances from related parties	21	( 43,083,706 )	( 74,100 )	( 102,387,990 )
Interest paid		( 35,789,111 )	( 77,529,174 )	( 127,191,489 )
Advances obtained from related parties	21	632,881	44,410,175	5,731,148
Net Cash From (Used in) Financing Activities		1,163,435,867	( 189,745,787 )	162,710,273
Effects of Exchange Rates Changes on Cash and Cash Equivalents		9,372,228	( 5,370,850 )	( 3,055,197 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		866,384,640	( 455,575,012 )	584,189,847
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		1,458,464,450	1,914,039,462	1,329,849,615
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		P 2,324,849,090	P 1,458,464,450	P 1,914,039,462

**Supplemental Information on Non-cash Investing and Financing Activities:**

- 1) In the normal course of business, the Company enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Inventories or Investment Property as the property goes through its various stages of development (see Note 2). These non-cash activities are not reflected in the statements of cash flows.
- 2) In 2021, the Company recognized right-of-use assets and lease liabilities amounting to P68.2 million and P62.1 million, respectively. In 2020, the Company recognized right-of-use assets and lease liabilities amounting to P90.0 million and P84.1 million, respectively (see Notes 11 and 29).

*See Notes to Financial Statements.*

**GLOBAL-ESTATE RESORTS, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994. It is primarily engaged in the development of integrated tourism and leisure estates, and integrated lifestyle communities with residential, retail, hotel and/or leisure components. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

On May 25, 2021, the Philippine Securities and Exchange Commission (SEC) approved the change in the Company's registered office and principal place of business from 16<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City to 9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on May 21, 2021.

The Company is a subsidiary of Megaworld Corporation (Megaworld or the parent company) with an ownership interest of 82.31%. Megaworld is 67.00% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company.

Megaworld was incorporated in the Philippines primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. Megaworld is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

AGI is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants, and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

The shares of stock of the Company, Megaworld and AGI are listed at the Philippine Stock Exchange.

## 1.1 Company's Subsidiaries and Associates

The Company holds interests in the following subsidiaries and associates as of December 31, 2021, 2020 and 2019:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership
<b>Subsidiaries:</b>		
Global-Estate Properties, Inc. (GEPI)		100%
Aklan Holdings Inc. (AHI)	(a)	100%
Blu Sky Airways, Inc. (BSAI)	(a)	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(a)	100%
MCX Corporation (MCX)	(a)	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%
Prime Airways, Inc. (PAI)	(a)	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%
Global-Estate Golf and Development, Inc. (GEGDI)		100%
Golforce, Inc. (Golforce)	(b)	100%
Southwoods Ecocentrum Corp. (SWEC)	(b)	60%
Philippine Aquatic Leisure Corp. (PALC)	(c)	60%
Fil-Estate Urban Development Corp. (FEUDC)		100%
Novo Sierra Holdings Corp. (NSHC)		100%
Elite Communities Property Services, Inc. (ECPSI)	(d)	100%
Savoy Hotel Boracay, Inc. (SHB)	(e)	100%
Belmont Hotel Boracay, Inc. (BHB)	(e)	100%
Megaworld Global-Estate, Inc. (MGEI)	(f)	60%
Twin Lakes Corp. (TLC)		51%
Twin Lakes Hotel, Inc. (TLHI)	(g)	51%
Oceanfront Properties, Inc. (OPI)		50%
Global Homes and Communities, Inc. (GHCI)		100%
Southwoods Mall, Inc. (SMI)		51%
<b>Associates:</b>		
Fil-Estate Network, Inc. (FENI)		20%
Fil-Estate Sales, Inc. (FESI)		20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%
Nasugbu Properties, Inc. (NPI)	(h)	14%

Non-controlling interests (NCI) in 2021, 2020 and 2019 represent the interests not held by the Company in FEIPI, SHDI, SWEC, PALC, MGEI, TLC, TLHI, OPI and SMI.

All subsidiaries and associates were incorporated in the Philippines, operate within the country, and are engaged in businesses related to the main business of GERI.

**Explanatory notes:**

- (a) Subsidiaries of GEPI; percentage ownership represents effective ownership of GERI.
- (b) Subsidiaries of GEGDI; percentage ownership represents effective ownership of GERI.
- (c) Subsidiary of SWEC.
- (d) Subsidiary acquired in 2018. ECPSI is engaged primarily to manage and administer real estate properties.
- (e) Subsidiaries incorporated in 2019. SHB and BHB are engaged primarily to operate and manage resort hotel.
- (f) Subsidiary acquired in prior years primarily to market the Group's projects.
- (g) A subsidiary of TLC. The Company is incorporated in 2018 to operate Twin Lakes Hotel, one of the real estate projects of TLC.
- (h) Associate due to GERI's representation in the respective entities' board of directors.

## ***1.2 Continuing Impact of COVID-19 Pandemic on the Company's Business***

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Company's business operations.

In response to this matter, the Company has taken the following actions:

- maximized digital platforms to sell real estate projects in order to limit face to face engagements;
- gradual progress of construction activities during the community quarantine period which slowly resumed as quarantine protocols are relaxed;
- assisted tenants in implementing social distancing measures;
- continued to work closely with tenants to determine and address their needs;
- reduced its overall capital expenditures spending for the year 2021; and,
- obtained lower cost funding through the bank financing to support its business operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective.

As a result of the actions taken by management, the Company's operations showed the following results:

- net profit of the Company in 2021 is 20.5% higher than that of 2020;
- real estate sales closed at 4.2% lower as compared to that of 2020 due to lower reservations, limited selling activities and restricted construction activities; and,
- rental income posted an increase of 0.5% in 2021. This is the net effect of increase in occupancy rate of office space and continuing rental arrangements.

Management will continue to take actions to continually improve the operations. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

## ***1.3 Approval of the Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's Board of Directors (BOD) on February 24, 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 *Basis of Preparation of Financial Statements*

#### (a) *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Company are disclosed in detail below and in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### (b) *SEC Financial Reporting Reliefs Availed by the Company*

In 2020, the Company has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.



Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

<b>Relief</b>	<b>Description and Implication</b>	<b>Deferral period</b>
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:</p> <ul style="list-style-type: none"> <li>• finance costs and other charges would have been higher;</li> <li>• cost of real estate inventories sold would have been lower;</li> <li>• total comprehensive income would have been lower;</li> <li>• retained earnings would have been lower; and,</li> <li>• the carrying amount of real estate inventories would have been lower.</li> </ul>	Until December 31, 2023

Relief	Description and Implication	Deferral period
<p>PIC Q&amp;A No. 2018-12-D, <i>Concept of the Significant Financing Component in the Contract to Sell</i> and PIC Q&amp;A No. 2020-04, <i>Addendum to PIC Q&amp;A 2018-12-D: Significant Financing Component Arising from Mismatch Between the Percentage of Completion and Schedule of Payments</i></p>	<p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.</p>	<p>Until December 31, 2023</p>

<b>Relief</b>	<b>Description and Implication</b>	<b>Deferral period</b>
PIC Q&A No. 2018-12-E, <i>Treatment of land in the determination of POC</i>	Land on which the real estate development will be constructed shall also be excluded in the assessment of POC.  Had the Company elected not to defer this provision of the standard, it would not have an impact on the financial statements as the cost of land is excluded in the assessment of the POC.	Exclusion of land in the assessment of progress is deferred until December 31, 2023

(c) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income or loss, if any, in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

The financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

**2.2 Adoption of Amended PFRS**

(a) *Effective in 2021 that are Relevant to the Company*

The Company adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7, PFRS 9 and PFRS 16 (Amendments)	:	Financial Instruments: Disclosures, Financial Instruments and Leases – Interest Rate Benchmark Reform Phase 2
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

- (i) The Company adopted for the first time the application of the amendments to PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no significant impact on the Company's financial statements as the Company do not have any financial instruments subject to LIBOR.
- (ii) PFRS 16, *Leases – COVID-19-Related Rent Concessions Beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Company's financial statements as the Company did not receive any rent concession from its lessors in 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:
  - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the “10 per cent” Test for Derecognition of Liabilities*
  - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January 1, 2023)
- (vii) PAS 1 (Amendments), *Presentation of Financial Statements – Definition of Accounting Estimates* (effective from January 1, 2023)

- (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
  - (ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)
- (c) *PIC Q&As Relevant to the Real Estate Industry Applicable in 2021*

Discussed below are the PIC Q&As effective January 1, 2021 that are applicable to the Company, including the descriptions of their impact to the Company's financial statements.

- (i) PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC15 and PIC Q&A No. 2020-02, Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Company in completing its performance obligation. In the case of uninstalled materials delivered on-site that are not customized, such as steel and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. In the case of uninstalled materials that are not customized, since the Company is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The application of the PIC Q&A had no significant financial impact to Company's financial statements since the Company does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

- (ii) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

PIC Q&A No. 2020-03 concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Company assessed to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as part of the Contract Assets account, hence, the adoption did not have a significant impact on the 2021 financial statements.

- (iii) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

This PIC Q&A superseded PIC Q7A No. 2018-14. The interpretation provides three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- Repossessed property is recognized at fair value less cost to repossess;
- Repossessed property is recognized at fair value plus repossession cost; or,
- Cancellation is accounted for as a modification of the contract

The Company assessed that it will account for cancellations of sales contracts and repossession of property as a modification of contract, hence, the adoption of this PIC Q&A did not have a significant impact on the Company's financial statements.

### ***2.3 Separate Financial Statements, Investments in Subsidiaries and Associates and Interests in Joint Operations***

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements which comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

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

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint arrangement.

The Company accounts for its investments in subsidiaries and associates using the equity method. Under the equity method, investments are initially recognized at cost. All subsequent changes to the ownership interest in the subsidiaries and associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries and associates are credited or charged against the Equity Share in Net Income of Subsidiaries account in the statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income transactions of the subsidiaries and associate or items recognized directly in the subsidiaries' or associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operations, the Company recognized in its financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Company and are measured and recognized in accordance with the relevant financial reporting standards.

## **2.4 Financial Assets**

Financial assets are recognized when the company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

### *(a) Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets currently applicable to the Company is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables [except for value-added tax (VAT) on contracts with customers, Advances to landowners and Advances to officers and employees], Advances to Joint Ventures, Advances to Related Parties and Refundable deposits (included as part of Prepayments under Prepayments and Other Current Assets).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Income.

*(b) Impairment of Financial Assets*

At the end of the reporting period, the Company assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, contract assets with significant financing component, and other financial assets carried at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 25.2(b)].

The Company applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, 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).



The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligations over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at Default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial assets subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## **2.5 Inventories**

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Company; related property development costs; and, borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Company (see Note 2.18). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Reposessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the reposessed property is recognized in the statement of comprehensive income.

## **2.6 Prepayments and Other Assets**

Prepayments and other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Advances to contractors pertain to advance payments made by the Company for the construction of real estate properties intended for sale (i.e., held as inventory) and investment properties. This is classified as current asset if it will be applied as payments for construction of assets to be classified as inventories. Otherwise, this we be classified as non-current asset.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets, if any.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

## **2.7 Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment losses, if any.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; while expenditures for repairs and maintenance are charged to expense as incurred.

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

Office improvements	10 years
Transportation equipment	5 years
Office furniture and equipment	3-5 years

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

## **2.8 Investment Property**

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for the building and improvements is computed on a straight-line basis over the estimated useful life of 50 years.

The residual values, estimated useful lives and method of depreciation of investment property are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.15).

Transfers from other accounts (such as property and equipment or real estate inventory) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use (see Note 2.7).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

## **2.9 Financial Liabilities**

Financial liabilities, which include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Lease Liabilities and Retention payable (presented under Other Non-current Liabilities account), are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense under the Finance Costs and Other Charges in the statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

### ***2.10 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.11 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.12 Revenue and Expense Recognition***

Revenue comprises revenue from sale of real properties, leasing activities, management and marketing income, interest income and dividends. The Company's leasing activities are accounted for under PFRS 16 (see Note 2.13).

To determine whether to recognize revenue, the Company follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and,
5. Recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- a. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- b. each party's rights regarding the goods or services to be transferred or performed can be identified;
- c. the payment terms for the goods or services to be transferred or performed can be identified;
- d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- e. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Company develops real properties such as developed land, house and lot, and condominium units. The Company often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Company's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(b). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Company measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales in the statement of comprehensive income.
- (b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales in the statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Company.

- (b) *Management and marketing income* – recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Prepayments and Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Costs and expenses (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

Contract assets pertain to rights to consideration in exchange for goods or services that the Company has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Company will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any right to consideration recognized by the Company as it develops the property are presented as Contract Assets in the statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Company assesses impairment of its financial assets [see Note 2.4(b)].

Any consideration received by the Company in excess of the amount for which the Company is entitled is presented as Contract Liabilities in the statement of financial position. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the statement of financial position.

### ***2.13 Operating Leases***

The Company accounts for its leases as follows:

(a) *Company as a Lessee*

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations enumerated below which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.15).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) *Company as a Lessor*

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

**2.14 Foreign Currency Transactions and Translation**

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of income or loss from operations.

**2.15 Impairment of Non-financial Assets**

The Company's investments in subsidiaries and associates, property and equipment, investment property, right-of-use assets and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.



## **2.16 Employee Benefits**

The Company's employee benefits are recognized and measured as follows:

### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The Company's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), if any, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance Income account in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

### *(b) Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

**2.17 *Share-based Employee Remuneration***

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings. The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of options that ultimately vest on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of the share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

**2.18 *Borrowing Costs***

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the Inventories account (see Note 2.5). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, if any, is deducted from the borrowing costs eligible for capitalization.

**2.19 *Income Taxes***

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

## ***2.20 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

Based on the requirement of SEC MC 2019-60, *Rules of Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent (10%) if the Company's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

## ***2.21 Equity***

Capital stock represents using the nominal value of shares that have been issued.

APIC represents premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves pertain to remeasurements of retirement benefit obligation.

Retained earnings includes all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income and share-based employee remuneration, reduced by the amounts of dividends declared, if any.

## ***2.22 Basic and Diluted Earnings per Share***

Basic earnings per share (EPS) is computed by dividing net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period. Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Company's potentially dilutive shares consist only of share options (see Notes 22.2 and 23).

## ***2.23 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

# **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

## ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, management has made the judgments discussed below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

### ***(a) Determination of Lease Term of Contracts with Renewal and Termination Options***

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

The Company determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Company considers whether the lessor can refuse to agree to a request from the Company to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(b) *Evaluation of the Timing of Satisfaction of Performance Obligations*

(i) *Real Estate Sales*

The Company exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Company considers the following:

- any asset created or enhanced as the Company performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Company's enforceable right for payment for performance completed to date.

The Company determined that its performance obligation is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Company has rights over payment for development completed to date as the Company can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments. On the other hand, performance obligation for completed real estate properties is satisfied at a point in time when the control over the real estate property is transferred to the buyer.

(ii) *Management and Marketing Income*

The Company determined that revenues from marketing and management services shall be recognized over time as the customers simultaneously receive and consume the benefits of the Company's rendering of services as it performs. The Company provides the services without the need of reperformance of other companies and it has an enforceable right for payment for performance completed to date.

(c) *Determination of ECL on Trade and Other Receivables, Advances to Related Parties and Contract Assets*

The Company uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 25.2(b).

In relation to advances to related parties, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances existing at the reporting date, management has assessed that all strategies indicate that the Company can fully recover the outstanding balance of its receivables.

(d) *Distinction Between Investment Property and Owner-managed Properties*

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(e) *Distinction Between Real Estate Inventories and Investment Properties*

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Company considers management's intention over these assets in making its judgment.

(f) *Determination of Significant Influence over Entities in which the Company Holds Less than 20% Ownership*

The Company determines whether significant influence exists over an investee company over which the Company holds less than 20% of the investee's capital stock. The Company considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making its judgment. Based on management's judgment, the Company has significant influence over these investee companies (see Note 1).

(g) *Investment in Subsidiaries in which the Company Holds 50% or Less*

Management considers that the Company has de facto control over OPI even though it does not hold more than 50% of the ordinary shares and voting rights of the said subsidiaries, due to the factors discussed below.

The Company holds 50% direct ownership interest over OPI and has: (1) the ability to direct the relevant activities of the subsidiaries; (2) the rights to variable returns from its involvement with subsidiaries; and, (3) the ability to use its power to affect its returns from its involvement with subsidiaries. Based on management's judgment, the Company has control over OPI.

(h) *Cash and Cash Equivalents Managed by Another Party*

Portion of the Company's cash and cash equivalents is being managed by a related party [see Notes 4 and 21.7(d)]. The funds may only be disbursed pursuant to the Company's instructions and the related party is not entitled to the fund's interest or other income. As the Company has control over the funds and is directly entitled to the fund's benefits, management determined that the said funds appropriately form part of the Company's cash and cash equivalents.

(i) *Distinction Between Operating and Finance Leases*

The Company has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

In 2019, upon adoption of PFRS 16, the distinction between operating and finance leases is applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

(j) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosures of provisions and contingencies are discussed in Note 2.11 and relevant disclosures are presented in Note 24.

**3.2 Key Sources of Estimation Uncertainty**

Discussed below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using the effective interest rate on the most recent loan. Since the date of the avilment is near the initial date of application, management is satisfied that the selected rate reflects the risks specific to the Company.

(b) *Revenue Recognition for Performance Obligations Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Company measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Company estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 25.2.

(d) *Determination of the Amount of Costs Incurred to Obtain or Fulfill a Contract with a Customer*

In determining the amount of costs to obtain a contract that should be capitalized, the Company identifies those costs which would not have been incurred if the contract had not been obtained.

For the costs incurred in fulfilling a contract, the Company recognizes an asset only if those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Company's resources that will be used in satisfying performance obligation in the future; and the Company expects those costs to be recovered.



(e) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Company's inventories within the next reporting period.

Considering the Company's pricing policy, the net realizable values inventories are higher than their related carrying values as of the end of the reporting periods.

(f) *Fair Value of Stock Option*

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock options were granted. The estimates and assumptions used are presented in Note 22.2, which include, among other factors, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

(g) *Estimation of Useful Lives of Property and Equipment, Right-of-use Assets and Investment Property*

The Company estimates the useful lives of property and equipment, right-of-use assets and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, right-of-use assets, investment property and development rights are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, right-of-use assets and investment property are analyzed in Notes 10, 11 and 12, respectively. Based on management's assessment as at December 31, 2021 and 2020, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(h) *Fair Value Measurement of Investment Property*

Investment property is measured using the cost model. For disclosure purposes, the Company determines the fair values of building and building improvements using the discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Company uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Company and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Company determines the fair value through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 27.3.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2021 and 2020 will be fully utilized within the prescribed period of availment. The carrying value of deferred tax assets as of those dates is disclosed in Note 20.

(j) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In prior years, certain investments in associates were found to be impaired, hence, the related carrying amounts were written-off (see Note 9). No impairment losses were recognized on property and equipment, right-of-use assets, investment property and other non-financial assets for the years ended December 31, 2021, 2020 and 2019 (see Notes 10, 11 and 12).

(k) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 19.2.

(l) *Basis for Revenue Recognition Benchmark*

The Company recognizes its revenue from sale of real estate in full when 10% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Company's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Company has ascertained the buyer's commitment to complete the payment of the total contract price.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Cash on hand and in banks	21.7(d)	<b>P 2,181,555,228</b>	P 515,162,851
Short-term placements		<b><u>143,293,862</u></b>	<u>943,301,599</u>
		<b><u>P2,324,849,090</u></b>	<u>P1,458,464,450</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made between seven to sixty days at prevailing market interest rates and earn effective interest ranging from 0.20% to 1.13% in 2021 and 0.50% to 0.60% in 2020.

Interest income earned from cash in banks and short-term placements is included as part of Finance Income account in the statements of comprehensive income (see Note 18.1).

#### 5. TRADE AND OTHER RECEIVABLES

This account is composed of the following as at December 31:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Current:			
Installment contracts receivable		<b>P2,745,344,485</b>	P 3,315,618,614
VAT on contracts with customers		<b>523,690,211</b>	423,214,177
Unearned interest		<b>( 18,926,044)</b>	( 40,403,211)
Marketing and management fee receivable	21.3	<b>437,564,669</b>	267,374,505
Rental receivables	21.2	<b>281,266,715</b>	205,793,001
Loan receivables	21.7(c)	<b>134,217,245</b>	-
Advances to officers and employees	21.4	<b>123,597,647</b>	174,533,552
Finance lease receivable	24.1	<b>81,915,204</b>	52,633,520
Interest receivable	21.4	<b>43,641,550</b>	38,982,441
Advances to landowners		<b>19,636,327</b>	19,636,327
Others		<b><u>40,671,981</u></b>	<u>33,247,806</u>
		<b><u>P4,412,619,990</u></b>	<u>P4,490,630,732</u>

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Non-current:			
Installment contracts receivable		<b>P1,200,556,313</b>	P 687,705,001
VAT on contracts with customers		<b>229,013,091</b>	198,262,264
Unearned interest		<b>( 101,420,605)</b>	( 61,089,736)
Finance lease receivable	24.1	<b><u>490,989,785</u></b>	<u>540,640,642</u>
		<b><u>P1,819,138,584</u></b>	<u>P1,365,518,171</u>

Installment contracts receivables represent receivables from sale of real estate and resort shares for sale and normally collectible monthly within one to five years. The titles to the assets sold remain with the Company until such receivables are fully collected.

Installment contracts receivables are noninterest-bearing and are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Interest income from amortization amounted to P56.6 million, P53.3 million, and P26.4 million for the years ended December 31, 2021, 2020 and 2019, respectively, and is presented as part of Finance Income in the statements of comprehensive income (see Note 18.1).

Meanwhile, the related day-one loss on the discounting of the non-current portion of installment contracts receivables amounting to P75.4 million, P25.7 million, and P110.5 million, for the years ended December 31, 2021, 2020 and 2019, respectively, is presented as a deduction against the Real Estate Sales account in the statements of comprehensive income.

VAT on contracts with customers represents the VAT component of the contract price of real estate sales to the extent recognized either as installment contract receivables or contract assets.

Finance lease receivables pertains to the sublease of development rights to a third party. Interest income on the finance lease amounted to P42.1 million, P45.5 million, and P44.3 million in 2021, 2020 and 2019, respectively, and are presented as part of Finance Income in the statements of comprehensive income (see Note 18.1).

Advances to officers and employees are noninterest-bearing, unsecured and collectible through salary deduction or liquidation.

Advances to landowners represent advances to several real estate property owners and charges in connection with various project agreements entered into by the Company.

All of the Company's trade and other receivables (except for VAT on contracts with customers, Advances to landowners and Advances to officers and employees) have been reviewed for impairment. Management considers that all of its trade and other receivables are fully recoverable; hence, no impairment losses were recognized in 2021, 2020 and 2019. This assessment is undertaken each financial year using simplified approach in measuring ECL as fully disclosed in Note 25.2.

## 6. INVENTORIES

Inventories at the end of 2021 and 2020 were stated at cost. The composition of this account as at December 31 is shown below.

	<u>2021</u>	<u>2020</u>
Real estate for sale	<b>P2,710,229,568</b>	P2,735,613,690
Property development cost	<b>924,611,804</b>	966,974,641
Resort shares for sale	<b>41,626,745</b>	41,626,745
Raw land inventory	<b><u>1,332,606,586</u></b>	<u>740,646,338</u>
	<b><u>P5,009,074,703</u></b>	<u>P4,484,861,414</u>

Real estate for sale pertains to accumulated costs incurred, including capitalized borrowing costs amounting to P182.8 million and P140.0 million in 2021 and 2020, respectively, in developing the Company's horizontal and condominium projects and certain integrated-tourism projects in Boracay, and residential subdivision lots in Iloilo, Philippines. The aforementioned interest was incurred in relation to the interest-bearing loans obtained in 2016 and 2015 which were obtained specifically to finance the construction of certain projects. The capitalization rate averaged 4.61% and 3.15% in 2021 and 2020, respectively (see Note 13).

Raw land inventory pertains to acquisition costs of raw land intended for future development of real estate for sales, including other costs and expenses incurred to effect the transfer of title of the property to the Company.

Property development costs include on-going costs incurred by the Company for its own projects. In addition, this account also includes the costs incurred by the Company for the joint development of various projects that are treated as jointly controlled operations; there were no separate entities created by these joint venture agreements. The jointly controlled operations are undertaken under project agreements with different venture partners. The costs relating to these joint projects represent the amount of investments placed by the Company as original investor/developer or the amount assigned/transferred to the Company by associates or by related parties who were the original investors/developers in the project agreement.

In 2021 and 2020, the Company reclassified raw land inventory with a total carrying amount of P41.8 million and P.17 million, respectively, to investment property as such properties are held to earn rentals and/or for capital appreciation (see Note 12).

Resort shares for sale comprise of proprietary or membership shares (landowner shares and founders shares) in Fairways & Bluewaters in Boracay, Philippines that are of various types and costs. The cost of the landowner shares is based on the acquisition and development costs of the land and the project. The cost of the founder's shares is based on the par value of the resort shares which is P100.

Management assessed that the net realizable values of inventories are higher than their related costs. Hence, no impairment losses are required to be recognized in 2021 and 2020.

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Advances to contractors and suppliers		<b>P 713,658,214</b>	P 796,255,766
Deferred commission	16.3	<b>250,644,786</b>	92,754,129
Prepayments		<b>40,624,063</b>	38,757,330
Creditable withholding tax		<b>84,832,706</b>	116,044,963
Deferred creditable withholding tax		<b>53,225,804</b>	44,002,867
Input tax		<b>46,419,701</b>	17,907,426
Refundable deposits	25.2	<b>64,008,617</b>	63,709,553
		<b><u>P1,253,413,891</u></b>	<b><u>P1,169,432,034</u></b>

Advances to contractors and suppliers are non-interest-bearing and pertain to down payments for services to be rendered and goods to be delivered to the Company for the development of real estate projects.

Deferred commission represents incremental costs of obtaining a contract to sell real estate properties to customers. This is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

## 8. ADVANCES TO JOINT VENTURES

This account pertains to payments made by the Company for different costs and expenses related to its Alabang West, Pahara @ Southwoods and Holland Park projects which should have been shouldered by its joint venturers. The terms of the agreement provide that the Company shall undertake the development and subdivision of the properties. The agreements further stipulate that the Company and the joint venturers shall share in the project's income and expenses using certain pre-agreed sharing ratios. Collections of the receivable from the joint venturers are generally received upon sale of their share in the projects.

The joint venturers related to the Alabang West, Pahara @ Southwoods, Holland Park, Tulip Graden, Eastland Heights, Sta. Barbara, The Hampton Village, The Fifth, Lindren, and Lakefront Esplanade projects were charged marketing fees in 2021 and 2020 amounting to P163.0 million and P250.1 million, respectively, which is included as part of the Management and Marketing Income account in the statements of comprehensive income.

The net commitment for construction expenditures of the Company amounted to:

	<u>2021</u>	<u>2020</u>
Total commitment for construction expenditures	<b>P2,548,235,122</b>	P2,288,420,002
Total expenditures incurred	<b>( 1,980,886,471)</b>	( 1,746,766,974)
Net commitment	<b><u>P 567,348,651</u></b>	<b><u>P 541,653,028</u></b>

The Company's interests on these jointly-controlled projects range from 28.8% to 85.0% both in 2021 and 2020.

As at December 31, 2021 and 2020, the Company has no other contingent liabilities with regard to this JV and has assessed that the probability of loss that may arise from contingent liabilities is remote.

The advances have been analysed for ECL. Based on management's evaluation, no impairment loss needs to be recognized in 2021 and 2020.

## 9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the investments in subsidiaries associates accounted for under the equity method as at December 31 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TLC	<b>P 3,973,206,330</b>	P 3,864,679,949	P 3,817,252,762
GEPI	<b>3,772,968,993</b>	3,511,521,282	3,416,420,857
GEGDI	<b>2,009,253,717</b>	2,165,397,528	2,133,240,316
SMI	<b>1,258,896,496</b>	1,231,091,360	1,133,702,481
SWEC	<b>458,064,556</b>	445,061,818	443,367,274
OPI	<b>330,962,039</b>	319,636,304	264,020,270
FEUDC	<b>229,018,237</b>	287,452,093	338,911,215
MGEI	<b>48,518,810</b>	40,145,929	40,099,356
GHCI	<b>18,332,458</b>	21,690,407	25,330,321
ECPSI	<b>4,912,490</b>	-	187,500
	<b><u>P12,104,134,126</u></b>	<b><u>P11,886,676,670</u></b>	<b><u>P11,612,344,852</u></b>

The Company recognized its share in net income of subsidiaries amounting to P233.1 million, P275.7 million, P584.0 million in 2021, 2020 and 2019, respectively, which are presented as Equity Share in Net Income of Subsidiaries under the Revenues section of the statements of comprehensive income. The Company also recognized its share in other comprehensive income or losses of subsidiaries amounting to P5.5 million income in 2021, P1.3 million loss and P10.4 million loss in 2020 and 2019, respectively.

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2021, 2020 and 2019 is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P11,886,676,670</b>	P11,612,344,852	P11,037,549,469
Additions	-	-	1,250,000
Dividends received	<b>( 21,140,537 )</b>	-	-
Equity in net income	<b>233,102,672</b>	275,678,966	583,950,210
Equity in other comprehensive income (losses) – net	<b><u>5,495,321</u></b>	<b><u>( 1,347,148 )</u></b>	<b><u>( 10,404,827 )</u></b>
Balance at end of year	<b><u>P12,104,134,126</u></b>	<b><u>P11,886,676,670</u></b>	<b><u>P11,612,344,852</u></b>

A reconciliation of the costs of investments and cumulative share in net income (losses) of the associates as of December 31, 2021, 2020 and 2019 are shown below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cost</b>			
Balance at beginning of year	<b>P 4,445,713,299</b>	P 4,445,713,299	P 4,444,463,299
Dividends received	<b>( 21,140,537)</b>	-	-
Additions	<u>-</u>	<u>-</u>	<u>1,250,000</u>
Balance at end of year	<b><u>4,424,572,762</u></b>	<u>4,445,713,299</u>	<u>4,445,713,299</u>
<b>Cumulative share in net income (losses)</b>			
Balance at beginning of year	<b>7,440,963,371</b>	7,166,631,553	6,593,086,170
Equity in net income for the year – net	<b>233,102,672</b>	275,678,966	583,950,210
Equity in other comprehensive income (loss) for the year – net	<b><u>5,495,321</u></b>	<u>( 1,347,148)</u>	<u>( 10,404,827)</u>
Balance at end of year	<b><u>7,679,561,364</u></b>	<u>7,440,963,371</u>	<u>7,166,631,553</u>
Carrying amount at end of year	<b><u>P12,104,134,126</u></b>	<u>P11,886,676,670</u>	<u>P11,612,344,852</u>

The total amount of the assets, liabilities, expenses and net loss (income) of these subsidiaries are reported as follows:

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Loss (Income)</u>
<b>2021</b>						
GEPI	P 11,418,157,046	P 3,863,888,094	P11,025,362,496	P 485,819,981	P 503,174,985	( P 238,895,500)
AHC	183,682,102	-	1,148,347	-	-	81,674
BSAI	-	-	17,721,106	-	-	78,763
FESDC	14,016,648	-	23,912,574	-	-	77,050
FPCELC	8,194,860	2,094,000	114,414,079	-	-	81,000
GSAI	-	-	11,779,264	-	-	78,691
LCSBI	156,705,203	-	80,780,037	18,490	5,965,744	( 5,434,246)
MCX	200,604,291	4,400,000	81,002	-	-	83,071
PL5	-	425,100	5,699,578	-	-	86,203
PAI	1,137,109,707	-	1,141,933,521	-	-	105,847
SDPDC	377,071,681	-	453,906,082	10,340,653	3,410	2,374,924
FPBCB	-	-	22,477,278	-	-	96,690
FEIP	4,487,248	-	22,001,919	-	-	81,000
SHDI	457,870,686	-	375,141,489	-	2,834,468	271,809
GEGDI	2,305,740,051	399,420,158	580,880,931	138,844,307	94,130,714	( 38,248,873)
GFI	170,454,421	37,877,951	77,190,615	-	128,742,030	8,338,830
SWEC	607,883,234	371,449,181	161,904,006	53,987,482	115,645,400	( 57,569,193)
FEUDC	511,225,084	160,803,946	428,681,489	14,329,304	2,501,447	63,590,544
NSHC	5,382,761	-	32,827,150	-	-	93,369
ECPSI	92,324,148	3,167,633	11,049,265	79,530,026	31,488,066	( 9,118,351)
SHBI	186,825,842	10,056,117	288,813,786	1,845,629	11,751	( 7,676,339)
BHBI	99,151,393	7,184,595	185,794,468	424,025	24,525,315	21,566,047
MGEI	150,041,665	2,191,727	69,002,513	2,366,196	109,390,425	( 13,954,802)
TLC	5,154,120,425	6,118,317,246	1,305,601,998	2,181,504,466	986,521,655	( 186,318,314)
TLHI	77,032,060	6,134,957	126,279,975	895,276	128,929,731	10,332,215
OPI	964,080,914	381,500,457	577,845,293	105,812,000	171,350,218	( 62,651,471)
GHCI	1,187,316	129,079,554	111,934,412	-	317	3,357,948
SMI	740,511,987	2,907,102,072	876,814,635	302,374,922	288,865,380	( 54,519,874)



	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Loss (Income)
<b>2020</b>						
GEPI	P 11,203,832,056	P 3,717,089,160	P10,899,193,213	P 460,834,095	P 421,421,341	( P 94,753,524)
AHC	183,682,102	-	1,066,673	-	-	74,100
BSAI	-	-	17,642,343	-	-	75,110
FESDC	14,016,648	-	23,835,524	-	-	73,600
FPCELC	8,194,860	2,094,000	114,118,829	-	-	-
GSAI	-	-	11,700,573	-	-	75,120
LCSBI	159,894,235	-	88,999,504	403,811	1,070,966	( 495,601)
MCX	200,681,462	4,400,000	75,102	-	-	74,600
PL5	-	425,100	5,613,375	-	-	151,260
PAI	1,137,109,707	-	1,141,827,674	-	-	99,705
SDPDC	375,623,724	-	450,140,131	10,283,723	3,494	2,288,382
FPCBC	19,140	-	22,399,728	-	-	74,100
FEIP	4,964,019	-	21,923,989	-	-	-
SHDI	288,286,791	166,591,480	366,758,126	5,113,443	2,700,723	-
GEGDI	2,288,361,233	399,518,959	318,676,354	422,017,738	38,064,486	( 13,720,113)
GFI	178,517,476	43,732,109	81,203,498	-	155,098,702	4,254,412
SWEC	657,898,814	328,963,166	178,499,967	66,592,316	92,726,329	( 42,470,542)
FEUDC	535,866,619	154,653,590	385,195,771	17,872,345	67,412,676	51,278,955
NSHC	5,382,761	-	32,733,781	-	-	170,551
ECPSI	74,036,624	2,870,577	81,113,061	-	20,190,201	4,541,615
SHBI	211,122,178	65,185,108	362,146,639	-	56,663,274	39,382,171
BHBI	60,511,193	23,896,078	132,700,441	5,954,696	26,963,695	28,126,314
MGEI	110,492,597	298,396	43,881,112	-	63,861,826	( 77,620)
TLC	4,835,265,248	5,715,874,568	1,223,538,168	1,728,309,174	735,200,090	( 137,015,804)
TLHI	74,300,894	16,614,738	139,846,106	-	59,731,861	43,756,864
OPI	969,441,770	469,711,660	668,027,491	131,853,332	356,579,253	( 111,232,065)
GHCI	1,613,324	128,892,913	108,815,831	-	-	3,639,914
SMI	718,479,620	3,020,195,568	993,726,285	331,044,275	470,109,278	( 192,190,578)
<b>2019</b>						
GEPI	P11,091,352,460	P3,653,568,124	P10,846,929,059	P 435,349,223	P 420,974,859	P 16,018,480
AHC	183,682,102	-	992,573	-	-	74,167
BSAI	-	-	17,567,233	-	-	75,242
FESDC	14,016,648	-	23,761,924	-	-	73,600
FPCELC	8,194,860	2,094,000	114,118,829	-	-	-
GSAI	-	-	11,625,453	-	-	75,459
LCSBI	159,801,082	-	88,632,229	514,206	188,722	( 26,922,646)
MCX	200,755,562	4,400,000	74,602	-	-	74,667
PL5	-	425,100	5,462,115	-	-	151,270
PAI	1,137,109,707	-	1,141,727,969	-	-	83,484
SDPDC	376,748,354	-	448,976,379	10,283,723	5,657	2,147,814
FPCBC	19,140	-	22,325,628	-	-	74,412
FEIP	4,964,019	-	21,923,989	-	-	-
SHDI	282,904,465	166,591,480	361,494,766	5,113,443	2,701,800	3,786,859
GEGDI	2,281,206,295	382,868,870	314,370,625	416,238,555	158,547,642	( 86,110,291)
GFI	240,860,007	40,073,841	132,084,143	-	337,770,433	( 7,974,499)
SWEC	657,380,345	388,207,624	230,820,775	65,546,089	174,502,406	( 73,171,50)
FEUDC	597,776,494	139,490,378	374,011,236	24,344,419	470,582,995	( 83,583,193)
NSHC	5,445,839	-	32,626,308	-	-	141,145
ECPSI	59,735,884	8,045,759	63,282,690	6,841,049	20,956,136	3,116,508
SHBI	326,436,285	32,538,762	381,209,793	-	275,398,112	22,859,746
BHBI	49,729,345	11,527,419	68,953,941	-	4,986,248	10,197,177
MGEI	103,695,790	899,925	37,763,455	-	100,940,332	( 14,944,151)
TLC	4,737,958,113	5,592,999,189	1,281,369,418	1,592,202,434	1,922,013,836	( 432,088,831)
TLHI	69,806,059	28,149,994	94,848,984	-	144,179,077	( 1,886,709)
OPI	693,515,471	527,674,746	526,826,119	166,323,556	376,843,876	( 109,295,242)
GHCI	4,131,937	128,413,492	106,779,894	-	-	2,689,520
SMI	629,031,060	3,121,302,148	1,104,470,871	424,148,287	580,060,871	( 249,956,166)

A reconciliation of the summarized financial information to the carrying amount of the investments in associates as of December 31, 2021 and 2020 are shown below.

	Explanatory Note	Net Asset Value	Ownership in Net Asset	Carrying Value
<b>2021</b>				
TLC		P 7,785,331,217	P3,973,206,330	P 3,973,206,330
GEPI		3,770,862,663	3,772,968,993	3,772,968,993
SMI		2,468,424,502	1,258,896,496	1,258,896,496
GEGDI		1,985,434,971	2,009,253,717	2,009,253,717
SWEC		763,440,927	458,064,556	458,064,556
OPI		661,924,078	330,962,039	330,962,039
FEUDC		229,018,237	229,018,237	229,018,237
SHBI	(a)	( 91,932,827)	( 91,932,827)	-
MGEI		80,864,683	48,518,810	48,518,810
BHBI	(a)	( 79,882,505)	( 79,882,505)	-
NSHC	(a)	( 27,444,389)	( 27,444,389)	-
GHCI		18,332,458	18,332,458	18,332,458
ECPSI	(b)	4,912,490	4,912,490	4,912,490
		<b><u>P 17,569,286,505</u></b>	<b><u>P 11,904,874,405</u></b>	<b><u>P12,104,134,126</u></b>

	<u>Explanatory Note</u>	<u>Net Asset Value</u>	<u>Ownership in Net Asset</u>	<u>Carrying Value</u>
<u>2020</u>				
TLC		P 7,577,803,822	P3,864,679,949	P 3,864,679,949
GEPI		3,511,521,282	3,511,521,282	3,511,521,282
SMI		2,413,904,628	1,231,091,360	1,231,091,360
GEGDI		2,165,397,528	2,165,397,528	2,165,397,528
SWEC		741,769,697	445,061,818	445,061,818
OPI		639,272,607	319,636,304	319,636,304
FEUDC		287,452,093	287,452,093	287,452,093
SHBI	(a)	( 85,839,353)	( 85,839,353)	-
MGEI		66,909,881	40,145,929	40,145,929
BHBI	(a)	( 54,247,866)	( 54,247,866)	-
NSHC	(a)	( 27,351,020)	( 27,351,020)	-
GHCI		21,690,407	21,690,407	21,690,407
ECPSI	(a)	( 4,205,860)	( 4,205,860)	-
		<u>P 17,254,077,846</u>	<u>P11,715,032,571</u>	<u>P11,886,676,670</u>

- (a) Cumulative share in net losses in these subsidiaries exceeded the investments in the said entities as of December 31, 2021 and 2020. As such, recognized losses is only up to the extent of the investment.
- (b) As of December, 31, 2021, ECPSI was able to recover from the losses recognized in prior years. As such, the amount of share in net income in 2021 is only the excess of the accumulated share of losses that has previously not been recognized.

The place of incorporation of the Company's subsidiaries and associates are summarized below.

- (a) TLC, SMI, GEGDI, SWEC, FEUDC, GHCI, GEPI, MGEI, NSHC, FESI – Renaissance Towers, Meralco Avenue, Pasig City;
- (b) OPI – F&M Lopez II Building, 109 C. Palanca St., Legaspi Village, Makati City;
- (c) FERC, FENI, FERSAI – Paragon Plaza, Reliance St., Mandaluyong City;
- (d) ECPSI – 7<sup>th</sup> Floor, Paseo Center Building, 8757 Paseo de Roxas St., Makati City
- (e) SHB, BHB – Brgy. Yapak, Boracay Island, Malay, Aklan 5608

In 2019, SHB and BHB were incorporated to operate and manage resort hotels.

Management considers that the Company has de facto control over OPI even though its direct ownership interest is not more than 50% of the ordinary shares and voting rights of the said subsidiary due to the factors mentioned in Note 3.1(g).

## 10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are shown below and in the succeeding page.

	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Office Improvements</u>	<u>Total</u>
December 31, 2021				
Cost	P 77,201,451	P 154,203,672	P 133,785,455	P 365,190,578
Accumulated depreciation and amortization	( 62,822,898)	( 118,450,457)	( 56,887,061)	( 235,160,416)
Net carrying amount	<u>P 14,378,553</u>	<u>P 35,753,215</u>	<u>P 76,898,394</u>	<u>P 127,030,162</u>

	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Office Improvements</u>	<u>Total</u>
December 31, 2020				
Cost	P 70,817,217	P 142,173,995	P 102,431,012	P 315,422,224
Accumulated depreciation and amortization	( <u>53,466,462</u> )	( <u>97,536,013</u> )	( <u>40,732,270</u> )	( <u>191,734,745</u> )
Net carrying amount	<u>P 17,350,755</u>	<u>P 44,637,982</u>	<u>P 61,698,742</u>	<u>P 123,687,479</u>
January 1, 2020				
Cost	P 66,853,378	P 127,444,195	P 98,888,705	P 293,186,278
Accumulated depreciation and amortization	( <u>45,184,142</u> )	( <u>77,869,095</u> )	( <u>30,568,470</u> )	( <u>153,621,707</u> )
Net carrying amount	<u>P 21,669,236</u>	<u>P 49,575,100</u>	<u>P 68,320,235</u>	<u>P 139,564,571</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is shown below.

	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Office Improvements</u>	<u>Total</u>
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 17,350,755	P 44,637,982	P 61,698,742	P 123,687,479
Additions	6,384,234	12,029,677	31,354,443	49,768,354
Depreciation and amortization charges for the year	( <u>9,356,436</u> )	( <u>20,914,444</u> )	( <u>16,154,791</u> )	( <u>46,425,671</u> )
Balance at December 31, 2021 net of accumulated depreciation and amortization	<u><b>P 14,378,553</b></u>	<u><b>P 35,753,215</b></u>	<u><b>P 76,898,394</b></u>	<u><b>P 127,030,162</b></u>
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 21,669,236	P 49,575,100	P 68,320,235	P 139,564,571
Additions	3,963,839	14,729,800	3,542,307	22,235,946
Depreciation and amortization charges for the year	( <u>8,282,320</u> )	( <u>19,666,918</u> )	( <u>10,163,800</u> )	( <u>38,113,038</u> )
Balance at December 31, 2020 net of accumulated depreciation and amortization	<u>P 17,350,755</u>	<u>P 44,637,982</u>	<u>P 61,698,742</u>	<u>P 123,687,479</u>
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 19,700,999	P 36,981,025	P 73,538,588	P 130,220,612
Additions	10,316,490	32,574,815	4,445,489	47,336,794
Disposals				
Depreciation and amortization charges for the year	( <u>8,348,253</u> )	( <u>19,980,740</u> )	( <u>9,663,842</u> )	( <u>37,992,835</u> )
Balance at December 31, 2019 net of accumulated depreciation and amortization	<u>P 21,669,236</u>	<u>P 49,575,100</u>	<u>P 68,320,235</u>	<u>P 139,564,571</u>

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Other Operating Expenses account in the statement of comprehensive income (see Note 17).

## 11. LEASES

The Company has leases for certain offices and commercial lot. With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over offices, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company incur maintenance fees and paid refundable deposits, presented as part of Prepayments and Other Current Assets in the 2021 statement of financial position, (see Note 7) on such items in accordance with the lease contracts.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized in the statements of financial position.

	<u>Number right-of-use assets leased</u>	<u>Range of remaining term</u>	<u>Average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with termination options</u>
<b>December 31, 2021</b>					
Offices	3	3 – 4 years	4 years	3	3
Commercial lot	1	16 years	16 years	1	1
<b>December 31, 2020</b>					
Offices	2	4 – 5 years	5 years	2	2
Commercial lot	1	17 years	17 years	1	1

### 11.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at December 31, 2021 and 2020 and the movements during the period are shown below.

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<b>December 31, 2021</b>			
Cost			
Balance at beginning of year	P 96,803,611	P 25,654,963	P 122,458,574
Additions	<u>68,229,397</u>	<u>-</u>	<u>68,229,397</u>
Balance at end of year	<u>165,033,008</u>	<u>25,654,963</u>	<u>190,687,971</u>
Accumulated amortization			
Balance at beginning of year	3,417,518	2,736,530	6,154,048
Amortization for the year	<u>33,006,601</u>	<u>1,368,264</u>	<u>34,374,865</u>
Balance at end of year	<u>36,424,119</u>	<u>4,104,794</u>	<u>40,528,913</u>
Carrying amount at December 31, 2021	<b><u>P 128,608,889</u></b>	<b><u>P 21,550,169</u></b>	<b><u>P 150,159,058</u></b>

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<u>December 31, 2020</u>			
Cost			
Balance at beginning of year	P 202,411,637	P 25,654,963	P 228,066,600
Additions	90,038,145	-	90,038,145
Derecognition	( 195,646,171)	-	( 195,646,171)
Balance at end of year	<u>96,803,611</u>	<u>25,654,963</u>	<u>122,458,574</u>
Accumulated amortization			
Balance at beginning of year	57,826,083	1,368,265	59,194,348
Derecognition	( 114,524,588)	-	( 114,524,588)
Amortization for the year	<u>60,116,023</u>	<u>1,368,265</u>	<u>61,484,288</u>
Balance at end of year	<u>3,417,518</u>	<u>2,736,530</u>	<u>6,154,048</u>
Carrying amount at December 31, 2020	<u>P 93,386,095</u>	<u>P 22,918,433</u>	<u>P 116,304,528</u>

In January 2021, the Company entered into a new lease agreement as lessee with Megaworld in 9<sup>th</sup> Floor – Unit A, Commerce and Industry Plaza Building, McKinley Hill, Fort Bonifacio, Taguig City. The Company recognized right-of-use asset and lease liability amounting to P68.2 million and P62.1 million, respectively.

In December 2020, the Company entered into a new lease agreement as lessee with Megaworld for the transfer of office space. The Company recognized right-of-use asset and lease liability for the old office space amounting to P81.1 million and P78.4 million, respectively. Consequently, the Company derecognized the remaining carrying amount of right-of-use asset and lease liability for the old office space amounting to P195.6 million and P114.5 million, respectively. The derecognition of the right-of-use asset and lease liability resulted to a loss amounting to P 2.7 million and is presented as part of Other Operating Expenses in the 2020 statement of comprehensive income (see Note 17). There were no similar transactions in 2019 and 2021.

## ***11.2 Lease Liabilities***

Lease liabilities are presented in the statements of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 84,127,140</b>	P 44,722,351
Non-current	<u><b>442,785,025</b></u>	<u>419,731,034</u>
	<u><b>P 526,912,165</b></u>	<u>P 464,453,385</u>

The use of extension and termination options gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Company's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The undiscounted maturity analysis of lease liabilities at December 31, 2021 and 2020 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>2021</b>							
Lease payment	P 120,162,369	P 67,803,122	P 69,740,970	P 59,057,832	P 28,993,255	P718,399,295	P1,064,156,843
Finance charges	( 36,035,225)	( 33,636,993)	( 30,846,284)	( 27,763,670)	( 26,439,824)	( 382,522,682)	( 537,244,678)
Net present value	<b><u>P 84,127,144</u></b>	<b><u>P 34,166,129</u></b>	<b><u>P 38,894,686</u></b>	<b><u>P 31,294,162</u></b>	<b><u>P 2,553,431</u></b>	<b><u>P335,876,613</u></b>	<b><u>P 526,912,165</u></b>
<b>2020</b>							
Lease payment	P 78,287,333	P 50,054,090	P 51,907,180	P 53,050,311	P 45,913,954	P747,392,551	P 1,026,605,419
Finance charges	( 33,564,982)	( 32,338,546)	( 30,869,666)	( 29,143,120)	( 27,273,214)	( 408,962,506)	( 562,152,034)
Net present value	<b><u>P 44,722,351</u></b>	<b><u>P 17,715,544</u></b>	<b><u>P 21,037,514</u></b>	<b><u>P 23,907,191</u></b>	<b><u>P 18,640,740</u></b>	<b><u>P338,430,045</u></b>	<b><u>P 464,453,385</u></b>

### 11.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses related to short-term leases amounted to P18.3 million, P14.7 million and P32.1 million in 2021, 2020 and 2019, respectively, and are presented as part of Other Operating Expenses account in the statements of comprehensive income (see Note 17).

At December 31, 2021 and 2020, the Company is committed to short-term leases, and the total commitment at that date is P40.5 million and P38.3 million, respectively.

### 11.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P37.7 million and P72.8 million in 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P38.1 million and P37.3 million in 2021 and 2020, respectively and are presented as part of Finance Costs and Other Charges in the 2021 and 2020 statements of comprehensive income (see Note 18.2).

## 12. INVESTMENT PROPERTY

The Company's investment property is comprised of various buildings held for lease and several parcels of land which are owned to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation and amortization of investment property at the beginning and end of the reporting periods are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
December 31, 2021			
Cost	P 1,057,691,958	P 1,060,812,691	P 2,118,504,649
Accumulated depreciation And amortization	-	( 257,911,963)	( 257,911,963)
	<b><u>P 1,057,691,958</u></b>	<b><u>P 802,900,728</u></b>	<b><u>P 1,860,592,686</u></b>
December 31, 2020			
Cost	P 1,015,855,843	P 1,053,551,130	P 2,069,406,973
Accumulated depreciation And amortization	-	( 210,802,966)	( 210,802,966)
	<b><u>P 1,015,855,843</u></b>	<b><u>P 842,748,164</u></b>	<b><u>P 1,858,604,007</u></b>

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
January 1, 2020			
Cost	P 1,015,686,057	P 1,039,148,553	P 2,054,834,610
Accumulated depreciation And amortization	-	( 164,093,977)	( 164,093,977)
	<u>P 1,015,686,057</u>	<u>P 875,054,576</u>	<u>P 1,890,740,633</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting period is shown below and in the succeeding page.

	<u>Land</u>	<u>Building and Improvements</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 1,015,855,843	P 842,748,164	P 1,858,604,007
Additions	41,836,115	-	41,836,115
Reclassifications (see Note 6)	-	7,261,561	7,261,561
Depreciation and amortization charges for the year	-	( 47,108,997)	( 47,108,997)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u><b>P 1,057,691,958</b></u>	<u><b>P 802,900,728</b></u>	<u><b>P 1,860,592,686</b></u>
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 1,015,686,057	P 875,054,576	P 1,890,740,633
Additions	169,786	-	169,786
Reclassifications (see Note 6)	-	14,402,577	14,402,577
Depreciation and amortization charges for the year	-	( 46,708,989)	( 46,708,989)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u><b>P 1,015,855,843</b></u>	<u><b>P 842,748,164</b></u>	<u><b>P 1,858,604,007</b></u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 938,519,381	P 212,408,908	P 1,150,928,289
Additions	77,166,676	-	77,166,676
Depreciation and amortization charges for the year	-	702,912,720	702,912,720
	-	( 40,267,052)	( 40,267,052)
Balance at December 31, 2019, net of accumulated depreciation and amortization	<u><b>P 1,015,686,057</b></u>	<u><b>P 875,054,576</b></u>	<u><b>P 1,890,740,633</b></u>

Rental income recognized in 2021, 2020 and 2019 amounted to P152.6 million, P151.9 million and P172.0 million, respectively, and is presented as Rental Income account in the statements of comprehensive income. Depreciation charges represent the major direct costs in leasing these properties (see Note 17 and 18). Other operating costs in leasing these properties include Real property taxes amounting to P4.2 million, P1.5 million and P1.9 million, and Repairs and maintenance amounting to P0.2 million, P0.7 million and P0.2 million in 2021, 2020 and 2019, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is included as part of the Other Operating Expenses account in the statements of comprehensive income (see Note 17).

Except for land, all of the Company's investment properties generated rental income for the years ended December 31, 2021, 2020 and 2019.

On the other hand, the fair value of land amounted to P7.4 billion as determined through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property as at December 31, 2021 and 2020, respectively.

The breakdown of Investment Property at its fair market value are as follows:

	<u>2021</u>	<u>2020</u>
Building and Improvements	<b>P 4,678,667,114</b>	P 5,290,591,655
Land and Land Improvement	<u>7,419,189,764</u>	<u>7,376,863,959</u>
	<b><u>P12,097,856,878</u></b>	<b><u>P 12,667,455,615</u></b>

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 27.3.

### 13. INTEREST-BEARING LOANS

The Company's interest-bearing loans are broken down as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P1,137,254,907</b>	P1,220,588,240
Non-current	<u>4,539,215,673</u>	<u>3,176,470,580</u>
	<b><u>P5,676,470,580</u></b>	<b><u>P4,397,058,820</u></b>

In 2021, the Company obtained an unsecured interest-bearing-loan from Unionbank of the Philippines (UBP) amounting to P1.0 billion payable in quarterly for a term of four years, bearing a fixed interest rate of 5.37% and is payable in quarterly arrears. The outstanding balance as at December 31, 2021 is P1.0 billion.



The Company availed unsecured, interest-bearing loans from Rizal Commercial Banking Corporation (RCBC) in 2021 and 2020. The 2020 loan amounting to P0.5 billion is payable quarterly with a term of seven years, with a floating interest rate ranging from 3.50% to 3.70% and is payable quarterly in arrears. The outstanding balance to this loan amounted to P0.5 billion as at December 31, 2021 and 2020. The 2021 loan from RCBC amounting to P0.5 billion has the same terms from its 2020 loans from the same bank, payable quarterly with a term of six years, bearing a floating interest rate ranging from 3.50% to 3.70% and is payable quarterly in arrears. The related outstanding balance to this is P0.5 billion as of December 31, 2021.

The Company obtained an unsecured interest-bearing loan from Megaworld during the last quarter of 2021 totalling to P1.0 billion with an interest rate of 6.33% and shall be payable for a maximum period of eight years. The Company shall repay the loan in 12 equal quarterly amortizations. As of December 31, 2021, the related outstanding balance of this loan is P1.0 billion [see Note 21.7(c)].

In 2020, the Company obtained an unsecured long-term loan from a local bank amounting to P1.0 billion, payable quarterly for a term of five years to seven years bearing a fixed rate 5.26% and is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P1.0 billion as of December 31, 2021 and 2020.

In 2019, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion, payable quarterly for a term of five years. The loan bears a floating interest rate and is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P1.2 billion and P1.6 billion as of December 31, 2021 and 2020, respectively.

In 2017, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. In 2020, another unsecured loan was obtained on the same bank amounting to P0.5 billion which is payable quarterly for a term of seven years. The loans bear a floating interest rate and are payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P0.5 billion and P1.0 billion as of December 31, 2021 and 2020, respectively.

In 2016, the Company obtained a P2.0 billion unsecured loan from a local bank with principal to be paid in quarterly instalments, commencing on the fifth quarter from date of initial drawdown. This loan carries a floating interest rate, which is repriced every 30 to 180 days as agreed by the parties. On October 25, 2018, the interest rate was fixed at 7.70%. The interest is payable quarterly in arrears. The outstanding balance pertaining to this loan amounted to P0.3 billion as at December 31, 2020 and is fully paid in 2021.

In 2015, the Company obtained a P1.5 billion unsecured loan with a term of five years from the initial drawdown, inclusive of a grace period on principal repayment of two years. The loan bears a fixed interest rate payable quarterly in arrears. The outstanding balance as at December 31, 2019 pertaining to this loan amounted to P0.2 billion and was paid in full in 2020.

The Company has properly complied with the loan agreements' covenants as of the end of the reporting periods.

The accrued interest payable amounted to P6.5 million and P7.2 million as of December 31, 2021 and 2020, respectively, is presented as part of Others under the Trade and Other Payables account in the statements of financial position (see Note 14).

Total interest costs incurred attributable to these loans amounted to P218.0 million, P214.8 million and P265.4 million in 2021 and 2020, respectively. Of these amounts, P182.8 million and P140.0 million in 2021 and 2020, respectively, were capitalized by the Company as part of Inventories account (see Note 6). Interest charged to expense amounting to P35.2 million, P74.8 million and P142.3 million in 2021, 2020 and 2019, respectively, is presented as Interest expense on loans under Finance Costs and Other Charges account in the statements of comprehensive income (see Note 18.2).

#### 14. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Trade payables		<b>P 476,167,437</b>	P 504,480,671
Deferred output VAT		<b>591,082,296</b>	528,600,763
Commissions payable	21.7(a)	<b>184,804,947</b>	6,385,174
Due to joint venturers		<b>47,795,337</b>	71,403,720
Withholding tax and other government contributions payable		<b>40,628,619</b>	35,867,658
Retention payable		<b>37,181,105</b>	81,125,999
Others	13, 21.6	<b>89,503,691</b>	81,056,207
		<b><u>P1,467,163,432</u></b>	<b><u>P1,308,920,192</u></b>

Trade payables include the unpaid portion of land for future development acquired by the Company and other payables in the normal course of business.

Due to joint venturers represent the share of JV partners in the proceeds from the sale of certain projects in accordance with various JV agreements entered into by the Company.

Commissions payable represents amounts due to the Company's various sales agents for units sold in the ordinary course of business.

Other payables consist primarily of refund liability, output VAT payable, security deposits and accrued interest payable.

#### 15. OTHER NON-CURRENT LIABILITIES

This account consists of:

	<u>2021</u>	<u>2020</u>
Retention payable	<b>P 354,624,188</b>	P 311,784,111
Advance rental	<b>4,756,140</b>	4,893,138
	<b><u>P 359,380,328</u></b>	<b><u>P 316,677,249</u></b>

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are remitted back to the contractors.

## 16. REVENUES

### 16.1 Disaggregation of Revenues

The Company derives revenues from sale of real estate. An analysis of the Company's major source of revenues is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Geographical areas</b>			
Luzon	<b>P 974,471,389</b>	P 513,231,153	P 1,336,920,002
Visayas	<u><b>1,207,388,079</b></u>	<u>1,763,935,200</u>	<u>1,841,096,802</u>
	<u><b>P2,181,859,468</b></u>	<u>P2,277,166,353</u>	<u>P 3,178,016,084</u>
<b>Types of product</b>			
Residential condominium	<b>P1,547,891,647</b>	P1,665,332,118	P 1,980,760,712
Residential lots	<b>586,018,196</b>	433,148,267	961,867,944
Commercial lots	<u><b>47,949,625</b></u>	<u>178,685,968</u>	<u>235,388,148</u>
	<u><b>P2,181,859,468</b></u>	<u>P2,277,166,353</u>	<u>P 3,178,016,804</u>

### 16.2 Contract Accounts

#### a. Contract Assets

The Company's contract assets is classified as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 1,729,064,651</b>	P 789,052,845
Non-current	<u><b>383,776,484</b></u>	<u>467,150,869</u>
	<u><b>P 2,112,841,135</b></u>	<u>P 1,256,203,714</u>

The significant changes in the contract assets balances during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P1,256,203,714</b>	P 115,095,724
Increase as a result of changes in measurement of progress, net of collections	<u><b>856,637,421</b></u>	<u>1,141,107,990</u>
Balance at end of year	<u><b>P 2,112,841,135</b></u>	<u>P1,256,203,714</u>

b. *Contract Liabilities*

The Company's contract liabilities is classified as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 44,388,255</b>	P 33,214,306
Non-current	<u>56,945,778</u>	<u>38,985,022</u>
	<b><u>P 101,334,033</u></b>	<b><u>P 72,199,328</u></b>

The significant changes in the contract liabilities balances during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 72,199,328</b>	P 512,617,972
Increase (decrease) as due to cash received excluding amount recognized as revenue during the year	<u>29,134,704</u>	( <u>440,418,644</u> )
Balance at end of year	<b><u>P 101,334,033</u></b>	<b><u>P 72,199,328</u></b>

**16.3 Direct Contract Cost**

The Company incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Prepayments and Other Current Assets in the statements of financial position (see Note 7). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization for 2021, 2020 and 2019 is presented as part of Commission under Other Operating Expenses account in statements of comprehensive income (see Note 17).

The movement in balances of deferred commission in 2021 and 2020 is presented below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 92,754,129</b>	P 87,713,656
Additional capitalized cost	<b>244,031,687</b>	95,486,890
Amortization for the year	<b>( <u>86,141,030</u> )</b>	<b>( <u>90,446,417</u> )</b>
Balance at end of year	<b><u>P 250,644,786</u></b>	<b><u>P 92,754,129</u></b>

#### 16.4 Transaction Price Allocated to Unsatisfied Performance Obligation

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2021 and 2020 is P2.0 billion and P1.7 billion, respectively. As of December 31, 2021 and 2020, the Company expects to recognize revenue from unsatisfied contracts as follows:

	<u>2021</u>	<u>2020</u>
Within a year	<b>P 826,467,948</b>	P 517,250,944
More than one year to three years	<b>1,058,611,289</b>	1,129,435,157
More than three years to five years	<b><u>134,505,529</u></b>	<u>25,091,270</u>
	<b><u>P2,019,584,766</u></b>	<b><u>P1,671,777,371</u></b>

#### 17. OPERATING EXPENSES BY NATURE

Presented below are the details of this account.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of real estate sales		<b>P 932,286,081</b>	P 939,364,349	P 1,459,939,404
Salaries and employee benefits	19.1, 22.2	<b>271,901,209</b>	250,522,455	268,714,264
Depreciation and amortization	10,11,12 21.2	<b>127,909,533</b>	146,306,315	137,454,233
Commissions	16.3, 21.7(a)	<b>120,613,948</b>	123,429,286	221,254,453
Professional fees and outside services		<b>32,185,799</b>	24,451,212	56,057,334
Taxes and licenses	12	<b>27,312,160</b>	49,610,920	58,757,894
Rentals	11, 21.2	<b>18,252,203</b>	14,657,762	32,129,030
Utilities		<b>15,828,242</b>	17,202,438	28,030,776
Subscriptions and membership dues		<b>12,616,276</b>	18,047,387	16,635,097
Transportation and travel		<b>12,052,382</b>	7,283,483	15,576,874
Management fees	21.6	<b>10,939,232</b>	9,386,708	14,202,024
Repairs and maintenance	12	<b>7,144,221</b>	5,178,704	6,079,644
Advertising and promotions		<b>3,765,256</b>	2,512,914	6,911,706
Representation and entertainment		<b>1,811,846</b>	3,865,850	4,831,302
Agency fees		<b>1,662,688</b>	1,183,215	1,527,019
Insurance		<b>1,594,476</b>	1,075,814	1,228,320
Registration and other fees		<b>1,186,226</b>	702,527	1,948,145
Directors' fees		<b>350,000</b>	450,000	400,000
Miscellaneous	11.1, 21.2	<b><u>7,948,982</u></b>	<u>10,793,514</u>	<u>17,619,060</u>
		<b><u>P 1,607,360,760</u></b>	<b><u>P 1,626,024,853</u></b>	<b><u>P 2,349,296,579</u></b>

These expenses are classified in the statements of comprehensive income as follows:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of real estate sales		<b>P 932,286,081</b>	P 939,364,349	P 1,459,939,404
Cost of rentals	12	<b>47,108,997</b>	46,708,989	40,267,051
Other operating expenses		<b><u>627,965,682</u></b>	<u>639,951,515</u>	<u>849,090,124</u>
		<b><u>P 1,607,360,760</u></b>	<u>P 1,626,024,853</u>	<u>P 2,349,296,579</u>

The cost of real estate sales is further broken down as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contracted services	<b>P 869,425,151</b>	P 896,385,982	P 1,317,082,417
Borrowing cost	<b>39,628,241</b>	26,972,775	83,583,948
Land cost	<b><u>23,232,689</u></b>	<u>16,005,592</u>	<u>59,273,039</u>
	<b><u>P 932,286,081</u></b>	<u>P 939,364,349</u>	<u>P 1,459,939,404</u>

## 18. FINANCE INCOME AND FINANCE COSTS AND OTHER CHARGES

### *18.1 Finance Income*

Presented below are the details of this account.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest income from:				
Real estate sales	5	<b>P 56,567,959</b>	P 53,314,132	P 26,374,336
Finance lease	5	<b>42,130,827</b>	45,517,732	44,255,601
Cash and short-term placements	4	<b>7,114,254</b>	13,226,393	14,047,308
Advances to related parties	21.4	<b><u>4,755,788</u></b>	<u>4,095,893</u>	<u>4,084,702</u>
		<b>110,568,828</b>	116,154,150	88,761,947
Foreign exchange gains		<b><u>9,372,228</u></b>	<u>-</u>	<u>-</u>
		<b><u>P 119,941,056</u></b>	<u>P 116,154,150</u>	<u>P 88,761,947</u>

## 18.2 Finance Costs and Other Charges

Presented below are the details of this account.

	Notes	2021	2020	2019
Interest expense on:				
Loans	13	<b>P 35,166,701</b>	P 74,751,042	P 142,261,701
Lease liabilities	11, 21.2	<b>38,068,805</b>	37,308,456	35,937,092
Advances from related parties	21.5	<b>9,637,114</b>	8,587,202	11,028,113
Retirement benefit obligation (RBO)	19.2	<b>2,852,918</b>	3,060,345	2,032,663
Others		<b>996,633</b>	568,984	2,541,384
		<b>86,722,172</b>	124,276,029	193,800,953
Impairment loss	21.4	<b>21,454,577</b>	22,335,173	29,626,373
Foreign exchange loss		-	5,523,506	3,055,197
Loss on refund		<b>161,958</b>	1,895,180	13,137,595
		<b>P 108,338,707</b>	P 154,029,888	P 239,620,118

## 19. EMPLOYEE BENEFITS

### 19.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2021	2020	2019
Short-term benefits		<b>P 258,601,260</b>	P 238,249,565	P 263,691,902
Post-employment benefit	19.2	<b>13,299,949</b>	12,272,890	4,129,409
Share-based employee compensation	22.2	-	-	892,953
		<b>P 271,901,209</b>	P 250,522,455	P 268,714,264

### 19.2 Post-employment Defined Benefit Plan

#### (a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, non-contributory post-employment defined benefit plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 85% to 150% of the employee's monthly salary for every year of service depending on the number of years of service. The normal retirement age is 60 years and applicable upon completion of five years of faithful and continuous service to the Company. However, an employee who attains the age of 50 with the completion of no less than 10 years of service; or upon completion of 15 years of service and opts for an early retirement is likewise entitled to the same benefits. Actuarial valuations are made annually to update the retirement benefit costs.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are to be made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020.

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 72,964,659</b>	P 60,721,137
Current service cost	<b>13,299,949</b>	12,272,890
Interest expense	<b>2,852,918</b>	3,060,345
Benefits paid	<b>( 367,351)</b>	-
Actuarial losses (gains) arising from:		
Changes in financial assumptions	<b>( 12,879,133)</b>	2,259,734
Experience adjustments	<u>-</u>	<u>( 5,349,447)</u>
Balance at end of year	<b><u>P 75,871,042</u></b>	<b><u>P 72,964,659</u></b>

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are shown below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current service cost	<b>P 13,299,949</b>	P 12,272,890	P 4,129,409
Interest cost	<b><u>2,852,918</u></b>	<u>3,060,345</u>	<u>2,032,663</u>
	<b><u>P 16,152,867</u></b>	<b><u>P 15,333,235</u></b>	<b><u>P 6,162,072</u></b>
<i>Reported in other comprehensive income –</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	<b>(P 12,879,133)</b>	P 2,259,734	P 31,071,901
Experience adjustments	<u>-</u>	<u>( 5,349,447)</u>	<u>1,026,794</u>
	<b><u>(P 12,879,133)</u></b>	<b><u>(P 3,089,713)</u></b>	<b><u>P 32,098,695</u></b>

The amounts of current service cost incurred are presented as part of Salaries and employee benefits under Other Operating Expenses account in the statements of comprehensive income (see Note 17). The amounts of interest expense related to the retirement benefit obligation are presented as Interest on RBO under Finance Costs and Other Charges in the statements of comprehensive income (see Note 18.2).

The amount recognized in other comprehensive income is included as an item that will not be reclassified subsequently to profit or loss.



In determining the amounts of the post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rates	5.12%	3.91%	5.04%
Expected rate of salary increase	4.00%	4.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of employees retiring at the age of 60 is 31 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as interest rate risk and longevity and salary risks.

(i) *Interest Risk*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in</u>	<u>Increase in</u>	<u>Decrease in</u>
	<u>Assumptions</u>	<u>Assumptions</u>	<u>Assumptions</u>
<b><u>December 31, 2021</u></b>			
Discount rate	+/- 0.5%	<b>(P 5,803,559) P</b>	<b>6,756,954</b>
Salary increase rate	+/- 1.0%	<b>14,376,244 (</b>	<b>10,729,189)</b>
<b><u>December 31, 2020</u></b>			
Discount rate	+/- 0.5%	<b>(P 7,120,843) P</b>	<b>8,107,569</b>
Salary increase rate	+/- 1.0%	<b>16,722,158 (</b>	<b>13,170,797)</b>

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded as at December 31, 2021. While there is no minimum funding requirement in the country, the non-funding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The maturity profile for the next 20 years of undiscounted expected benefit payments from the plan as of December 31 follows.

	<u>2021</u>	<u>2020</u>
Within one year	<b>P 4,525,523</b>	P 3,742,487
More than one year to five years	<b>5,387,917</b>	5,425,122
More than five years to 10 years	<b>26,622,434</b>	21,442,287
More than 10 years to 15 years	<b>42,852,924</b>	27,546,746
More than 15 years to 20 years	<b><u>197,530,683</u></b>	<u>134,538,449</u>
	<b><u>P 276,919,481</u></b>	<b><u>P 192,695,091</u></b>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 years.

## 20. CURRENT AND DEFERRED TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable was lower by P2.2 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P209.5 million and such was recognized in the 2021 profit or loss (P209.2 million) and in other comprehensive income or loss (P0.2 million)

The components of tax expense (income) as reported in the statements of comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2021 and 30% in 2020 and 2019	<b>P 106,353,705</b>	P 23,341,286	P 349,660,303
Effect of change in income tax rates	<b>( 2,181,529)</b>	-	-
Final tax	<u>1,420,173</u>	<u>2,639,769</u>	<u>2,801,901</u>
	<b><u>P 105,592,349</u></b>	<u>25,981,055</u>	<u>352,462,204</u>
Deferred tax expense relating to origination and reversal of temporary differences	<b>211,069,271</b>	312,695,525	3,140,121
Effect of change in income tax rates	<b>( 209,239,777)</b>	-	-
	<u>1,829,494</u>	<u>312,695,525</u>	<u>3,140,121</u>
	<b><u>P 107,421,843</u></b>	<u>P 338,676,580</u>	<u>P 355,602,325</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax income (expense) relating to remeasurements of retirement benefit plan	<b>P 3,219,783</b>	(P 926,914)	P 9,629,609
Effect of change in income tax rates	<b>( 220,694)</b>	-	-
	<b><u>P 2,999,089</u></b>	<u>(P 926,914)</u>	<u>P 9,629,609</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the statements of comprehensive income is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	<b>P 351,568,554</b>	P 425,018,925	P 517,062,324
Adjustment for income subjected to lower income tax rates	<b>( 358,391)</b>	( 1,328,149)	( 1,412,292)
Effect of change in income tax rates	<b>( 211,421,306)</b>	-	-
Tax effects of:			
Non-deductible expenses	<b>19,794,390</b>	12,374,322	36,658,973
Non-deductible interest expense	<b>355,713</b>	1,309,413	1,390,684
Non-taxable income	<b>( 52,517,117)</b>	( 98,697,931)	( 198,097,364)
	<b><u>P 107,421,843</u></b>	<u>P 338,676,580</u>	<u>P 355,602,325</u>

The net deferred tax liabilities as at December 31 relate to the following:

	<u>2021</u>	<u>2020</u>
Unrealized profit on real estate sale	<b>(P 937,389,668)</b>	(P 975,196,486)
Finance lease	<b>( 120,530,636)</b>	( 131,997,515)
Marketing fee receivable	<b>( 114,878,200)</b>	( 86,796,791)
Capitalized borrowing cost	<b>( 94,914,659)</b>	( 83,911,864)
Deferred commission	<b>( 59,423,539)</b>	( 77,346,619)
Rental income	<b>( 23,810,369)</b>	( 23,860,401)
Unrealized foreign exchange losses(gain) – net	<b>( 2,343,057)</b>	1,611,255
Refund liability	<b>( 1,205,191)</b>	4,799,516
Share-based employee compensation	<b>59,106,391</b>	70,927,670
Retirement benefit obligation	<b>19,188,453</b>	21,889,397
Leases	<b><u>15,933,230</u></b>	<u>24,443,177</u>
	<b><u>(P 1,260,267,244)</u></b>	<u>(P 1,255,438,661)</u>

The components of net deferred tax expense (income) are as follows:

	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrealized profit on real estate sales	<b>(P 37,806,818)</b>	P 187,707,109	(P 20,766,082)	P -	P -	P -
Marketing fee receivable	<b>28,081,409</b>	60,977,487	13,510,639	-	-	-
Capitalized borrowing cost	<b>11,002,795</b>	24,782,765	5,158,163	-	-	-
Finance lease	<b>( 11,466,879)</b>	13,655,320	13,276,680	-	-	-
Refund liability	<b>6,004,706</b>	1,736,043	( 1,444,022)	-	-	-
Deferred commission	<b>( 17,923,080)</b>	41,045,036	3,490,596	-	-	-
Leases	<b>8,509,947</b>	( 16,625,609)	( 11,148,121)	-	-	-
Rental income	<b>( 50,032)</b>	4,712,042	4,712,042	-	-	-
Unrealized foreign exchange gains (losses) - net	<b>3,954,313</b>	( 694,696)	( 1,533,266)	-	-	-
Retirement benefit obligation	<b>( 298,145)</b>	( 4,599,972)	( 1,848,622)	<b>( 2,999,089)</b>	926,914	( 9,629,609)
Share-based employee compensation	<b>11,821,278</b>	-	( 267,886)	-	-	-
Deferred tax expense (income)	<b><u>P 1,829,494</u></b>	<u>P 312,695,525</u>	<u>P 3,140,121</u>	<b><u>(P 2,999,089)</u></b>	<u>P 926,914</u>	<u>(P 9,629,609)</u>

The Company is subject to MCIT, which is computed at 1% of gross income in 2021 and 2% in 2020 and 2019, as defined under the tax regulations, or RCIT, whichever is higher.

The Company incurred RCIT in 2021, 2020 and 2019 as RCIT is higher than MCIT for the years presented.

In 2021, 2020 and 2019, the Company opted to claim itemized deductions in computing for its income tax due.

## 21. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, subsidiaries, associates, a stockholder, the Company's key management personnel and others as described below and in the succeeding page.

### 21.1 Summary of Related Party Transactions

The summary of the Company's transactions with its related parties for the years ended December 31, 2021, 2020 and 2019, and the related outstanding balances as of December 31, 2021 and 2020 is as follows:

Related Party Category	Notes	Amount of Transactions			Outstanding Balances	
		2021	2020	2019	2021	2020
<b>Parent company:</b>						
Lease liability	21.2	(P 25,130,147)	(P 53,831,702)	P 138,478,275	(P 122,896,541)	P 84,646,573
Right-of-use assets	21.2	( 31,653,608)	( 49,486,367)	57,262,294	126,614,033	88,537,510
Availment of advances – including interest	21.5	( 10,129,879)	( 9,810,974)	( 13,819,480)	( 181,909,305)	( 171,779,426)
Services	21.6	8,571,429	8,571,429	8,571,429	-	-
Commission expense	21.7	3,609,256	6,119,167	21,500,974	-	-
Interest-bearing loans	21.7	( 1,000,000,000)	-	-	( 1,000,000,000)	-
<b>Subsidiaries:</b>						
Net grants of cash advances	21.4	( 15,225,284)	( 202,385,823)	( 444,527,780)	8,322,606,141	8,355,215,185
Commission income	21.7	222,394,161	72,352,952	-	-	-
Commission expense	21.7	109,383,745	63,848,380	100,931,655	( 93,101,747)	( 6,385,174)
Management and marketing income	21.3	59,999,202	47,899,157	86,492,547	86,035,738	89,685,162
Availment of advances	21.5	( 43,306,656)	( 43,006,656)	-	-	( 43,006,656)
Rental income	21.2	30,026,439	26,717,709	57,354,468	97,759,377	65,941,194
Loans receivable	21.7	134,217,245	-	-	134,217,245	-
Interest income	21.7	671,086	-	-	671,086	-
<b>Other investees of shareholders:</b>						
Granting of cash advances – net of collections	21.4	40,777,917	73,226,768	123,561,187	1,734,656,996	1,693,879,079
Interest income	21.4	4,084,702	4,095,893	4,084,702	42,927,609	38,482,907
Rental income	21.2	-	1,224,847	6,742,495	194,513	186,380
Net repayments (availments) of cash advances	21.5	( 63,066)	( 105,647)	102,387,990	( 73,780,079)	( 73,717,013)
<b>Officers and employees</b>						
Granting of cash advances – net of collections	21.4	( 50,935,905)	10,497,592	17,906,944	123,597,647	174,533,552
<b>Key Management Personnel – Compensation</b>						
Compensation	21.8	21,940,337	22,549,919	25,736,185	-	-

Unless otherwise stated, the related receivables and payables from these transactions are short-term, unsecured, noninterest-bearing and are generally settled in cash upon demand.

Based on management's assessment, certain advances to related parties were impaired as of December 31, 2021 and 2020. As such, adequate amount of allowance of ECL is recognized (see Note 25.2).

## **21.2 Rental Income and Rental Expense**

### *(a) Company as a Lessor*

The Company leases its investment property to certain related parties with rental payments mutually agreed on a yearly basis. The rental earned from these related parties, which are based either on fixed monthly payments or with annual escalation rate of 5% per agreement, are included as part of Rental Income account in the statements of comprehensive income (see Note 12). The outstanding receivables from these transactions are presented as part of Rental receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

The outstanding receivables from these transactions are short-term, unsecured, noninterest-bearing and are generally settled in cash upon demand.

### *(b) Company as a Lessee*

In 2016, the Company entered into a lease agreement as lessee with Megaworld for the new space where the Company transferred its office in 2017. On January 1, 2019, in connection with the adoption of PFRS 16, the Company recognized right-of-use asset and lease liability amounting to P127.5 million and P103.8 million, respectively. The corresponding amortization of the right-of-use asset amounted to P57.3 million in 2020, and is presented as part of Depreciation and amortization under Other Operating Expenses in the 2021 and 2020 statements of comprehensive income (see Note 17). Interest incurred on lease liability amounted to P9.2 million in 2020 and is presented as part of Interest expense under Finance Costs and Other Charges in the 2021 and 2020 statements of comprehensive income (see Note 18.2).

In December 2020, the Company entered into a new lease agreement as lessee with Megaworld covering the Company's new office space. The Company recognized right-of-use asset and lease liability amounting to P90.0 million and P84.1 million, respectively. Consequently, the Company derecognized the remaining carrying amount of right-of-use asset and lease liability for the old office space amounting to P81.1 million and P78.4 million, respectively (see Note 11). The derecognition of the right-of-use asset and lease liability resulted to a loss amounting to P2.7 million and is presented as part of Miscellaneous under Other Operating Expenses in the 2020 statement of comprehensive income. The corresponding amortization of the right-of-use asset amounted to P18.0 million in 2021 and P1.5 million in 2020 and are presented as part of Depreciation and amortization under Other Operating Expenses in the 2021 and 2020 statement of comprehensive income (see Note 17). Interest incurred on lease liability amounted to P6.0 million and P0.5 million and is presented as part of Interest expense under Finance Costs and Other Charges in the 2021 and 2020 statement of comprehensive income, respectively (see Note 18.2). As of December 31, 2021, the related carrying amounts of the right-of-use asset and lease liability amounted to P72.0 million and P70.7 million, respectively, while as of December 31, 2020, the related carrying amounts of the right-of-use asset and lease liability amounted to P88.5 million and P84.6 million, respectively.

In January 2021, the Company entered into another lease agreement with Megaworld as lessee for a new office space. The Company recognized right-of-use asset amounting to P68.2 million and lease liability amounting to P62.1 million. The corresponding amortization of the right-of-use asset amounted to P13.6 million and is presented as part of the Operating Expenses in the 2021 statement of comprehensive income (see Note 17). Interest expense incurred in relation to the lease liability amounted to P4.5 million as part of the Interest Expense under the Finance Costs and Other Charges in the 2021 statement of comprehensive income. As of December 31, 2021, the carrying value of right-of-use assets and lease liability amounted to P54.6 million and P52.2 million, respectively.

### ***21.3 Management and Marketing Income***

In 2017, the Company and FEUDC entered into an agreement wherein the Company shall provide technical guidance in terms of management and supervision of the latter's operations and in return, the Company shall receive management fees.

In 2012, the Company and OPI entered into an exclusive marketing agreement wherein the Company is appointed as the exclusive marketing agent of certain projects of OPI. The Company shall be responsible for all expenses incurred for advertising, promotion, printing of brochures, marketing research, sales management, and documentation of sales. In consideration for the services rendered to OPI, the Company will receive a management fee equivalent to 5% and marketing fee equivalent to 12% of the cash collections from the sale of lots.

Management and marketing fee earned in relation to the above agreements is presented as part of Management and Marketing Income account in the statements of comprehensive income. The related outstanding receivable from this transaction amounted to P86.0 million and P89.7 million as at December 31, 2021 and 2020 is presented as Marketing and management fee receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

The outstanding receivables from these transactions are short-term, unsecured, noninterest-bearing and are generally settled in cash upon demand.

### ***21.4 Advances to Related Parties and Officers and Employees***

The Company grants advances to its subsidiaries, associates and other related parties for working capital purposes. The balances of these advances, shown as Advances to Related Parties account in the statements of financial position, are as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries	<b>P 8,322,606,141</b>	P 8,355,215,185
Other investees of shareholders	<b><u>1,734,656,996</u></b>	<u>1,693,879,079</u>
	<b><u>P10,057,263,137</u></b>	<u>P10,049,094,264</u>

A summary of transactions with these related parties are as follows:

	<u>Amount of Transactions</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Subsidiaries:			
Balance at beginning of year	P 8,355,215,185	P 8,557,601,008	P 9,002,128,788
Impairment loss	( 17,383,760)	( 18,682,505)	-
Collections	( 15,225,284)	( 183,703,318)	( 444,527,780)
Balance at end of year	<u>P 8,322,606,140</u>	<u>P 8,355,215,185</u>	<u>P 8,557,601,008</u>
Associates:			
Balance at beginning of year	P -	P -	P 7,518,689
Impairment loss	-	-	( 7,518,689)
Balance at end of year	<u>P -</u>	<u>P -</u>	<u>P -</u>
Other investees of shareholders:			
Balance at beginning of year	P 1,693,879,079	P 1,620,652,311	P 1,519,198,808
Cash advances granted	44,848,734	76,879,436	123,561,187
Impairment loss	( 4,070,817)	( 3,652,668)	( 22,107,684)
Balance at end of year	<u>P 1,734,656,996</u>	<u>P 1,693,879,079</u>	<u>P 1,620,652,311</u>

The advances to related parties are unsecured, due and demandable any time and are generally payable in cash. Except for the advances to Camp John Hay Development Corporation (CJDEVCO) and Golforce, Inc., these advances are noninterest-bearing. The advances to CJDEVCO and Golforce, Inc. totalling P46.6 million and P46.5 million as at December 31, 2021 and 2020 respectively, bear annual interest of 16% in both years. Interest earned from these advances amounted to P4.1 million in 2021, 2020 and 2019, and is shown as part of Finance Income account in the statements of comprehensive income (see Note 18.1). The interest receivable from these advances amounting to P43.6 million and P39.0 million as at December 31, 2021 and 2020, respectively, is shown as Interest receivable under the Trade and Other Receivables account in the statements of financial position (see Note 5).

In 2021 and 2020, the Company's management assessed that certain advances to related parties were impaired. The impairment loss is presented as part of Finance Costs and Other Charges in the statements of comprehensive income (see Note 18.2).

The Company also has unsecured and noninterest-bearing outstanding Advances to officers and employees which are presented under the Trade and Other Receivables account in the statements of financial position (see Note 5). These are settled through salary deduction or liquidation.

### ***21.5 Advances from Related Parties***

The Company obtains advances from a subsidiary and other related parties for working capital purposes. These advances are unsecured and are repayable in cash upon demand. Also, except for the advances from Megaworld, these advances are noninterest-bearing.



The outstanding advances from these related parties shown as Advances from Related Parties account in the statements of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Parent company	<b>P 181,909,305</b>	P 171,779,426
Subsidiary	-	43,006,656
Other investees of shareholders	<u>73,780,079</u>	<u>73,717,013</u>
	<b><u>P 255,689,384</u></b>	<b><u>P 288,503,095</u></b>

A summary of transactions with these related parties are as follows:

	<u>Amount of Transactions</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Parent company:			
Balance at beginning of year	<b>P 171,779,426</b>	P 161,968,452	P 148,148,972
Interest expense	<b>9,637,114</b>	8,587,202	8,088,332
Cash advances obtained	<u>492,765</u>	<u>1,223,772</u>	<u>5,731,148</u>
Balance at end of year	<b><u>P 181,909,305</u></b>	<b><u>P 171,779,426</u></b>	<b><u>P 161,968,452</u></b>
Subsidiary:			
Balance at beginning of year	<b>P 43,006,656</b>	P -	P -
Cash advances obtained	-	43,006,656	-
Repayments	<u>(43,006,656)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<b><u>P -</u></b>	<b><u>P 43,006,656</u></b>	<b><u>P -</u></b>
Other investees of shareholders:			
Balance at beginning of year	<b>P 73,717,013</b>	P 73,611,366	P 175,999,356
Cash advances obtained	<b>140,116</b>	179,747	-
Repayments	<u>(77,050)</u>	<u>(74,100)</u>	<u>(102,387,990)</u>
Balance at end of year	<b><u>P 73,780,079</u></b>	<b><u>P 73,717,013</u></b>	<b><u>P 73,611,366</u></b>

The advances from Megaworld bear annual interest of 6.0%. The interest expense incurred in 2021, 2020 and 2019 are presented as part of Finance Costs and Other Charges in the statements of comprehensive income (see Note 18.2).

The related unpaid interest amounting to P65.8 million and P56.2 million as at December 31, 2021 and 2020, respectively, is included as part of the Advances from Related Parties account in the statements of financial position.

### **21.6 Services**

In 2021 and 2020, the Company obtained services from a related party for a fixed consideration. The amount of expenses incurred from such transaction is recorded as part of Management fees under the Other Operating Expenses account in the 2021 and 2020 statements of comprehensive income (see Note 17) while the related outstanding payable is presented as part of Others under Trade and Other Payables account in the statements of financial position (see Note 14).

## **21.7 Others**

### *(a) Commission Expense*

In the normal course of business, the Company pays commissions to Megaworld and MGEI for marketing services rendered with the purpose of increasing sales from the Company's projects.

The commissions are based on pre-agreed rates and are payable once a certain percentage of the contract price has been collected. Commissions incurred are presented as part of Commissions under Other Operating Expenses account in the statements of comprehensive income (see Note 17). The related outstanding payable is presented as Commission payable under Trade and Other Payables account in the statements of financial position (see Note 14).

The outstanding payables from these transactions are short-term, unsecured, noninterest-bearing and generally settled in cash upon demand.

### *(b) Commission Income*

The Company provided marketing services to TLC to increase the latter's real estate sales. Total amount of commission income earned is included as part of Others under Revenues account in the statements of comprehensive income. There are no outstanding receivables related to this transaction as at December 31, 2021 and 2020.

### *(c) Loans Obtained and Granted*

The Company granted an unsecured interest-bearing loan to TLC amounting to P134.2 million, payable for five years with an interest rate of 6% and payable quarterly. The related outstanding loan receivables as of December 31, 2021 amounted to P134.2 million and is presented as part of Trade and Other Receivables account in the 2021 statement of financial position.

Also on December 29, 2021, the Company obtained an unsecured, interest-bearing loans from Megaworld for its working capital requirements. The outstanding balance of the loans as at December 31, 2021 amounted to P1.0 billion and is presented as part of Interest-Bearing Loans account in the 2021 statement of financial position (see Note 13). The amount of accrued interest from the loans as of December 31, 2021 is immaterial, hence, no accrual has been made.

### *(d) Others*

The Company has control of funds amounting to P24.2 million and P34.5 million as at December 31, 2021 and 2020, respectively, that are held in trust by MGEI. These are included as part of the Cash and Cash Equivalents account in the statements of financial position (see Note 4).

### **21.8 Key Management Personnel Compensation**

The Company's key management personnel compensation, which is presented as part of Salaries and employee benefits (see Note 19.1), includes the following:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term benefits	<b>P</b>	<b>18,452,469</b>	P 18,470,597	P 20,162,959
Post-employment defined benefit		<b>3,487,868</b>	3,989,322	4,680,274
Share-based employee compensation	22.2	<u>-</u>	<u>-</u>	<u>892,952</u>
		<b><u>P 21,940,337</u></b>	<b><u>P 22,459,919</u></b>	<b><u>P 25,736,185</u></b>

## **22. EQUITY**

### **22.1 Capital Stock**

Capital stock as of December 31, 2021 and 2020 consists for both years:

	<u>Shares</u>	<u>Amount</u>
Common shares – P1 par value		
Authorized	<u>20,000,000,000</u>	<u>P 20,000,000,000</u>
Issued and outstanding		
Balance at end of year	<u>10,986,000,000</u>	<u>P 10,986,000,000</u>

On November 23, 1995, the SEC approved the listing of the Company's common shares totaling 150.0 million. The shares were initially issued at an offer price of P19.50 per common share. As at December 31, 2021 and 2020, there are 4,183 and 4,200 holders of the listed shares, which closed at P1.01 per share and P1.20 per share, respectively.

The Company also made additional listings of 2.2 billion, 5.0 billion and 2.5 billion shares on January 11, 2007, January 20, 2011 and August 14, 2013, respectively.

### **22.2 Employee Stock Option Plan**

On September 23, 2011, the BOD of the Company approved an Executive Stock Option Plan (the ESOP) for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of the Company, who are largely responsible for its further growth and development, to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The ESOP is being administered by the Executive Compensation Committee of the BOD.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 500.0 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The Company shall receive cash for the stock options.

As of December 31, 2021 and 2020, pursuant to this ESOP, the Company has granted the option to its key company executives to subscribe to 400.0 million shares of the Company. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. A total of 400.0 million options have vested as at December 31, 2021 and 2020, respectively, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation were shown below.

Grant dates	:	February 16, 2012, February 18, 2013 March 7, 2014, March 9, 2015, July 14, 2016
Vesting period ends	:	February 15, 2015, February 17, 2016, March 6, 2017, March 8, 2018, July 13, 2019
Option life	:	Seven years
Share price at grant dates	:	P2.10, P2.09, P1.60, P1.63, P1.02
Exercise price at grant dates	:	P1.93, P1.69, P1.50, P1.65, P1.00
Average fair value at grant dates	:	P2.27, P0.74, P0.42, P0.34, P0.24
Average standard deviation of share price returns	:	57.10%, 20.85%, 16.16%, 12.16%, 15.29%
Average risk-free investment rates	:	2.46%, 2.14%, 2.46%, 2.51%, 2.59%

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

A total of P 0.9 million share-based employee compensation is recognized for the year ended December 31, 2019 (nil for 2021 and 2020) and is included as part of Salaries and employee benefits under Other Operating Expenses account in the 2019 statement of comprehensive income (see Note 17), and is credited to Retained Earnings in the equity section of the statements of financial position.

## 23. EARNINGS PER SHARE

Earnings per share amounts were computed below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Basic:			
Net profit for the year	<b>P 1,298,852,373</b>	P 1,078,053,171	P 1,367,938,755
Divided by weighted number of outstanding common shares	<u><b>10,986,000,000</b></u>	<u>10,986,000,000</u>	<u>10,986,000,000</u>
	<u><b>P 0.118</b></u>	<u>P 0.098</u>	<u>P 0.125</u>
Diluted:			
Net profit for the year	<b>P 1,298,852,373</b>	P 1,078,053,171	P 1,367,938,755
Divided by weighted number of outstanding common shares	<u><b>11,376,972,222</b></u>	<u>11,376,972,222</u>	<u>11,357,527,778</u>
	<u><b>P 0.114</b></u>	<u>P 0.095</u>	<u>P 0.121</u>

In relation to the approved ESOP for key executive officers, the vested options exercisable by any of the option holders are considered as potentially dilutive shares.

## 24. COMMITMENTS AND CONTINGENCIES

### 24.1 Lease Commitments – Company as Lessor

The Company is a lessor under several operating leases covering real estate properties for commercial use and development rights (see Notes 11 and 12). The leases have lease terms ranging from one to five years, with renewal options, and include annual escalation rate of 5.0%. The average annual rental covering these agreements amounted to P141.7 million. Future minimum lease receivables under these agreements are presented below.

	<u>2021</u>	<u>2020</u>
Within one year	<b>P 173,350,961</b>	P 144,158,135
After one year but not more than two years	<b>162,922,616</b>	136,162,683
After two years but not more than three years	<b>160,947,769</b>	136,645,869
After three years but not more than four years	<b>162,046,168</b>	142,426,354
After four years but not more than five years	<b>159,427,382</b>	148,753,498
More than five years	<u><b>1,873,076,809</b></u>	<u>1,205,657,374</u>
	<u><b>P 2,691,771,705</b></u>	<u>P 1,913,803,913</u>

The undiscounted maturity analysis of finance lease receivable at December 31, 2021 and 2020 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>2021</b>							
Lease collection	P 120,334,584	P 88,699,119	P 89,346,871	P 90,014,054	P 26,281,499	P 679,150,148	P1,093,826,275
Interest income	( 38,419,380)	( 34,355,507)	( 29,909,018)	( 25,047,216)	( 24,407,402)	( 368,782,763)	( 520,921,286)
Net present value	<u><b>P 81,915,204</b></u>	<u><b>P 54,343,612</b></u>	<u><b>P 59,437,853</b></u>	<u><b>P 64,966,838</b></u>	<u><b>P 1,874,097</b></u>	<u><b>P310,367,385</b></u>	<u><b>P 572,904,989</b></u>

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<u>2020</u>							
Lease collection	P 94,764,348	P 88,070,235	P 88,699,119	P 89,346,871	P 90,014,054	P 705,431,648	P1,156,326,275
Interest income	( 42,130,828)	( 38,419,379)	( 34,355,507)	( 29,909,018)	( 25,047,216)	( 393,190,165)	( 563,052,113)
Net present value	<u>P 52,633,520</u>	<u>P 49,650,856</u>	<u>P 54,343,612</u>	<u>P 59,437,853</u>	<u>P 64,966,838</u>	<u>P312,241,483</u>	<u>P 593,274,162</u>

## ***24.2 Legal Claims***

As at December 31, 2021 and 2020, the Company is a party to certain litigations arising from the normal course of business. No provision was recognized in the Company's financial statements because the ultimate outcome of these litigations cannot be presently determined. In addition, the Company's management believes that its impact in the financial statements, taken as a whole, is not material.

## ***24.3 Others***

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Company which are not reflected in the financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on their financial statements.

## **25. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed to are described below and in the succeeding pages.

### ***25.1 Market Risk***

#### ***(a) Foreign Currency Risk***

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates, however, arise from the Company's cash and cash equivalents which are denominated in U.S. dollars.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar denominated financial assets, translated into Philippine pesos at the closing rates at end of 2021, 2020 and 2019, pertain to cash and cash equivalents amounting to P75.9 million, P100.9 million and P92.8 million, respectively. The Company has no U.S. dollar denominated financial liabilities in 2021, 2020 and 2019.

If the Philippine peso had strengthened against the U.S. dollar, profit before tax would have increased by P9.4 million in 2021 and decreased by P5.3 million and P8.8 million in 2020 and 2019, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased profit before tax in 2021, 2020 and 2019 by the same amount. This sensitivity of the net result for the year assumes a +/- 12.33%, +/- 5.2% and +/- 9.5% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2021, 2020 and 2019, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months for 2021 and 2020 estimated at 99.0% level of confidence. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of the reporting periods.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Company's foreign currency risk.

*(b) Interest Rate Risk*

As at December 31, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash and cash equivalents and interest bearing loans, which are subject to variable interest rates (see Notes 4 and 13). All other financial assets and liabilities have fixed rates.

The sensitivity of the Company's profit before tax is analyzed based on reasonably possible change for the year to a reasonably possible change in interest rates of +/- 1.26% in 2021, +/- 2.44% in 2020 and +/- 3.72% in 2019. These changes are considered to be reasonably possible based on observation of current market conditions. The percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Company's financial instruments held at the end of each reporting period, with effect estimated from beginning of the year. All other variables held constant, if the interest rate increased by 1.26%, 2.44% and 3.72% in 2021, 2020 and 2019 respectively, profit before tax would have increased by P1.8 million and P2.5 million and decreased by P26.0 million in 2021, 2020 and 2019, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2021, 2020 and 2019, would have been higher by the same amount.

**25.2 Credit Risk**

Credit risk is the risk when a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and related parties and by placing deposits.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets and contract assets are the carrying amounts of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized in the succeeding page.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	4	<b>P 2,324,849,090</b>	P 1,458,464,450
Instalment contracts receivable – net	5	<b>3,825,554,149</b>	3,901,830,668
Finance lease receivable	5	<b>572,904,989</b>	593,274,162
Rental receivables	5	<b>281,266,715</b>	205,793,001
Other receivables	5	<b>656,095,446</b>	339,604,752
Contract assets	16.2	<b>2,112,841,135</b>	1,256,203,714
Advances to related parties	21.4	<b>10,057,263,137</b>	10,049,094,264
Advances to joint ventures	8	<b>203,457,118</b>	189,842,263
Refundable deposits	7	<b>64,008,616</b>	63,709,553
		<b><u>P20,098,240,394</u></b>	<b><u>P 18,057,816,827</u></b>

(a) *Cash and Cash Equivalents*

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

As part of Company policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

With respect to cash equivalents, the Company 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 Company'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 for impairment will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

As of December 31, 2021 and 2020, impairment allowance is not material.

(b) *Trade and Other Receivables and Contract Assets*

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Company undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Company's buyers' profile.

The Company has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking information specific to the buyers and the economic environment.



The Company considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. Furthermore, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The provision rate based on days past due of all customers as they have similar loss patterns. The credit enhancements such advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as Rental receivables are also evaluated by the Company for impairment and assessed the no ECL should be provided. Rental receivables are secured to the extent of advance rental and security deposit received from the lessees, which are in average equivalent to six months.

The estimated fair value of collateral and other security enhancements held against installment contract receivables, contract assets and rent receivables are presented below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<b><u>2021</u></b>			
Installment contracts			
receivable – net	P 3,825,554,149	P 6,130,280,993	P -
Contract assets	2,112,841,134	4,548,203,492	-
Rent receivables	<u>281,266,715</u>	<u>67,675,748</u>	<u>213,590,967</u>
	<b><u>P 6,219,661,998</u></b>	<b><u>P 10,746,160,233</u></b>	<b><u>P 213,590,967</u></b>
<b><u>2020</u></b>			
Installment contracts			
receivable – net	P 3,901,830,668	P 6,808,702,904	P -
Contract assets	1,256,203,714	2,569,426,366	-
Rent receivables	<u>205,793,001</u>	<u>72,022,068</u>	<u>133,770,933</u>
	<b><u>P 5,363,827,383</u></b>	<b><u>P 9,450,151,338</u></b>	<b><u>P 133,770,933</u></b>

Some of the unimpaired trade and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period and are presented below.

	<u>2021</u>	<u>2020</u>
Current (not past due)	<b>P4,890,226,908</b>	P 4,514,268,744
Past due but not impaired:		
More than one month but not more than three months	<b>63,529,346</b>	287,823,235
More than three months but not more than six months	<b>109,131,154</b>	102,463,346
More than six months but not more than one year	<u><b>272,933,890</b></u>	<u>135,947,258</u>
	<u><b>P 5,335,821,298</b></u>	<u>P 5,040,502,583</u>

(c) *Advances to Related Parties and Advances to Joint Ventures*

ECL for Advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from certain related parties as of December 31, 2021 and 2020 are not recoverable since these related parties have no capacity to pay the advances upon demand. Accordingly, impairment loss amounting to P21.5 million and P22.3 million for the years ended December 31, 2021 and 2020, respectively, is recognized and is presented as part of Finance Costs and Other Charges account in the statements of comprehensive income (see Note 18.2). The allowance for impairment as of December 31, 2021, 2020 and 2019 amounted to P73.4 million, P52.0 million and P29.6 million, respectively.

The Company does not consider any significant risks in the remaining advances to related parties since Megaworld and other related parties, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy.

In addition, there is also no significant risks in the advances joint ventures as these are advances to joint venturers in the Company's certain real estate projects which are set-off against the joint venturer's share in the collections of receivables pertaining to such projects. As of December 31, 2021 and 2020, impairment allowance is not material.

### **25.3 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company's financial liabilities have contractual maturities which are presented below.

	Notes	Current		Non-current	
		Within 6 Months	6 to 12 Months	1 to 5 Years	Beyond 5 Years
<b>2021 :</b>					
Interest-bearing loans	13	P 625,819,661	P 779,698,597	P 4,200,249,386	P 918,521,660
Trade and other payables	14	798,271,412	-	-	-
Advances from related parties	21.5	-	255,689,384	-	-
Lease liabilities	11	60,081,185	60,081,184	225,595,179	718,399,295
Retention payable	14, 15	-	37,181,105	-	354,624,188
		<b><u>P1,484,172,258</u></b>	<b><u>P 1,132,650,270</u></b>	<b><u>P4,425,844,565</u></b>	<b><u>P1,991,545,143</u></b>
<b>2020 :</b>					
Interest-bearing loans	13	P 798,181,895	P 532,616,785	P 3,233,671,349	P173,170,448
Trade and other payables	14	663,325,772	-	-	-
Advances from related parties	21.5	-	288,503,095	-	-
Lease liabilities	11	39,143,667	39,143,666	200,925,535	747,392,551
Retention payable	14, 15	-	81,125,999	-	311,784,111
		<b><u>P1,500,651,334</u></b>	<b><u>P 941,389,545</u></b>	<b><u>P3,434,596,884</u></b>	<b><u>P1,232,347,110</u></b>

## 26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 26.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	2021		2020	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	P 2,324,849,090	P 2,324,849,090	P 1,458,464,450	P 1,458,464,450
Trade and other receivables – net	5,335,821,298	5,335,821,298	5,040,502,583	4,369,563,466
Advances to related parties	10,057,263,137	10,057,263,137	10,049,094,264	10,049,094,264
Advances to joint ventures	203,457,118	203,457,118	189,842,263	189,842,263
Refundable deposits	64,008,616	64,008,616	63,709,553	63,709,553
	<b><u>P 17,985,399,259</u></b>	<b><u>P 17,985,399,259</u></b>	<b><u>P16,801,613,113</u></b>	<b><u>P16,130,673,996</u></b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables	P 798,271,412	P 798,271,412	P 663,325,772	P 663,325,772
Interest-bearing loans	5,676,470,580	5,694,463,775	4,397,058,820	4,507,292,847
Advances from related parties	255,689,384	255,689,384	288,503,095	288,503,095
Lease liabilities	526,912,165	526,912,165	464,453,385	464,453,385
Retention payable	391,805,293	391,805,293	392,910,110	392,910,110
	<b><u>P 7,649,148,834</u></b>	<b><u>P 7,667,142,029</u></b>	<b><u>P 6,206,251,182</u></b>	<b><u>P 6,316,485,209</u></b>

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 25.

## ***26.2 Offsetting of Financial Assets and Financial Liabilities***

The Company has not set-off financial instruments in 2021 and 2020 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders or upon instruction by the parent company. As such, the Company's outstanding advances to related parties amounting to P10,057.3 million and P10,049.1 million can be offset by the amount of outstanding advances from related parties amounting to P255.7 million and P288.5 million as at December 31, 2021 and 2020, respectively (see Note 21).

The Company has cash in a certain local bank to which it has an outstanding loan (see Note 14). In case of the Company's default on loan amortization, cash in bank amounting to P2.2 billion and P467.9 million as of December 31, 2021 and 2020, respectively, can be applied against its outstanding loan amounting to P5,676.5 million and P4,397.1 million as of December 31, 2021 and 2020, respectively.

## **27. FAIR VALUE MEASUREMENT AND DISCLOSURES**

### ***27.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The levels of fair value hierarchy are shown in the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### ***27.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The table in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2021:</b>				
<b><i>Financial Assets:</i></b>				
Cash and cash equivalents	P2,324,849,090	P -	P -	P 2,324,849,090
Trade and other receivables – net	-	-	5,125,234,367	5,125,234,367
Advances to related parties	-	-	10,057,263,137	10,057,263,137
Advances to joint ventures	-	-	203,457,118	203,457,118
Refundable deposits	-	-	64,008,616	64,008,616
	<u><b>P2,324,849,090</b></u>	<u><b>P -</b></u>	<u><b>P15,449,963,238</b></u>	<u><b>P17,774,812,328</b></u>
<b><i>Financial Liabilities:</i></b>				
Trade and other payables	P -	P -	P 798,271,412	P 798,271,412
Interest-bearing loans	-	-	5,694,463,775	5,694,463,775
Advances from related parties	-	-	255,689,384	255,689,384
Lease liabilities	-	-	526,912,165	526,912,165
Retention payable	-	-	391,805,293	391,805,293
	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 7,667,142,029</b></u>	<u><b>P 7,667,142,029</b></u>
<b>2020:</b>				
<b><i>Financial Assets:</i></b>				
Cash and cash equivalents	P1,458,464,450	P -	P -	P 1,458,464,450
Trade and other receivables – net	-	-	4,369,563,466	4,369,563,466
Advances to related parties	-	-	10,049,094,264	10,049,094,264
Advances to joint ventures	-	-	189,842,263	189,842,263
Refundable deposits	-	-	63,709,553	63,709,553
	<u><b>P1,458,464,450</b></u>	<u><b>P -</b></u>	<u><b>P14,672,209,546</b></u>	<u><b>P16,130,673,996</b></u>
<b><i>Financial Liabilities:</i></b>				
Trade and other payables	P -	P -	P 663,325,772	P 663,325,772
Interest-bearing loans	-	-	4,507,292,847	4,507,292,847
Advances from related parties	-	-	288,503,095	288,503,095
Lease liabilities	-	-	464,453,385	464,453,385
Retention payable	-	-	392,910,110	392,910,110
	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 6,316,485,209</b></u>	<u><b>P 6,316,485,209</b></u>

The fair values of the financial assets and liabilities included in Level 3, which are not traded in an active market is determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

### ***27.3 Investment Property Measured at Cost for which Fair Value is Disclosed***

In estimating the fair value of the Company's investment property, management takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use. Based on management assessment, the best use of the Company's investment property is its current use.

The fair value of the investment property was determined based on the following approaches:

#### ***(i) Fair Value Measurement for Land***

The Level 3 fair value of land was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(ii) *Fair Value Measurement for Building and Improvements*

The fair value of the Company's building and improvements, which are classified under Level 3 of the fair value hierarchy, is determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate applicable to these assets.

The breakdown of Investment Property at its fair market value are as follows:

	<u>2021</u>	<u>2020</u>
Building and Improvements	<b>P 4,678,667,114</b>	P 5,290,591,655
Land and Land Improvement	<b><u>7,419,189,764</u></b>	<u>7,376,863,959</u>
	<b><u>P12,097,856,878</u></b>	<b><u>P 12,667,455,615</u></b>

## 28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company also monitors its debt coverage ratio (DCR) and current ratio as required by its loan obligations (see Note 13). The Group has complied with its covenant obligations, including maintaining the required DCR and current ratio.

The Company also monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized below.

	<u>2021</u>	<u>2020</u>
Total liabilities	<b>P 10,482,139,071</b>	P 8,811,112,855
Total equity	<b><u>30,952,434,609</u></b>	<u>29,638,206,871</u>
Debt-to-equity ratio	<b><u>0.34:1:00</u></b>	<b><u>0.30:1:00</u></b>

The corresponding requirement of the debt-to-equity ratio on December 31 of each year shall not be less than 2:1.

## 29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities.

	Interest-bearing Loans <small>(See Note 13)</small>	Advances from Related Parties <small>(See Note 21)</small>	Lease Liabilities <small>(See Note 11)</small>	Total
Balance as of January 1, 2021	P 4,397,058,820	P 288,503,095	P 464,453,385	P 5,150,015,300
Cash flows from financing activities:				
Additional borrowings	2,500,000,000	632,881	-	2,500,632,881
Repayments of borrowings	( 1,220,588,240 )	( 43,083,706 )	( 24,705,093 )	( 1,288,377,039 )
Interest paid	-	-	( 13,030,864 )	( 13,030,864 )
Non-cash financing activities –				
Recognition of lease liability	-	-	62,125,932	62,125,932
Interest expense	-	9,637,114	-	9,637,114
Interest amortization on lease liabilities	-	-	38,068,805	38,068,805
Balance as of December 31, 2021	<b><u>P 5,676,470,580</u></b>	<b><u>P 255,689,384</u></b>	<b><u>P 526,912,165</u></b>	<b><u>P 6,459,072,129</u></b>
Balance as of January 1, 2020	P 4,480,769,231	P 235,579,818	P 494,291,684	P 5,210,640,733
Cash flows from financing activities:				
Additional borrowings	1,500,000,000	44,410,175	-	1,544,410,175
Repayments of borrowings	( 1,583,710,411 )	( 74,100 )	( 61,081,162 )	( 1,644,865,673 )
Interest paid	-	-	( 11,761,115 )	( 11,761,115 )
Non-cash financing activities –				
Recognition of lease liability	-	-	84,106,667	84,106,667
Derecognition of lease liability	-	-	( 78,411,145 )	( 78,411,145 )
Interest expense	-	8,587,202	-	8,587,202
Interest amortization on lease liabilities	-	-	37,308,456	37,308,456
Balance as of December 31, 2020	<b><u>P 4,397,058,820</u></b>	<b><u>P 288,503,095</u></b>	<b><u>P 464,453,385</u></b>	<b><u>P 5,150,015,300</u></b>
Balance as of January 1, 2019	P 3,942,307,693	P 324,148,328	P -	P 4,266,456,021
Adoption of PFRS 16	-	-	610,257,526	610,257,526
Cash flows from financing activities:				
Additional borrowings	2,000,000,000	5,731,148	-	2,005,731,148
Repayments of borrowings	( 1,461,538,462 )	( 102,387,990 )	( 115,965,842 )	( 1,679,892,294 )
Interest paid	-	-	( 35,937,092 )	( 35,937,092 )
Non-cash financing activities –				
Interest expense	-	8,088,332	-	8,088,332
Interest amortization on lease liabilities	-	-	35,937,092	35,937,092
Balance as of December 31, 2019	<b><u>P 4,480,769,231</u></b>	<b><u>P 235,579,818</u></b>	<b><u>P 494,291,684</u></b>	<b><u>P 5,210,640,733</u></b>

## 30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 is as follows:

(a) *Output VAT*

	<u>Tax base</u>	<u>Output VAT</u>
Real estate sales:		
Taxable sales	P 1,272,219,303	P 152,666,316
Exempt sales	34,908,908	-
Rental income and management and marketing income	<u>437,075,181</u>	<u>52,449,022</u>
	<b><u>P 1,744,203,392</u></b>	<b><u>P 205,115,338</u></b>

The Company's exempt sales/receipts were determined pursuant to Section 109, *VAT Exempt Transactions*, of the 1997 National Internal Revenue Code, as amended.

The tax base is included as part of Real Estate Sales, Rental Income, Management and Marketing Income and Others in the statement of comprehensive income for the year ended December 31, 2021 and are based on the Company's gross receipts for the year; hence, may not be the same with the amounts accrued in the 2021 statement of comprehensive income.

The outstanding output VAT payable amounting to P7,966,103 as of December 31, 2021 is presented as part of Others under Trade and Other Payables account in the 2021 statement of financial position.

(b) *Input VAT*

The movement in input VAT for year ended December 31, 2021 is summarized below.

Balance at beginning of year	P -
Services lodged under other accounts	102,696,571
Goods other than for resale or manufacture	34,637,808
Amortization of deferred input VAT from previous period	3,898,178
Capital goods subject to amortization	336,422
Capital goods not subject to amortization	440,418
Deferred input VAT on capital goods subject to amortization	( 1,107,831)
Applied against exempt sales	( 2,790,347)
Applied against output VAT	<u>( 138,111,219)</u>
Balance at end of year	<b><u>P -</u></b>

Unamortized input VAT amounted to P46.4 million as of December 31, 2021 and is presented under Prepayments and Other Current Assets account in the 2021 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any importations for the year ended December 31, 2021; hence, there was no payment of customs duties and tariff fees.



(d) *Excise Tax*

The Company did not have any transactions in 2021, which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

DST paid and accrued in 2021 is presented below.

Loan instruments	P 11,250,000
Others	<u>111,085</u>
	<b><u>P 11,361,085</u></b>

(f) *Taxes and Licenses*

The details of Taxes and licenses in 2021 are as follows:

DST	P 11,361,085
Real property taxes	6,904,753
Business and local taxes	5,476,071
Transfer Tax	12,164
Community tax certificate	10,500
Others	<u>3,547,587</u>
	<b><u>P 27,312,160</u></b>

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2021 are shown below.

Expanded	P 45,688,704
Compensation and employee benefits	<u>21,037,263</u>
	<b><u>P 66,725,967</u></b>

The Company has no income payment subject to final withholding tax in 2021.

(h) *Deficiency Tax Assessments and Tax Cases*

In 2021, the Company paid deficiency taxes on VAT totalling P3,042,425, inclusive of P996,634 interest, relating to the taxable year 2019. The Company does not have any other final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

Company Details	
Name of Organization	Global-Estate Resorts Inc. (GERI)
Location of Headquarters	9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City
Location of Operations	GERI only operates in one country, the Philippines, but we cater both the local and foreign market.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	<p>Among the Company’s subsidiaries are these joint venture corporations:</p> <ul style="list-style-type: none"> <li>● Twin Lakes Corporation (TLC), which was incorporated on March 2, 2011 to develop Twin Lakes in Laurel, Batangas</li> <li>● Oceanfront Properties, Inc. (OPI), which was incorporated on October 12, 2010 to develop parts of Boracay Newcoast</li> <li>● Southwoods Mall, Inc. (SMI), which was incorporated on July 18, 2013 to develop the Southwoods Mall and Office Towers in Southwoods City</li> </ul> <p>The Company’s developments are marketed by Megaworld Global-Estate, Inc. (MGEI), a subsidiary incorporated on March 14, 2011, and by the Company’s in-house marketing group.</p> <p>The Company’s hotel developments in Boracay and Twin Lakes are operated by the following subsidiaries:</p> <ul style="list-style-type: none"> <li>● Twin Lakes Hotel, Inc. (incorporated on September 28, 2018)</li> <li>● Savoy Hotel Boracay, Inc. (incorporated on January 24, 2017)</li> <li>● Belmont Hotel Boracay, Inc. (incorporated on March 18, 2019)</li> <li>● Fil-Estate Urban Development Corporation (incorporated on March 6, 2000)</li> </ul> <p>Prior to 2011, the Company’s subsidiaries Global-Estate Properties, Inc. (formerly known as Fil-Estate Properties, Inc. or “GEPI”) and Global-Estate Golf and Development, Inc. (formerly known as Fil-Estate Golf and Development, Inc. or “GEGDI”), incorporated on February 13, 1990 and March 6,</p>

	1990, respectively, had engaged in the development of residential subdivisions, condominium buildings, commercial lots, and golf clubs.
Business Model, including Primary Activities, Brands, Products, and Services	<p>GERI is primarily engaged in the development of integrated tourism and leisure estates and integrated lifestyle communities consisting of residential, retail, hotel and/or leisure components in natural resort settings.</p> <p>Its key developments are the following:</p> <ul style="list-style-type: none"> <li>● Boracay Newcoast in Malay, Aklan</li> <li>● Twin Lakes in Laurel, Batangas</li> <li>● Fairways &amp; Bluewater in Boracay</li> <li>● Sta. Barbara Heights in Iloilo</li> <li>● Southwoods City in Laguna and Cavite</li> <li>● Alabang West in Las Piñas, Metro Manila</li> <li>● Eastland Heights in Antipolo City, Rizal</li> <li>● The Hamptons Caliraya in Lumban-Cavinti, Laguna</li> <li>● Arden Botanical Estate in Trece and Tanza, Cavite</li> <li>● The Fifth in Pasig City, Metro Manila</li> </ul>
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Michael R. Roxas - Chief Audit Executive and Chief Risk Officer

### Materiality Process

<b>Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>1</sup></b>
<p>To identify the material topics, the organization formulated questions in line with GRI, SASB, and other standards, with regard to the materiality. These questions were then answered by different departments of the Company. After consolidating the responses, the team was able to come up with a ranking and interpretations based on the material topics identified.</p> <p>The topics on the survey form were ranked from one to four, with one being the lowest and four as the highest. These rankings determined whether the topic is material to the Company.</p> <p>The following is a list of the topics that have been deemed material to GERI:</p> <ol style="list-style-type: none"> <li>1. Customer Data Privacy</li> <li>2. Customer Satisfaction</li> <li>3. Customer Service</li> <li>4. Occupational Health and Safety</li> <li>5. Customer Health and Safety</li> <li>6. Compliance with Regulatory Requirements</li> </ol>

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

7. Diversity and Equal Opportunity
8. Training and Development
9. Profitability
10. Labor Practices, Management, and Relations
11. Climate Change Risks to your Business
12. Human Rights
13. Compensation and Benefits
14. Employee Engagement
15. Business Ethics and Integrity
16. Water Management
17. Energy Management
18. Waste Management
19. Market Presence
20. Air Quality
21. Wastewater Treatment
22. Corporate Social Responsibility
23. Addressing the Negative Impacts of Operations
24. Economic Performance
25. Tax
26. Fuel Consumption
27. Climate Action
28. Procurement Practices
29. Materials
30. GHG Emissions
31. Indirect Economic Impacts

### **Materiality Analysis**

It is apparent that the majority of the material topics were relevant to the company's customers since it is a customer-facing industry. Construction materials, GHG emissions, and indirect economic impacts, among others, were ranked the lowest based on the survey. Although they are at the bottom of the list, these topics are still considered relatively high based on the scores given to them.

It is also important to note that the results cover a more internal perspective of GERI's material topics, as stakeholders' insights were not incorporated into the assessment. This does not mean that the current results are invalid, but rather that insights from a wider variety of stakeholders for a materiality assessment provide more depth to the resulting data.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	4,986,114,413	PhP
Direct economic value distributed:		
a. Operating costs	2,007,143,318	PhP
b. Employee wages and benefits	471,738,400	PhP
c. Payments to suppliers, other operating costs	614,396,664	PhP
d. Dividends given to stockholders and interest payments to loan providers	35,166,701	PhP
e. Taxes given to government	177,036,359	PhP
f. Investments to community (e.g. donations, CSR)		

#### GERI's Management Approach on Economic Performance

To measure GERI's success, its financial and operational performance must be assessed each year. Economic performance not only gauges revenue but also shows whether the Company's value flows back to its stakeholders and whether they have remaining funds for future investments.

In 2021, GERI's economic performance was still affected by the COVID-19 pandemic. Nevertheless, throughout the year, the Company still strived to lead and develop the country's tourism landscape through its world-class lifestyle and leisure estates. It also contributes to economic activity and employment in the communities where its businesses are located. On top of that, the Company continuously studies regional tourists destinations and market trends and searches for sustainable growth opportunities.

Due to the increased market demand during the pandemic, the Company used digital platforms to maximize the selling of horizontal projects outside Metro Manila.

The Company's total revenue for the year 2021 amounted to PhP 4,986,114,413, while its direct economic value distributed stood at PhP 3,305,481,442.

## Procurement Practices

### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

### **GERI's Management Approach on Procurement Practices**

GERI contributes to local economic development by supporting local businesses. In fact, since the Group's Interior & Exterior Finishes Department was founded in September 2018, it has not made any direct purchases from foreign suppliers.

The Company has also established definitions for what is considered "local." When it comes to direct purchasing, local suppliers need to be located in the Philippines. Local contractors considered in the bidding process must operate solely in the Philippines. For operation procurement, local suppliers need to be based in the Philippines, even if one or more of their products originated elsewhere.

To ensure that it has chosen quality suppliers, contractors, and service providers, the Group has a competitive bidding process. When deciding on a supplier, distance from a project's location, accessibility, delivery costs, and fragility of the materials being purchased are some of the factors that the Company considers. All vendors must submit their answers to the Company's Vendor Accreditation Questionnaire and conform to its Vendor Code of Conduct.

The Quantity Surveying Department handles the budget for procurement. This department must approve the budget of each project before it is approved by the Vice President and then the President's Office.

In 2021, all of its procurement expenditures for significant locations of operations consisted of purchases from local suppliers.

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti corruption policies and procedures have been communicated to	100	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
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### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

### GERI's Management Approach on Anti-Corruption

Disclosing its anti-corruption practices is important so that companies can ensure that their employees are properly trained to avoid corruption and practice their work honestly.

The Company follows a standard procedure for disciplinary actions toward employees. When an instance of corruption has been reported, it is handled by the Human Resources & Corporate Administration Division's (HRCAD) Policy Management Team. The Legal Division also assists the Policy Management Team in finalizing its decision for an infraction.

The Company also has a Code of Business Conduct and Ethics with its own core anti-corruption policies and principles. While they are not limited to these, they include the following:

- a. Conflict of Interest
- b. Conduct of Business and Fair Dealings
- c. Receipt of Gifts from 3rd Parties
- d. Compliance with Laws and Regulations
- e. Use of Company Funds, Assets, and Information
- f. Vendor Code of Conduct
- g. Whistleblowing Policy

There were no instances of corruption in the Company during 2021. The Company's anti-corruption policies and procedures have been communicated to all its employees.

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Data Unavailable	
Energy consumption (gasoline)	1,404.85	GJ
Energy consumption (LPG)	Not Applicable	
Energy consumption (diesel)	4419.57	GJ
Energy consumption (electricity)	131,762,683.1	kWh

#### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	156	GJ
Energy reduction (LPG)	Not Applicable	
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	Data Unavailable	

### GERI's Management Approach on Energy Consumption

Since GERI is also part of Megaworld Corporation, it shares its eventual goal of obtaining its electricity solely from renewable energy sources in order to reduce its carbon emissions. This goal will help the Company eventually mitigate its environmental impact and promote clean energy. To achieve this goal, it will continually monitor its electricity consumption. In 2021, the Company reduced its consumption of gasoline by 156 GJ.

The company also employs other methods to save electricity. To lessen its non-renewable energy consumption, the Company has installed solar-powered street lights in several of its horizontal developments. Employees are also asked to turn off lights and other electrical appliances in the Company's offices during their lunch breaks and when these are no longer being used.

#### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	29,972.10	Cubic meters
Water consumption	1,203,143.57	Cubic meters



Water recycled and reused	0	Cubic meters
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### Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Data Unavailable	
Percent of wastewater recycled	Data Unavailable	

### GERI's Management Approach on Water and Effluents

The Company's water sources include but are not limited to the following concessionaires: Maynilad, Boracay Island Water Company, Boracay Tubi System Inc., Laguna Management Service Corp., Metro Naga Water District, and Plaridel Water District. It also sources water from deep wells.

Meanwhile, its water consumption mainly comes from its offices, project development, and construction projects. Water is used for domestic purposes, including flushing toilets, washing clothes, watering plants, etc. Some project sites also have swimming pools.

It is essential for the Company to assess its water-related impacts before it begins a project so that it can mitigate these. In order to do so, it conducts an Environmental Impact Assessment (EIA). The EIA entails conducting a field survey which includes the inspection of the quality of surface water resources near the project site that will be affected by its activities. The uses of the surrounding water resources are also identified. Additionally, the impact of the project's phases, which include its construction, operations, and closure, are studied in relation to how it will affect the quality of surface water resources. Public scoping is also conducted to discover what stakeholders consider to be key environmental issues that may be affected by the project. Lastly, the Company creates strategies and programs that will minimize the project's negative effects on water resources.

Once a project is operational, the Company monitors its water usage and water-related impacts. It submits a quarterly Self-monitoring Report (SMR) and semi-annual Compliance Monitoring Report (CMR) on each project's water consumption and effluents. This is submitted through the Company's Environmental Health and Safety (EHS) Group and Regulatory Compliance Department. Customers are also given copies of wastewater laboratory results for effluents that are submitted to the EHS, and they are provided with copies of the certificate of siphoning provided to project sites with septic tanks.

To ensure the safe discharging of wastewater effluent in water bodies, the Company follows the water quality guidelines and general effluent standards set by the Department of Environment and Natural

Resources (DENR) Administrative Order 2016-08.

Suppliers and water providers are also required to undergo potability tests to ensure that they provide safe water.

In compliance with the Clean Water Act and general effluent standards, each of the Company’s project developments has a septic tank and wastewater treatment plant.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
● renewable		
- Carpet-area rug	2,615.63	kgs
- Carpet tiles	36.98	kgs
- Tiles	57,554.75	kgs
- Outdoor furniture	362.29	kgs
- Polycarbonate divider	110.41	kgs
- Pendant lights	226	kgs
- Reupholstery and fabric	36.08	kgs
- Roller shades	179.18	kgs
● non-renewable		
- Diesel	116,377	L
- Gasoline	41,077.45	L
Percentage of recycled input materials used to manufacture the organization’s primary products and services	Data unavailable	

**GERI’s Management Approach on Materials**

To lessen its waste, the Company makes efficient purchases. This practice helps it make the most of scarce natural resources.

Its Procurement and Contracts and the Operations Management Groups manage the Company’s construction-related resources to ensure that they are used effectively.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4	BNITE, The Vineyard at Twinlakes, Sta. Barbara

		Heights, The Hamptons Caliraya
Habitats protected or restored	Not Applicable	
IUCN <sup>2</sup> Red List species and national conservation list species with habitats in areas affected by operations	Not Applicable	

### GERI's Management Approach on Biodiversity

Nature on GERI's integrated tourism estates is considered part of their amenities, and it is essential to gauge the impact of the Company's properties on biodiversity.

Each time the Company begins a new development, it creates an environmental impact study. The Regulatory Compliance Department then monitors and reviews this study. The project's physical and biological impacts are all identified in the EIA. The study also enumerates how to mitigate the issues identified in order to minimize the development's impact on local biodiversity. The Company discusses the EIA internally and submits it to the DENR after a careful review process.

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	1,082.4	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	69,820.12	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	Data Unavailable	Tonnes

#### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	Data Unavailable	kg
SO <sub>x</sub>	Data Unavailable	kg
Persistent organic pollutants (POPs)	Data Unavailable	kg
Volatile organic compounds (VOCs)	Data Unavailable	kg

<sup>2</sup> International Union for Conservation of Nature

Hazardous air pollutants (HAPs)	Data Unavailable	kg
Particulate matter (PM)	Data Unavailable	kg

**GERI's Management Approach on Emissions**

GERI shares Megaworld Corporation's goal of attaining carbon neutrality by 2035. Both GERI and its Parent Company take their duties to minimize their carbon footprint seriously.

The Company currently complies with Republic Act 8749 or the Clean Air Act. This law requires companies to report pollution sources with emissions to the DENR. One of the possible sources of emissions is generators, and these must have a valid permit to operate before they are installed.

The Company constantly studies how to incorporate green building designs into future projects. It is currently in talks with its electrical concessionaires about converting its electricity supply to clean and renewable energy.

**Solid and Hazardous Wastes**

**Solid Waste**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total solid waste generated	134,224.31	kg
Reusable	4,086.00	kg
Recyclable	41,591.29	kg
Composted	66,825.56	kg
Incinerated	0	kg
Residuals/Landfilled	21,060.45	kg

**Hazardous Waste**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total weight of hazardous waste generated	2,918.53	kg
Total weight of hazardous waste transported	Data Unavailable	kg

## GERI's Management Approach on Waste Management

The Company upholds its responsibility to monitor and manage its waste. Thus, the Company implements waste segregation, proper waste management and disposal, and regular waste collection and disposal. It also designates waste storage facilities.

In order to ensure full compliance with Republic Act 9003, also known as the Ecological Solid Management Act, it aims to establish an environmental compliance plan for all generated waste from establishment and construction operations.

Much of the Company's solid waste consists of papers, plastics, kitchen waste, and more. The Company currently employs various methods to segregate, monitor, and dispose of solid waste from its offices and project sites.

Solid waste from offices is collected every hour and placed in a temporary storage area on the floor. The Company segregates the waste from offices based on whether it is biodegradable, non-biodegradable, or recyclable. After office hours, the solid waste is transferred into the material recovery facility of the office. The local government unit's accredited solid waste hauler then collects the waste from offices three times each week.

As for the waste in the Company's project sites, waste bins marked with biodegradable, non-biodegradable, and recyclable labels are placed in strategic areas. An assigned utility weighs and records the solid waste generated at the project site each day, and this data is recorded in the Company's SMR. Recyclable waste such as plastics, cartons, bottles, and papers are stored in a material recovery facility before they are recycled. The local government will then collect the remaining waste and bring it to a sanitary landfill accredited by the DENR.

To ensure that local governments and third-party waste haulers manage the waste in line with contractual or legislative obligations, waste haulers must provide a certificate of accreditation. They must also identify the sanitary landfills where the waste will be disposed of.

Hazardous wastes are handled carefully. First, they are stored based on their hazardous waste classifications. A well-ventilated pallet is designated as a storage area for hazardous waste. When it is time for the waste to be transported, an accredited waste hauler brings it to a DENR accredited third-party treatment, storage, and disposal facility. The facility must provide a certificate of accreditation, permit to transport, and certificate of treatment and disposal.

In an effort to ensure that waste is segregated, the EHS Group monitors compliance with proper waste management. An EHS officer visits project sites to check if waste containers with "biodegradable," "non-biodegradable," and "recyclable" labels truly contain such waste. To further strengthen waste-related

data monitoring, monthly data gathering, reporting of hazardous waste, and quarterly site inspections are conducted through SMR and CMR preparation.

It is also essential for the Company to promote awareness of proper waste management practices. It raises awareness by conducting training on waste management, disseminating memorandums on waste management issued by the DENR and local government, and implementing a reduce, reuse, and recycle program.

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	Data Unavailable	#
No. of cases resolved through dispute resolution mechanism	0	#

### **GERI's Management Approach on Environmental Compliance**

Each company must conform to certain performance parameters to ensure that they are complying with environmental laws. Companies have the duty to monitor their own compliance.

The Company complies with environmental laws, regulations, and other applicable standards. Moreover, it constantly monitors its performance. GERI's Safety Officers and Pollution Control Officers check if it complies with environmental health and safety standards. The Company also has internal auditors who check if all projects meet environmental standards. Environmental compliance is also reported in the Company's SMR and CMR.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>3</sup>		
a. Number of female employees	375	#
b. Number of male employees	255	#
Attrition rate	Not Applicable	
Ratio of lowest paid employee against minimum wage	Not Applicable	

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	21%	21%
PhilHealth*	Y	Data unavailable	Data unavailable
Pag-ibig	Y	7%	6%
Parental leaves	Y	Not applicable	Not applicable
Vacation leaves	Y	94%	94%
Sick leaves	Y	66%	62%
Medical benefits (aside from PhilHealth)**	Y	Data unavailable	Data unavailable
Housing assistance (aside from Pag-ibig)	Y	0	0
Retirement fund (aside from SSS)	Y	0	0.39%
Further education support	N	Not applicable	Not applicable
Company stock options	N	Not applicable	Not applicable
Telecommuting	N	Not applicable	Not applicable
Flexible-working Hours	N	Not applicable	Not applicable
Others (Working from home)	Y	100%	100%

\*Claims involving this employee benefit are directly coordinated with Philhealth.

\*\*Claims involving HMOs are directly handled by the service provider.

<sup>3</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

## GERI's Management Approach on Employment

Employees are vital to the Company's success. GERI believes that helping employees achieve their individual goals will ultimately aid the Company in achieving its own goals.

To help employees achieve their individual goals and their team's objectives, the Company provides workplace support, facilities, and employee engagement activities. Each employee is regularly given performance feedback so that they can better contribute to organizational development. HRCAD also holds activities like the annual Christmas party, online masses, and more.

The Company's benefits also provide them with further incentives to continue their work. Aside from government-mandated benefits such as solo parent leave, employees are also given medical benefits aside from PhilHealth coverage, housing assistance that is not part of Pag-Ibig Fund's programs, and a retirement fund that is not part of SSS benefits.

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	308	hours
b. Male employees	174	hours
Average training hours provided to employees		
a. Female employees	2	hours/employee
b. Male employees	2	hours/employee

## GERI's Management Approach on Training and Development

To improve its employees' competitiveness and productivity, the Company continually provides training opportunities to its employees and identifies the competencies they need to improve.

New employees must undergo a Company orientation, which helps them better understand the Company's nature and purpose.

Additionally, the HRCAD's Center of Excellence helps employees develop a variety of skills. It handles the Company's training needs analysis and holds training programs for employees. Past training programs have covered a wide range of topics such as customer service, technical workshops, operations, and process training, quality assurance, and health and safety topics. Departments can also request for training regarding specific topics. These training programs help employees become experts in their fields and strengthen the implementation of the Company's projects. After each training activity, feedback forms are given to participants so that the Center of Excellence can gain insights into how it should improve its



programs. In 2021, employees received an average of two hours of training.

Employees also have regular performance reviews to strengthen their personal development within the Company. Each employee is asked to write their expectations and needs in relation to the individual and departmental development plan. This input is then assessed by the department heads.

### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	Not Applicable	%
Number of consultations conducted with employees concerning employee-related policies	Not Applicable	#

### GERI's Management Approach on Labor-Management Relations

Good labor-management relations are key to preventing labor disputes, and they motivate employees to further fulfill the Company's goals.

To achieve good labor-management relations, the Company adheres to employment and labor laws policies. If employees wish to voice their opinions or express any of their concerns, they can contact HR through their communication channels.

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	59.5%	%
% of male workers in the workforce	40.5%	%
Number of employees from indigenous communities and/or vulnerable sector	Data Unavailable	#

### GERI's Management Approach on Diversity and Equal Opportunity

The Company strives to provide equal opportunities to all of its employees and uphold non-discrimination in the workplace. Promoting equal opportunities allows companies to develop a more diverse workforce, contributing to social stability.

Employee hiring, promotion, and compensation are done impartially at GERI. These activities were not affected by a current or prospective employee’s race, color, religion, sex, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age.

The Company receives regular feedback from the management team regarding whether it promotes diversity and equal opportunities.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	10,020,384	Man-hours
No. of work-related injuries	Not Applicable	
No. of work-related fatalities	Not Applicable	
No. of work related ill-health	Not Applicable	
No. of safety drills	2	#

**GERI’s Management Approach on Occupational Health and Safety**

Employees are the life force of any organization, and GERI works to constantly protect its employees’ health, safety, and welfare. Companies must recognize that a safe workplace is a human right, and they must work to both prevent harm and enhance employee wellbeing.

To deepen employee knowledge of occupational safety and health, the EHS Head and Officer provide safety training sessions. Here are examples of topics covered: basic occupational safety and health training, first aid and basic life support, and mandatory eight hours of safety training.

The Company also provides employees with annual physical examinations and weekly consultations with the Company’s physician. Employees may also avail of assistance for vaccination, ask for supplies from the Company clinic’s first aid kit, and request medicines from the clinic.

In 2021, employees who contracted COVID-19 were provided with medicines, food, grocery items, thermometers, pulse oximeters, masks, and alcohol. The Company delivered oxygen tanks to employees who had to quarantine at home due to moderate COVID-19 cases. Lastly, the HRCAD also provided assistance for scheduling RT-PCR tests, online consultations, and hospital admission requirements.

GERI follows local and international standards on occupational health and safety. To monitor compliance and assess hazards and risks in all of the Company’s project sites, GERI’s EHS Group holds an annual Technical Audit. To ensure that the audit is conducted by experts in their field, all EHS Officers are

Department of Labor and Employment safety practitioners and DENR accredited pollution control officers.

In 2021, the Company achieved 10,020,384 safe man-hours, exceeding the EHS Group’s original target of 1 million safe man-hours. GERI did not record any fatalities and instances of Lost Time Injury involving its own employees in the year 2021. It also did not record any major fires in its project sites in the same year.

**Labor Laws and Human Rights**

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	Not Applicable	#

*The Company does not employ minors because it follows the labor standards.*

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Not Applicable	
Child labor	Not Applicable	
Human Rights	Not Applicable	

**GERI’s Management Approach on Labor Laws and Human Rights**

It is essential for the Company to protect the rights of all its employees since it cannot achieve its goals without their efforts. In line with its commitment to protecting the rights of employees, the Company strictly follows the country’s Labor Code along with other laws on employee rights. Any labor concerns that are raised are handled by GERI’s Policy Management Team.

GERI abhors child labor, and it does not tolerate this prohibited act within the Company. Child labor should be avoided by all companies as it prevents them from attaining proper education and negatively impacts their development. The Company does not employ any minors, and it follows local standards that prohibit the employment of children. Moreover, it has regular internal audits to prevent instances of child labor. HRCAD screens the age of employees before they are hired for any position.

On top of that, GERI does not compel employees to work against their will. Companies must recognize that forced labor is a violation of human rights. To address this, GERI complies with labor laws and standards on forced labor. In fact, the Company’s employees are assigned healthy and safe working hours, and the Company respects that employees have important matters to attend to outside of work.

The EHS Group is in charge of monitoring the Company’s compliance with all local and international standards related to safety and health.

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

The Company's supplier accreditation policy is covered by its Vendor Code of Conduct. Here is the link to the document:

[https://drive.google.com/file/d/1btIIQpwmXN\\_TfwOc7AdEehJ6G3My35Cx/view](https://drive.google.com/file/d/1btIIQpwmXN_TfwOc7AdEehJ6G3My35Cx/view)

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Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Yes	- Vendor/Supplier Contract Agreement, - Vendor Code of Conduct (VCC)
Forced labor	Not Applicable	
Child labor	Not Applicable	
Human rights	Not Applicable	
Bribery and corruption	Yes	- Vendor/Supplier Contract Agreement, - Vendor Code of Conduct (VCC)

### **GERI's Management Approach on Supplier Social Assessment**

Ensuring that suppliers meet the Company's accreditation standards is important to GERI. Each company must assess the potential social impacts of its suppliers and other parties involved in its supply chain.

The Company has also revised its accreditation policy. To prove their integrity and adherence to EHS procedures, suppliers must provide further documentation and testimonials. Supplier and vendor activities are also monitored by the OVP, IEF, and Procurement groups.

Supplier social assessment is considered successful if the Company can use procured materials to deliver quality products and services in a timely manner without exceeding its budget.

## Relationship with Community

### Significant Impacts on Local Communities

This topic was not identified material to the organization.

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>
Not Applicable					
Not Applicable					
Not Applicable					
Not Applicable					
Not Applicable					

<b>Certificates</b>	<b>Quantity</b>	<b>Units</b>
FPIC process is still undergoing	Not Applicable	
CP secured	Not Applicable	

Customer Management

Customer Satisfaction

<b>Disclosure</b>	<b>Score</b>	<b>Did a third party conduct the customer satisfaction study (Y/N)?</b>
Customer satisfaction	Not Applicable	Not Applicable

Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety	Not Applicable	
No. of complaints addressed	Not Applicable	

**GERI's Management Approach on Customer Health, Safety, and Satisfaction**

As part of the company policy, GERI is committed to promoting the health, safety, and welfare of its customers. Organizations and businesses need to follow customer health and safety regulations in order

to ensure their welfare and gain their trust. The EHS Group, along with GERI's due diligence, project management, and property operations processes, helps the Company with identifying potential environmental impacts and safety risks to its customers and the communities surrounding its project sites.

Aside from measuring customer safety, GERI also has mechanisms for monitoring customer satisfaction. Customers are one of its primary stakeholders, so it is important to resolve issues faced by a customer and to improve its current services. The Accounts Management Department handles a customer feedback mechanism that utilizes Google forms, emails, and manual survey forms.

GERI also has a digitalized client management portal that allows customers to address concerns regarding payment, documentation and contracts, property concerns, turnover and move-in, personnel feedback, and more. Customers may also opt to participate in a virtual turnover for properties.

Marketing and labelling

This topic was not identified material to the organization.

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	Not Applicable	
No. of complaints addressed	Not Applicable	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

**GERI's Management Approach on Customer Data Privacy**

Customer privacy is relevant to GERI because it serves different clients, and it understands that properly safeguarding and managing a client's data will build their trust and confidence in the Company, giving it a competitive advantage. Thus, employees are expected to protect each client's data privacy.

To ensure customer data security, GERI operates in accordance with the Philippines' Data Privacy Act. Access to a client's data is only limited to the Accounts Receivable Group. The Company also trains its employees to value each client's privacy. Additionally, any data breaches are reported.

No data breaches were reported in 2021.

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Paperless	<p><b>SDG 15 - Life on Land</b></p> <ul style="list-style-type: none"> <li>In an effort to lessen the Company's usage of papers in its operations, paperless transactions have been implemented by the Company's Planning and Design Department.</li> <li>This initiative has also become beneficial to the organization as it is easier for them to fast-track their transactions through the internet.</li> </ul>	<ul style="list-style-type: none"> <li>While this initiative may be beneficial to the organization, the manufacturing of computers and use of the internet adds to greenhouse gas (GHG) emissions.</li> <li>Computers and/or laptops also contain toxins that could end up in landfills after they are discarded. If these are not properly disposed or recycled, these toxins could affect the area surrounding the landfill.</li> </ul>	<ul style="list-style-type: none"> <li>If defective computers have parts that are still usable, these are recycled and reformatted. Meanwhile, broken computer parts are stored in a warehouse and earmarked for disposal.</li> <li>GERI follows the general labor standards on working hours. Employees only need to render overtime when their immediate supervisor deems it necessary. Hence, the number of hours of computer usage is limited.</li> </ul>

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of their subsidiaries may be disclosed.*



## Annex B: Topic Guide

In line with the Disclosure Topic and Management Approach discussion above, this Annex will provide a guide on what to disclose in the Topics provided in the Reporting Template. The guide is based on the GRI Standards, SASB Standards, and Recommendations of the Task Force on Climate-related Financial Disclosures.

### ECONOMIC

Economic disclosures relate to how the company directly increases the pool of economic resources that flows into the local and national economy. Included in the disclosures are the risks and opportunities due to climate change, procurement practices with respect to local suppliers, and anti-corruption.

#### Economic Performance

Measuring the direct economic value generated, measured as revenue and distributed (costs) shows that an organization does not just create economic value for itself but also ensures that this value flows back to its various stakeholders such as stockholders, suppliers, employees, government, and the community. This also discloses the remaining value that is retained in the company for liquidity and for future investments. Figures for this disclosure can be derived using the audited financial statement with the revenue as the economic value generated for the reporting period.

This disclosure answers the questions:

- How much direct economic value (revenue) did you generate?
- How much of this flowed back to society (costs disaggregated according to stakeholders)?
- How much of this was retained in the company for liquidity and to fund future investments?

See [GRI 201-1](#) for more guidance on the disclosure.

Disclosure of an organization's climate-related issues helps stakeholders make sound and reasonable assessments of the impact climate change may have on the organization. Companies should disclose the climate-related risks and opportunities they have identified and how they assess and manage those issues. See [GRI 201-2](#) and [the Recommendations of the Task Force on Climate-related Financial Disclosures](#) for more guidance on the disclosure.

#### Procurement Practices

Disclosure on the proportion of spending on local suppliers shows an organization's support for local groups, including those owned by women or members of vulnerable sectors. Supporting local suppliers can indirectly attract additional investments to the local economy. The disclosure describes the policies and practices used to select locally-based suppliers and to promote economic inclusion when selecting suppliers. See [GRI 204](#) for more guidance on disclosures.

#### Anti-corruption

Disclosures on training on anti-corruption policies and procedures show how the company ensures that it has the necessary capability to fight against corruption through proper training and awareness.

building for its directors, management, employees and business partners. Disclosures on incidents of corruption and how the company responded on the incidents show how serious an organization is on combatting corruption. See [GRI 205](#) and [SASB Standards General Issue Category: Business Ethics](#) for more guidance on the disclosures.

## ENVIRONMENT

Environmental disclosures relate to how the company manages the natural resources it needs for its business, as well as how it minimizes its negative impacts to the environment, including biodiversity. The company's ability to access materials needed for its operations is critical to company's long-term success.

### Resource Management

Disclosures on resource management such as energy consumption, water consumption, and materials use show how efficiently an organization uses scarce natural resources, which has implications on reduction of environmental impacts from extraction and processing of these resources. The efficiency of managing resources relates to profitability of the organization. See [GRI 301](#), [GRI 302](#), [GRI 303](#) and [SASB Standards General Issue Categories: Energy Management; Water and Wastewater Management; Material Sourcing and Efficiency](#) for more guidance on the disclosures.

### Ecosystems and Biodiversity

Disclosure on activities that show how an organization protects, conserves, or rehabilitates ecosystems and biodiversity therein such as in watersheds and coastal and marine areas gives an idea of how that organization appreciates the ecosystem and the services it gives that make business thrive. Ecosystems and Biodiversity is vital to human existence. Companies have the responsibility and clear business case for ensuring ecosystems and biodiversity around its sites are protected and restored. See [GRI 303](#), [GRI 304](#) and [SASB Standards General Issue Category: Ecological Impacts](#) for more guidance on the disclosures.

### Environmental Impact Management

Reporting on an organization's impact on air, soil, and water through emissions, wastes, and effluents provides basis for companies to manage these impacts. Responsible companies take an effort to minimize such impacts through cleaner production and pollution prevention measures. Companies should disclose on their performance on these topics including how well the organization mitigates, reduces, and/or prevents these impacts to the environment in compliance to Philippine Environmental Laws or on efforts beyond compliance. See [GRI 305](#), [GRI 306](#) and [SASB Standards General Issue Categories: GHG Emissions; Air Quality; Water & Wastewater Management; Waste & Hazardous Materials Management](#) for more guidance on the disclosures.

### Environmental Compliance

Disclosure on an organization's compliance with environmental laws and/or regulations shows an organization's ability to conform to certain performance parameters. The strength of an organization's compliance indicates its concern for environmental protection. See [GRI 307](#) and [SASB Standards General Issue Categories: Ecological Impacts; Air Quality; Water & Wastewater Management; Waste and Hazardous Materials Management](#) for more guidance on the disclosures

## SOCIAL

Disclosures on social topics relate to how the organization relates and manages its relationship with its stakeholders such as employees, communities, customers, and suppliers.

### Employee Management

Disclosing on employee management indicates how good an employer the organization is in engaging its employees. It also provides a sense on how the organization develops its employees and gives equal opportunity for all, such as indigenous people and those coming from vulnerable groups which include elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E). See [GRI 401](#), [GRI 402](#), [GRI 404](#), [GRI 405](#), [GRI 406](#), [GRI 407](#), [GRI 102-8](#), [GRI 102-41](#) and [SASB Standards General Issue Categories: Labor Practices; Employee, Engagement Diversity & Inclusion](#) for more guidance on the disclosures.

### Workplace Conditions, Labor Standards and Human Rights

Disclosures on workplace conditions and labor standards show how an organization gives importance to occupational health and safety and how it upholds labor standards and human rights in the workplace. See [GRI 403](#), [GRI 408](#), [GRI 409](#), [GRI 412](#) and [SASB Standards General Issue Category: Employee Health & Safety](#) for more guidance on the disclosures.

### Supply Chain Management

Disclosures on supply chain management is most relevant for companies with a significant portion of value creation carried out by suppliers. Organizations can report on how the reporting company ensures that supplier upholds with sustainability standards and practices including compliance to Philippine laws. The reporting company may also disclose how it influences its suppliers to be sustainable through supplier accreditation processes, among other approaches. See [GRI 308](#), [GRI 414](#) and [SASB Standards General Issue Category: Supply Chain Management](#) for more guidance on the disclosures.

### Relationship with Community

These disclosures show how an organization meaningfully engages the community around their sites and how it aims to create a net positive impact to its host or neighbors. These also includes how the company contributes in addressing issues of indigenous people and those coming from vulnerable groups [youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)] in its business operations. See [GRI 411](#), [GRI 412](#), [GRI 413](#) and [SASB Standards General Issue Category: Human Rights & Community Relations](#) for more guidance on the disclosures.

### Customer Management

Disclosing on customer management shows how well an organization upholds the rights of its customers to privacy, safety, and security from probable negative impacts of its products and services. See [GRI 416](#),

GRI 417, GRI 418 and SASB Standards General Issue Categories: Product Quality & Safety; Customer Welfare; Selling Practices & Product Licensing for more guidance on the disclosures.

## Data Security

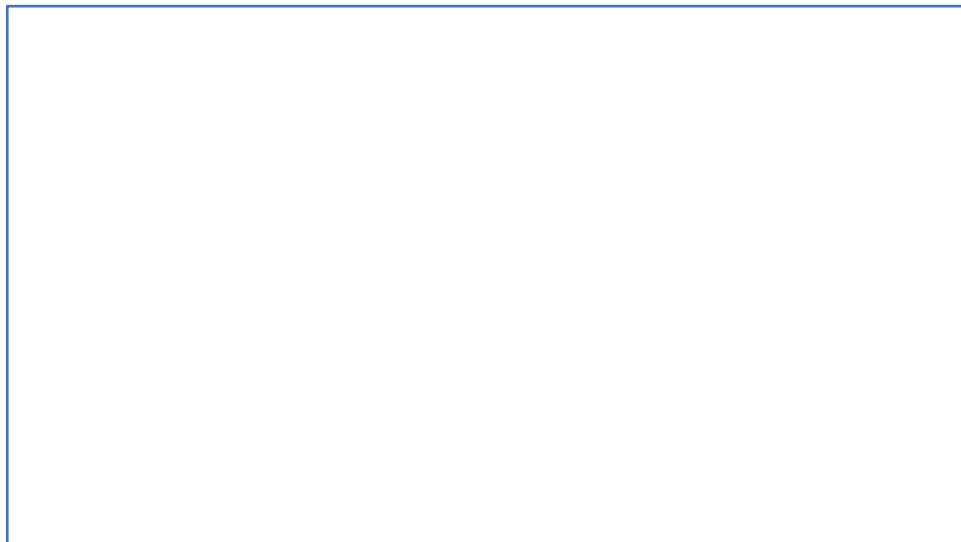
Reporting on the number of data breaches, including leaks, thefts and losses of data shows how much importance an organization places on keeping data secure. Organizations can indicate how they manage risks related to the collection, retention and use of sensitive information. See SASB Standards General Issue Category: Data Security for more guidance on the disclosure.

## UN SUSTAINABLE DEVELOPMENT GOALS

The SDG Compass can be used as guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs. The SDG Compass can be accessed at <https://sdgcompass.org/>

Moreover, a recent publication with the title: *Integrating the SDGs into Corporate Reporting: A Practical Guide*,<sup>20</sup> helps companies of all sizes to prioritize SDG targets to act and report on, set related business objectives, and measure and report on progress. This is a co-production between GRI and UN Global Compact (UNGC).

Companies may also use the following framework to determine which area of sustainable development its company is contributing to improving people's quality of life.



For more information on how the private sector can contribute to sustainable development, companies may visit [www.sdgsbiz.ph](http://www.sdgsbiz.ph).