

CERTIFICATION

I, **Atty. Charisma Michelle L. De Jesus**, of legal age, Filipino, with office address at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City, hereby under oath state that:

1. I am the Head of Corporate Legal Department of Global-Estate Resorts, Inc., a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC registration number AS094-004462 and with principal office at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City, Philippines (the "**Company**").

2. I have caused this Preliminary Information Statement with Annexes to be prepared on behalf of the Company.

3. I have read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records.

4. The Company will comply with the requirements set forth in SEC Notice dated 13 March 2023 to effect a complete and official submission of reports and/or documents through electronic mail.

5. I am fully aware that submitted documents which require preevaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee.

6. The email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th of May, 2023.

Atty. Charisma Michelle L. De Jesus

SUBSCRIBED AND SWORN to before me this 10th of May, 2023 at Quezon City. Affiant exhibiting to me her TIN No. 426-875-015.

Doc. No.: 127;
Page No.: 27;
Book No.: XIX;
Series of 2023.

Atty. Richard Leo M. Baldueza
Notary Public for Quezon City
Until December 31, 2023
Roll No. 53953
PTR No. 0531977 / 01/03/2023 / Plaridel Bulacan
MCLE Compliance No. VII - 0007663 / 11/04/2021
IBP Lifetime No. 7203 (01-17-08)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESUS B. VARELA**, Filipino, of legal age and a resident of No. 30 Sunrise Hill St., Rolling Hills Subdivision, Barangay Damayang Lagi, New Manila QC 1112, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of GLOBAL-ESTATE RESORTS, INC., a corporation duly organized and existing under Philippine laws, with office address at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City (hereafter, the "Corporation");
2. I have been an Independent Director of the Corporation since 30 June 2016;
3. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
International Chamber of Commerce Philippines	Director General	2016 to Present
Oil & Petroleum Holdings International Reserve	Board Member & Chair of Governance	2019 to Present
Unibersidad de Manila	Member of the Board of Regents	2016 to Present
Euro Exim Consulting HK Ltd.	Honorary Chair	2019 to Present
Suntrust Holdings Resort	Independent Director	2021 to Present
Megaworld Corporation	Lead Independent Director	2017 to Present
Travelers International Hotel Group	Lead Independent Director	2017 to Present
MREIT Fund Manager, Inc.	Independent Director	2021 to Present
Columnist Daily Tribune	Chairman and Director	2019 to Present
Foundation for Crime Prevention	President	2018 to Present

4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

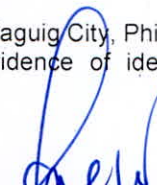
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 09 May 2023 at Taguig City, Philippines.


JESUS B. VARELA
 Affiant

SUBSCRIBED AND SWORN to before me this 09 May 2023 at Taguig City, Philippines, affiant personally appeared before me and exhibited to his competent evidence of identity Taxpayer Identification Number 147-974-175.

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 Book No. XI
 Series of 2023.


C. KRISMA MICHELLE L. DE JESU
 NOTARY PUBLIC
 City of Taguig
 Appointment No. 33 valid until December 31, 2023
 9/F Commerce & Industry Plaza, 1030
 Campus Ave., McKinley Hill, Taguig City
 Attorney's Roll No. 66267
 PTR No. 2368149/01-04-2023 Quezon City
 MCI F. C. Quezon City 4921
 Issued on 2023-05-09

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CRESENCIO P. AQUINO**, Filipino, of legal age and a resident of 503 Batangas St., East Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **GLOBAL-ESTATE RESORTS, INC.**, a corporation duly organized and existing under Philippine laws, with office address at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City (hereafter, the "**Corporation**") and have been its Independent Director for the years 2010 to 2012 and February 2018 to present.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Global-Estate Resorts, Inc.	Independent Director	2010 to 2012 2018 to Present
Megaworld Corporation	Independent Director	2018 to Present
Empire East Land Holdings, Inc.	Independent Director	2018 to Present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.


6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 9th day of May 2023, at Taguig City, Philippines.


CRESENCIO P. AQUINO
Affiant

SUBSCRIBED AND SWORN to before me this 09 May 2023 at Taguig City, Philippines, affiant personally appeared before me and exhibited to his Taxpayer Identification Number 113-313-284 as competent evidence of his identity.

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Book No. XI ;
Series of 2023.


CHARISMA MICHELLE L. DE JESUS
NOTARY PUBLIC
City of Taguig
Appointment No. 33 valid until December 31, 2023
9^F Commerce & Industry Plaza, 1030
Carpous Ave., McKinley Hill, Taguig City
Attorney's Roll No. 66267
ISF No. 171091-12-21-2021/Quezon City
PTR No. 2368149/01-04-2021/Quezon City
MCLE Compliance No. 0004921
Issued on 2023-05-11 and valid until 11/11/2025

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

CERTIFICATION

I, **MARIA CARLA T. UYKIM**, of legal age, Filipino, with office address at 10th Floor, Two World Square, 24 Upper McKinley Road, McKinley Hill, Taguig City after having been sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **GLOBAL-ESTATE RESORTS, INC.**, a corporation duly organized and existing under Philippine laws, with principal place of business located at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines (the "Corporation").

2. I hereby certify that none of the following directors/officers of the Corporation currently works in any government institution or entity:

ANDREW L. TAN	Chairman and Chief Executive Officer
MONICA T. SALOMON	Director and President
LOURDES T. GUTIERREZ-ALFONSO	Managing Director
KEVIN ANDREW L. TAN	Director
FERDINAND T. SANTOS	Director
WILBUR L. CHAN	Director for Clubs and Hotels
JESUS B. VARELA	Independent Director
CRESENCIO P. AQUINO	Independent Director
MARIA CARLA T. UYKIM	Corporate Secretary and Assistant Corporate Information Officer
NELILEEN S. BAXA	Assistant Corporate Secretary
LAILANI V. VILLANUEVA	Treasurer, Chief Finance Officer, Compliance Officer, and Corporate Information Officer
MICHAEL R. ROXAS	Chief Audit Executive and Chief Risk Officer
MARIE EMELYN GERTRUDES C. MARTINEZ	EVP/Head of Legal
FELIPE L. MANGUBAT	VP/Head, Head of Operations Management
KAREN B. MADERAZO	VP/Head, Human Resources and Corporate Administration

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May 2023 at Taguig City, Philippines.

MARIA CARLA T. UYKIM
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 10 May 2023 at Taguig City, Affiant exhibiting to me her Passport no. P0247898 B.

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CHARISMA MICHELLE L. DE JESUS
NOTARY PUBLIC
City of Taguig
Appointment No. 33 valid until December 31, 2023
9/F Commerce & Industry Plaza, 1030
Campus Ave., McKinley Hill, Taguig City
Attorney's Roll No. 66267
IBP No. 17109/112-21-2021/Quezon City
PTR No. 2368149/01-04-2022/Quezon City
MCLE Compliance No. 0004921
Issued on 27 August 2022 and valid until 14 April 2025

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
 2. Name of Registrant as specified in its charter: **GLOBAL-ESTATE RESORTS, INC.**
 3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
 4. SEC Identification Number: **AS094-004462**
 5. BIR Tax Identification Code: **000-426-523-000**
 6. **9/F Eastwood Global Plaza, Palm Tree Avenue**
Eastwood City, Bagumbayan, Quezon City **1110**
Address of principal office Postal Code
 7. Registrant's telephone number, including area code: **(632) 5318-4374**
 8. Date, time and place of the meeting of security holders
Date : **03 July 2023**
Time : **9:00 a.m.**
Place : **by live stream access via <https://geri.com.ph/asm2023/>**
 9. Approximate date on which the Information Statement is first to be sent or given to security holders: **13 June 2023**
 10. *[No Proxy Solicitations]*
 11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	10,986,000,000
 12. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
- The Registrant's common shares are listed on the Philippine Stock Exchange.**



NOTICE AND AGENDA OF THE ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2023 Annual Meeting of Stockholders (the "Annual Meeting") of **GLOBAL-ESTATE RESORTS, INC.** (the "Company") will be held on **03 July 2023 at 9:00 a.m.** to be conducted virtually, through the link <https://geri.com.ph/asm2023/> that can be accessed through the Company's website, with the following agenda:

- I. Call to Order
- II. Certification of Notice and Quorum
- III. Approval of the Minutes of the previous Annual Stockholders' Meeting
- IV. Annual Report of Management
- V. Appointment of External Auditor
- VI. Ratification of all acts and resolutions of the Board of Directors, Board Committees and Corporate Officers adopted during the preceding year
- VII. Election of Directors
- VIII. Other matters
- IX. Adjournment

Stockholders of record as of **02 June 2023** will be entitled to notice of, and to vote at, the Annual Meeting.

Pursuant to Article V, Section 2 of the Company's Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code and to conform with the government's regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in absentia, or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of **16 June 2023** until 5:00 PM of **26 June 2023**. The procedure for participation via remote communication and in absentia is contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 pm of **26 June 2023** to the Office of the Corporate Secretary at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City or by e-mail at corpsecretary@global-estate.ph. Validation of proxies shall be held on **28 June 2023**. A sample proxy form will be enclosed in the Information Statement for your convenience.

The Information Statement and other pertinent documents and information on the Annual Meeting are available through the Company's website. For any clarifications, please contact the Office of the Corporate Secretary via email at corpsecretary@global-estate.ph.

Taguig City, Metro Manila, Philippines, 08 May 2023.


MARIA CARLA T. UYKIM
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

I. Call to Order

The Annual Meeting will be formally opened at approximately 9:00 o'clock in the morning.

II. Certification of Notice of Quorum (and Rules of Conduct and Procedures)

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code, which allow voting *in absentia* by the stockholders, the stockholders may register by submitting the requirements via email at corpsecretary@global-estate.ph and vote in absentia on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the Annual Meeting for complete information on remote participation or voting in absentia, as well as on how to join the live stream for the Annual Meeting.

III. Approval of the Minutes of the previous Annual Stockholders' Meeting

Stockholders will be asked to approve the Minutes of the Stockholders' Meeting held on 22 July 2022, a copy of which is available at the Company's website, <https://geri.com.ph>.

IV. Annual Report of Management

The performance of the Company in 2022 will be reported.

V. Appointment of External Auditor

The appointment of the external auditor for the ensuing year will be endorsed to the stockholders for approval. The external auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

VI. Ratification of all acts and resolutions of the Board of Directors, Board Committees and Corporate Officers

The actions of the Board and its committees were those taken since the annual stockholders' meeting on 22 July 2022 until 03 July 2023. These include approvals for the development, financing, licensing and operation of projects, land acquisitions, appointment of authorized representatives, treasury operations, and matters subject of disclosures to the Securities and Exchange Commission and Philippine Stock Exchange.

VII. Election of Directors

Nominees for election of nine (9) members of the Board of Directors, including two (2) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

VIII. Other matters

Other concerns or matters raised by stockholders will be discussed.

IX. Adjournment

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

SAMPLE ONLY

PROXY

The undersigned stockholder(s) of **GLOBAL-ESTATE RESORTS, INC.** (the "Company") hereby appoint/s _____ or in his absence, the Chairman of the Annual Stockholders' Meeting, as proxy of the undersigned stockholder(s) at the Annual Stockholders' Meeting to be held on **03 July 2023 at 9:00** in the morning, and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned stockholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	SUBJECT	ACTION		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Annual Stockholders' Meeting held on 24 June 2021			
5	Appointment of Punongbayan & Araullo as External Auditor			
6	Ratification of all acts and resolutions of the Board of Directors, Board Committees and Corporate Officers adopted during the preceding year			
7	Election of Directors (including Independent Directors) for the ensuing year:			
	Andrew L. Tan			
	Lourdes T. Gutierrez-Alfonso			
	Monica T. Salomon			
	Kevin Andrew L. Tan			
	Wilbur L. Chan			
	Ferdinand T. Santos			
	Giancarlo C. Ng			
	Jesus B. Varela - Independent Director			
Cresencio P. Aquino - Independent Director				

PRINTED NAME OF
SHAREHOLDER

SIGNATURE OF SHAREHOLDER/
AUTHORIZED SIGNATORY

NUMBER OF SHARES
TO BE REPRESENTED

DATE

This proxy should be submitted no later than 5:00 pm of **26 June 2023** to the Office of the Corporate Secretary at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City or by email to corpsecretary@global-estate.ph.

This proxy when properly executed will be voted in the manner as directed herein by the stockholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized.

(Partnerships, Corporations and Associations must attach certified resolutions thereof designating proxy/representative and authorized signatories.)

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY.

PART I

A. GENERAL INFORMATION

ITEM 1. Date, time and place of meeting of security holders

Date : 03 July 2023
Time : 9:00 a.m.
Place : To be conducted virtually by live stream access via <https://geri.com.ph/asm2023/>

- (b) The approximate date on which the Information Statement is first to be sent or given to security holders is on or before **13 June 2023**.

The Company is not soliciting any proxy -

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY.

ITEM 2. Dissenters' Right of Appraisal

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Revised Corporation Code of the Philippines.

A stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances stated in the Revised Corporation Code, to wit:

- (1) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (*Section 80*);
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (*Section 80*);
- (3) In case of merger or consolidation of the Company with or into another entity (*Section 80*); and,
- (4) In case of any investment of corporate funds for any purpose other than the primary purpose of the Corporation (*Section 80*).

The procedures and conditions for the exercise by a dissenting stockholder of his appraisal right shall be in accordance with Section 81 of the Revised Corporation Code, to wit:

- (1) A stockholder voted against a proposed action of the Company;
- (2) The dissenting stockholder shall make a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. The failure of the stockholder to make the demand within the thirty (30)-day period shall be deemed a waiver of his appraisal right;

- (3) If the proposed corporate action is implemented, the Company shall pay to such shareholder, upon surrender of the corresponding certificates of stock representing his shares within ten (10) days after demanding payment for his shares (*See Section 86*), the fair market value thereof as of the day prior to the date on which the vote was taken;
- (4) If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of shareholders' approval of the corporate action, then the fair value of the shares shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the dissenting shareholder, one (1) by the Company and a third to be named by the two already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award.
- (5) No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.
- (6) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the Company.

ITEM 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No director, officer, or nominee for election as director, or the associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter which will be acted upon during the Annual Meeting, other than election to office.
- (b) No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

- (a) *Number of Shares Outstanding*

The Company has 10,986,000,000 common shares outstanding as of 30 April 2023. Each of the common shares is entitled to one (1) vote with respect to all matters to be taken up during the Annual Meeting.

- (b) *Record Date*

The Board of Directors of the Company set **02 June 2023** as the record date for determining the stockholders entitled to notice and to vote at the Annual Meeting. As such, only stockholders as of such record date are entitled to notice and to vote at the Annual Meeting.

- (c) *Manner of Voting*

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the Annual Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or in absentia until 5:00 pm of **26 June 2023**.

A stockholder voting remotely or in absentia shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the Annual Meeting for complete information on voting via remote participation or voting in absentia, as well as on how to join the live stream for the Annual Meeting.

(d) *Cumulative Voting Rights*

Each holder of common stock shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(e) *Security Ownership of Certain Record and Beneficial Owners and Management*

(i) *Security ownership of certain record and beneficial owners*

Security ownership of certain record and beneficial owners owning more than five percent (5%) of any class of the Company's voting securities as of 30 April 2023 -

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent (Based on total shares)
Common Shares	Megaworld Corporation 30 th Floor, Alliance Global Tower, 36 th Street cor. 11 th Avenue, Uptown Bonifacio, Taguig City 1634	Megaworld Corporation ¹	Filipino	9,042,732,139 ²	82.31%
Common shares	PCD Nominee Corporation (Filipino) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders ³	Filipino	1,674,204,170	15.24%

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

¹ Megaworld Corporation is both the record and beneficial owner. However, Mr. Andrew L. Tan is usually designated as its representative, with authority to vote its shares at meetings of the stockholders.

² Data refers to direct and indirect shares. Direct shares consist of 8,859,398,139 while indirect shares consist of 183,334,000.

³ Under PCD Nominee Corporation, there are no person/s who are beneficial owner/s of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to shares comprising more than five percent (5%) of the outstanding capital stock of the Corporation.

(ii) *Security ownership of Management*

Security ownership of directors and executive officers of the Company as of 30 April 2023

SECURITY OWNERSHIP OF MANAGEMENT

Title of Class	Name of Beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	Percent of Class
Common	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	2,611,826 (direct)	Filipino	0.00%
Common	Giancarlo S. Ng	1 (direct)	Filipino	0.00%
Common	Cresencio P. Aquino	1 (direct)	Filipino	0.00%
Common	Jesus B. Varela	1 (direct)	Filipino	0.00%
Other Executive Officers				
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

There is no indirect beneficial ownership of the named directors and officers.

(iii) *Voting Trust Holders of 5% or more -*

The Company has no knowledge of persons holding more than five percent (5%) of its voting securities under a voting or similar agreement.

(f) *Changes in Control*

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

ITEM 5. Directors and Executive Officers

(a) *Incumbent Directors, Independent Directors, and Executive Officers*

The following are the names, ages, citizenship and periods of service of the incumbent directors and independent directors of the Company:

Name	Age	Citizenship	Period during which individual has served as such
Andrew L. Tan	73	Filipino	January 2011 up to present
Lourdes T. Gutierrez-Alfonso	59	Filipino	June 2011 up to present

Monica T. Salomon	54	Filipino	1 March 2015 to present
Kevin Andrew L. Tan	43	Filipino	24 June 2014 up to present
Wilbur L. Chan	63	Filipino	January 2011 up to present
Ferdinand T. Santos	72	Filipino	1994 up to present
Giancarlo C. Ng	45	Filipino	28 August 2020 to present
Jesus B. Varela (Independent Director)	66	Filipino	June 2016 up to present
Cresencio P. Aquino (Independent Director)	69	Filipino	2010 to 2012; February 2018 up to present

The following are the names, ages, positions, citizenship and periods of service of the incumbent executive officers of the Company:

Name	Age	Citizenship	Position	Period during which individual has served as such
Andrew L. Tan	73	Filipino	Chairman & CEO	January 2011 up to present
Monica T. Salomon	54	Filipino	President	1 March 2015 to present
Lourdes T. Gutierrez - Alfonso	59	Filipino	Managing Director	1 March 2015 to present
Lailani V. Villanueva	43	Filipino	Chief Financial Officer/ Compliance Officer/Treasurer / Corporate Information Officer	CFO/Compliance Officer - July 2013 up to present/ Treasurer - March 2019 Corporate Info. Officer - June 2019
Maria Carla T. Uykim	46	Filipino	Corporate Secretary and Assistant Corporate Information Officer	April 2019 to present
Nelileen S. Baxa	44	Filipino	Assistant Corporate Secretary	8 October 2020 up to present
Michael R. Roxas	44	Filipino	Chief Audit Executive and Chief Risk Officer	27 June 2019 up to present
Marie Emelyn Gertrudes C. Martinez	58	Filipino	EVP for Legal Division	February 2012 up to present
Felipe L. Mangubat Jr.	57	Filipino	VP - Head of Operations Management	January 2020 to present
Karen B. Maderazo	44	Filipino	VP for HR and Corporate Administration	October 2013 up to present

Brief Background of the Directors and Officers

The business experiences of the Directors and Executive Officers of the Company for the last five (5) years are as follows:

Board of Directors -

ANDREW L. TAN, Filipino, 73 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), while continuing to focus on consumer-friendly food and beverage and quick service restaurants. 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 Newport World Resorts, and Golden Arches Development Corporation, a strategic partnership between AGI and George Yang Group, the master franchise holder of McDonald's in the Philippines. Dr. Tan holds a degree in Business Administration from the University of the East.

LOURDES T. GUTIERREZ-ALFONSO, 59 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. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu Properties, Inc., Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings, Inc., Prestige Hotels & Resorts, Inc., and MREIT, Inc. She is currently the Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc and, Savoy Hotel Manila, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

MONICA T. SALOMON, 54 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, 63 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, 72 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 obtained his Bachelor of Arts degree from Arellano University in 1970 and took his Bachelor of Laws at San Beda College.

KEVIN ANDREW L. TAN, 43 years old, was elected as Director on 26 June 2014. He is the Chief Executive Officer and Vice Chairman of Alliance Global Group, Executive Vice President and Chief Strategy Officer of Megaworld Corporation, and President and Chief Executive Officer of MREIT, Inc. He is also concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc., Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Trustee of Megaworld Foundation, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

GIANCARLO C. NG, 45 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 masters degree in Information Technology, from the University of Asia and the Pacific.

JESUS B. VARELA, Filipino, 66 years old, was elected as Lead Independent Director on 30 June 2016. He is also an Independent Director of Megaworld Corporation, Travellers International Hotel Group, Inc., and MREIT, Inc. He is also the Director General of International Chamber of Commerce Philippines and Board Regent of Unibersidad de Manila. He is the President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council. He is also a Director and Chair of Governance & Investment Committee of Oil & Petroleum Holdings International Reserve, HK Ltd. (OPHIR, HK Ltd) and Honorary Chairman of Euro Exim Consultancy Limited. 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, 69 years old, is currently the Managing Partner of The Law Firm of CP Aquino & Partners. of publicly-listed, Megaworld Corporation and Empire East Land Holdings, Inc. He is a graduate of the 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 Director of Clark Development Corporation from 2012 to 2016., 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, Director 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, and Executive Director of the Department of Interior and Local Government from 1988 to 1992, and concurrently Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. 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, 43 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 Conception.

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, 44 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, 57 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, 44 years old, is currently the Chief Audit Executive and Chief Risk 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, 46 years old, Filipino, is the Corporate Secretary and Assistant Corporate Information Officer. She is also the Corporate Secretary of San Vicente Coast, Inc., Northwin Properties, Inc., Maple Grove Land, Inc., and MREIT, Inc., and a Director and Corporate Secretary of Luxury Global Malls, Inc. She is currently the First Vice President and the Head of 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, 44 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 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.

Employment in Government

No director or officer of the Company is employed or working for the government or any of its agencies and instrumentalities.

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. There are no other family relationships apart from the ones that were disclosed.

Involvement in Certain Legal Proceedings

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.

There are no material pending legal proceedings with respect to election of directors.

Certain Relationships and Related Transactions

The Company, 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 December 31, 2020 and 2019 and for each of the last three (3) years ended December 31, 2020, 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.

(b) *Disagreement with the Company*

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Meeting because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

(c) *Procedure for Nomination and Election of Independent Directors*

The nomination and election of independent directors shall be conducted in accordance with SRC Rule 38, which provides the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations

- shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
 6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
 7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company is required to have at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular No. 19, Series of 2016, the independent directors shall serve for a maximum cumulative term of nine (9) years, reckoned from 2012. After which, the independent director should be perpetually barred from reelection as such in the Corporation but may continue to qualify for nomination and election as a non-independent director. If the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where he can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate.

(d) *Nominees*

Directors are elected annually by the stockholders during the annual stockholders' meeting to serve until the election and qualification of their successors.

The Corporate Governance Committee, composed of Mr. Jesus B. Varela as Chairman, and Mr. Cresencio P. Aquino and Mr. Giancarlo C. Ng as Members, accept nominees to the Board of Directors including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees.

The following is the complete and final list of nominees for members of the Board of Directors:

- | | | | |
|----|------------------------------|---|----------------------|
| 1. | Andrew L. Tan | | |
| 2. | Lourdes T. Gutierrez-Alfonso | | |
| 3. | Monica T. Salomon | | |
| 4. | Kevin Andrew L. Tan | | |
| 5. | Ferdinand T. Santos | | |
| 6. | Wilbur L. Chan | | |
| 7. | Giancarlo C. Ng | | |
| 8. | Cresencio P. Aquino | - | Independent Director |
| 9. | Jesus B. Varela | - | Independent Director |

The background and experience of all the nominees for directors are presented above.

Independent Directors

Messrs. Aquino and Varela, as candidates for independent directors of the Company for the forthcoming year, were recommended for nomination by Megaworld Corporation.

Mr. Jesus B. Varela was first elected as an independent director in June 2016. Mr. Cresencio P. Aquino, on the other hand, was first elected as an independent director in 2010 to 2012. Mr. Aquino was re-elected as Independent Director on 15 February 2018.

Both Messrs. Varela and Aquino have not exceeded the term limits for independent director as prescribed under SEC Memorandum Circular No. 9 Series of 2011 as revised by SEC Memorandum Circular No. 4 Series of 2017.

In compliance with SEC Memorandum Circular No. 5, Series of 2017, the Certifications on Qualification of Independent Directors executed by the nominees for independent directors are being submitted together with the Company's Information Statement.

The Corporate Governance Committee determined that the Messrs. Andrew L. Tan, Lourdes T. Gutierrez-Alfonso, Monica T. Salomon, Kevin Andrew L. Tan, Ferdinand T. Santos, Wilbur L. Chan, Giancarlo C. Ng, Cresencio P. Aquino and Jesus B. Varela have all the qualifications and none of the disqualifications of a director.

ITEM 6. Compensation of Directors and Executive Officers

Executive Officers

NAME	POSITION	YEAR	SALARY	Other Annual Compensation and Variable Pay
A. Five Most Highly Compensated Officers		2023 (Estimated)	23.6 Million	4.3 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			25.9 Million	4.5 Million

NAME	POSITION	YEAR	SALARY	Other Annual Compensation and Variable Pay
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C. Five Most Highly Compensated Officers	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	2022	22.5 Million	4.1 Million
D. All other officers and directors as a group unnamed				24.7 Million	4.2 Million

NAME	POSITION	YEAR	SALARY	Other Annual Compensation and Variable Pay
E. Five Most Highly Compensated Officers	Monica T. Salomon Wilbur L. Chan Emelyn C. Martinez Felipe L. Mangubat Jr. Lailani V. Villanueva	2021	21.6 Million	3.4 Million
F. All other officers and directors as a group unnamed			16.3 Million	2.1 Million

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to Php26.6 million in 2022, Php25.0 million in 2021 and Php25.7 million in 2020. The projected total annual compensation for the current year is Php27.9 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.

Directors

Article III, Section 8 of the Company's By-laws provides -

"Section 8. Compensation - By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than five (5%) percent of the net income

before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper.”

Other than payment of per diem per attendance at board meetings, there are neither standard nor other arrangements pursuant to which directors of the Company are compensated or are to be compensated, for any service provided as director for the last completed year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

The Company has no existing employment contract with any executive officer or any existing compensatory plan or arrangement, including payments to be received from the Company or from a change-in-control of the Company or a change in the named executive officer’s responsibilities following a change-in-control and the amount involved, if any, including all periodic payments or installments, which exceeds P2,500,000.

Warrants and Options Outstanding held by Directors or Officers

On 8 November 2011, the Company approved an Executive Stock Option Plan (ESOP) to enable its key Company directors and executives 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.

Pursuant to this 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 2023, a total of fifty million (50,000,000) common shares of unexercised options remain valid under the ESOP.

ITEM 7. Independent Public Accountants

(a) Appointment of External Auditor

Punongbayan & Araullo is being recommended to the stockholders at the scheduled Annual Meeting on 03 July 2023 for approval as external auditor of the Company for the calendar year ending 31 December 2023.

Punongbayan & Araullo was the same entity recommended to and approved by the stockholders at the Annual Meeting in 2022 as external auditor of the Company for the calendar year ending 31 December 2022. Punongbayan & Araullo was likewise appointed external auditor of the Company for the fiscal years ending 31 December 2021 and 2020.

The appointment of Punongbayan & Araullo is compliant with the provisions SEC Rules on Strengthening the Commission’s Requirements Regarding Auditor Independence (Release No. 33-8183, January 28, 2003), which require that the external auditor be rotated or the handling partner changed every seven (7) years or earlier.

(b) Availability of Auditor

Representatives of Punongbayan & Araullo are expected to be present during the Annual Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

(c) Members of the Audit Committee

The selection of the external auditor is upon the recommendation of the Audit Committee, which is chaired by Mr. Cresencio P. Aquino with Mr. Jesus B. Varela and Mr. Kevin Andrew L. Tan as members, and is made on the basis of credibility, professional reputation, accreditation with Securities and Exchange Commission, and affiliation with a reputable foreign partner.

(d) Changes in and 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 and its subsidiaries.

(e) 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 2022, 2021, and 2020, the fee was approximately Php1.73 million, Php1.68 million, and Php1.57 million, respectively.

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

ITEM 8. Compensation Plans

No action is to be taken up during the Annual Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities other than for Exchange

No action is to be taken up during the Annual Meeting with respect to the authorization or issuance of any securities other than for exchange for outstanding securities of the Company.

ITEM 10. Modification or Exchange of Securities

No action is to be taken up during the Annual Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

Financial Statements of the Company for the immediately preceding year as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding period are included in the Company's Management Report and are incorporated herein by reference.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken up during the Annual Meeting with respect to any transaction involving (a) merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of

its security holders of securities of another person; (c) the acquisition by the Company of any other going business or of the assets thereof; (d) the sale or other transfer of all or any substantial part of the assets of the Company; or (e) the liquidation or dissolution of the Company.

ITEM 13. Acquisition or Disposition of Property

No action is to be taken up during the Annual Meeting with respect to the acquisition or disposition of any property.

ITEM 14. Restatement of Accounts

No action is to be taken up during the Annual Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 24 June 2021⁴ will be submitted to the stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to, among others, the following matters:

1. Approval of the Minutes of the Previous Annual Meeting
2. Appointment of External Auditor
3. Ratification of all acts and resolutions of the Board of Directors, Board Committees and Corporate Officers adopted during the preceding year
4. Election of Directors

The stockholders approved all matters submitted for the approval of the stockholders by ballot.

All stockholders were given the opportunity to ask questions by sending their questions and/or comments prior to the Annual Meeting through email at corpsecretary@global-estate.ph. The Minutes of the 2021 Annual Meeting, which is posted in the Company's website, contains a detailed discussion of the matters discussed, a record of the voting results for each agenda item, the list of directors and officers who attended the meeting, the Management's Report on the Company's performance during the previous year.

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the Minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

*Ratification of Acts and Resolutions of the Board of Directors,
Board Committees, and Management*

The stockholders will be asked to ratify all resolutions of the Board of Directors and the Board Committees and acts of Management adopted during the last Annual Meeting held on 22 July 2022 until 03 July 2023. These include approvals for the development, financing, licensing and operation of projects, land acquisitions, appointment of authorized representatives, treasury operations, and matters subject of disclosures to the Securities and Exchange Commission and Philippine Stock Exchange.

⁴ The Minutes of the 2022 Annual Stockholders' Meeting is made available for download through the Company's website at <https://geri.com.ph/>.

ITEM 16. Matters not Required to be Submitted

No action is to be taken up during the Annual Meeting with respect to any matter, which is not required to be submitted to a vote of security holders. Only matters that require shareholders' approval will be taken up during the shareholders' meeting.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

No action is to be taken up during the Annual Meeting with respect to any amendment of the Company's Articles of Incorporation, By-laws, or other documents as to which information is not required in the preceding items.

ITEM 18. Other Proposed Actions

No action is to be taken with respect to any matter not specifically referred above.

ITEM 19. Voting Procedures

(a) Vote required

In the election of directors, the nine (9) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all other matters proposed to be acted upon, the vote of majority of the outstanding capital stock will be required for approval, unless a higher vote is required by applicable laws or regulations.

(b) Method of Counting of Votes

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Voting shall be done by ballot, which will be sent to all stockholders after successful registration. Stockholders may send their duly accomplished ballots via email to corpsecretary@global-estate.ph on or before 26 June 2023. Please to Annex "A" (Guidelines in Participating via Remote Communication and Voting in Absentia) for the detailed guidelines for the procedures for registration, participation, and voting during the Annual Meeting. Election inspectors duly appointed for the meeting shall be responsible for counting the number of votes, subject to validation by representatives of the Company's external auditors.

PART II

The Company is not soliciting any proxy -

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on May 10, 2023.

GLOBAL-ESTATE RESORTS, INC.

By:



LAILANI V. VILLANUEVA

Chief Finance Officer, Treasurer, Compliance Officer, and Corporate Information Officer

ANNEX "A"

GLOBAL-ESTATE RESORTS, INC.

REQUIREMENTS AND PROCEDURE FOR VOTING AND PARTICIPATION IN THE 2023 ANNUAL STOCKHOLDERS' MEETING

Pursuant to Article V, Section 2 of the Company's Amended By-Laws, Sections 23 and 57 of the Revised Corporation Code, and SEC Memorandum Circular No. 06, Series of 2020, allowing voting through remote communication or in absentia, **Global-Estate Resorts, Inc.** (the "Company") will dispense with the physical attendance of its stockholders for the 2023 Annual Stockholders' Meeting ("ASM"). Instead, the Company will conduct the 2023 ASM scheduled on 03 July 2023 at 9:00 AM by remote communication and will conduct electronic voting in absentia.

Only stockholders of record as of **02 June 2023** are entitled to participate and vote in the 2023 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2023 ASM.

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register from 9:00 AM of **16 June 2023** until 5:00 PM of **26 June 2023** to signify his/her/its intention to participate in the 2023 ASM by remote communication. The registration steps and requirements are available the Company's website: <https://geri.com.ph/asm2023/>

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at corpsecretary@global-estate.ph:

1. *For Individual Stockholders -*

- a. Scanned copy of stock certificate issued in the name of the individual stockholder;
- b. Valid email address and active contact number;
- c. Scanned copy of valid government-issued identification card;
- d. Recent photo of stockholder.

2. *For Stockholders with Joint Accounts -*

- a. Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- b. Scanned copy of stock certificate issued in the name of the joint stockholders;
- c. Valid email address and active contact number of the authorized stockholder;
- d. Scanned copy of valid government-issued identification card of the authorized stockholder; and
- e. Recent photo of the authorized stockholder.

3. *For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-*

- a. Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- b. Broker's Certification on the stockholder's number of shareholdings;
- c. Valid email address and active contact number of the stockholder;

- d. Scanned copy of valid government-issued identification card of stockholder; and
- e. Recent photo of stockholder.

4. *For Corporate Stockholders -*

- a. Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
- b. Scanned copy of stock certificate issued in the name of the corporate stockholder;
- c. Valid email address and active contact number of authorized representative;
- d. Valid government-issued identification card of authorized representative; and
- e. Recent photo of authorized representative.

C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the ASM live streaming link.

II. ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2023 ASM through electronic voting in absentia. The deadline for registration is 5:00 PM of 26 June 2023. Beyond this date, stockholders may no longer avail of the option to electronically vote in absentia.

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

1. For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
2. For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
3. Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to corpsecretary@global-estate.ph.
4. After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.

D. Registered stockholders shall have until 5:00 PM of **15 July 2023** to cast their votes. Stockholders will not be allowed to cast votes during the live stream of the 2023 ASM.

III. VOTING BY PROXY

- A. For individual stockholders holding certificated shares of the Company - Download the proxy form that is available at <https://geri.com.ph/asm2023/>
- B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker - Download the proxy form that is available at <https://geri.com.ph/asm2023/>. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.
- C. For corporate stockholders - Download the proxy form that is available at <https://geri.com.ph/asm2023/>. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at <https://geri.com.ph/asm2023/>.
- D. General Instructions on Voting by Proxy:
 - 1. Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
 - 2. Send the scanned copy of the duly executed proxy form via email to corpsecretary@global-estate.ph or submit the original proxy form to the Office of the Corporate Secretary at 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City.
 - 3. Deadline for the submission of proxies is at **5:00 PM of 26 June 2023**.
 - 4. Validation of proxies will be on **28 June 2023**.
 - 5. If a stockholder avails of the option to cast his/her vote electronically and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

IV. PARTICIPATION BY REMOTE COMMUNICATION

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholders may send their questions and/or comments prior to the 2023 ASM through email at corpsecretary@global-estate.ph.
- C. The deadline for submitting questions shall be at **5:00 PM of 01 July 2023**.
- D. The proceedings during the 2023 ASM will be recorded.

The Company reserves the right to consider as non-compliant such submissions made on the last day subject to subsequent requirements also following a particular deadline.

For any questions and concerns, stockholders may visit GERI's website at www.geri.com.ph or contact the Office of the Corporate Secretary via e-mail at corpsecretary@global-estate.ph.

**MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF
GLOBAL-ESTATE RESORTS, INC.**

22 July 2022

Conducted virtually via <https://geri.com.ph/asm2022/>

I. CALL TO ORDER

The President, Atty. Monica T. Salomon, who was designated as the Presiding Officer of the meeting, welcomed the stockholders to the annual meeting of stockholders. Thereafter, the Presiding Officer called the meeting to order at 9:00 a.m. The Corporate Secretary, Atty. Maria Carla T. Uykim, recorded the proceedings of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that all stockholders of record as of 22 June 2022 have been duly notified of the Meeting pursuant to the Corporation's By-Laws, as amended, and applicable Securities and Exchange Commission ("SEC") Circulars. She said that copies of the Notice of the Meeting, the Agenda, and the Definitive Information Statement were made available through the Corporation's website and the Philippine Stock Exchange Electronic Disclosure Generation Technology or PSE EDGE. She also said that Notice of the Annual Meeting was also published in The Manila Times and The Manila Standard on June 29 and 30, 2022.

The Corporate Secretary certified that there exists a quorum to transact the business in the agenda for the Meeting, there being present in person or represented by proxy stockholders holding majority of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary proceeded to explain the rules for participation and voting in the Meeting. She said that the Procedures for Registration, Voting and Participation in the Meeting are contained in the Definitive Information Statement and have been implemented as follows: (1) stockholders signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary at corpsecretary@global-estate.ph; (2) stockholders who have registered were able to send their questions and/or comments prior to the Meeting through email at corpsecretary@global-estate.ph until 5:00 p.m. of July 20, 2022; (3) the resolutions proposed to be adopted at the Meeting will be shown on the screen; (4) stockholders who have duly registered to participate by remote communication have cast their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00 p.m. of July 14, 2022; and (5) the Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the Meeting and reflected in the minutes of the Meeting.

III. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING

The Presiding Officer informed the stockholders that a copy of the minutes of the 2021 Annual Stockholders' Meeting has been made available through the Corporation's website.

The Corporate Secretary announced that the required number of votes has been cast approving the minutes of the previous Annual Stockholders' Meeting held on June 24, 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

***"RESOLVED, that the Corporation hereby approve the minutes
of the Annual Stockholders' Meeting held 24 June 2021."***

IV. ANNUAL REPORT OF MANAGEMENT

The Presiding Officer then proceeded to deliver the Management Report for 2021 as follows:

"Results of 2021 Operations

We face 2022 with much optimism as all indicators point to growth in all sectors of the economy. Together with the entire nation, we celebrate the easing of travel restrictions, paving the way for the recovery of the tourism and leisure industries.

Even with limited operations in 2021 due to movement restrictions, we managed to grow GERI's income by 15% last year to 1.5 billion pesos, up from 1.3 billion pesos in 2020.

Real Estate Sales continues to be the most resilient business segment during the pandemic, delivering 3.7 billion pesos in revenues from our integrated tourism and leisure estates and lifestyle communities, up by 3% from 3.6 billion pesos in 2020. This was due to increased construction activities made possible by the relaxation of restrictions on the movement of goods and services. Boracay Newcoast was the top contributor to Real Estate Sales contributing 1.36 billion pesos, followed by Twin Lakes and Southwoods City. When restrictions were lifted towards the end of the year, Real Estate Sales hit 1 billion pesos in the 4th quarter of 2021, 49% higher than the same period last year.

The same pattern can be seen in Reservation sales, which grew by 25% year-on-year to 17.2 billion pesos driven by a strong demand for leisure developments. Again, Boracay Newcoast led the Company's property sales with 4.1 billion pesos worth of projects sold in 2021. This was closely followed by Eastland Heights in Antipolo and Alabang West in Metro Manila. The rest of GERI's residential offerings in Arden Botanical Estate, Southwoods City and Twin Lakes also registered strong demand.

To capitalize on the demand for residential lots and leisure products, GERI launched more than 6 billion pesos worth of residential lots in Southwoods City, Eastland Heights and Alabang West and leisure homes in Hamptons Caliraya. In the same year, we continued the turn-over of Twin Lakes Lucerne residential lots, an 18-hole golf course, as well as residential golf lots in Hamptons Caliraya.

Rental income was still down at 409 million pesos compared to 619 million pesos as we continued to support, thru rental concessions, our leasing partners who are still recovering from the effects of the pandemic.

Due to the travel restrictions that were in place for the most part of the year, revenue from hotel operations also declined by 27%, ending at 146 million pesos from 201 million pesos in the previous year. But as travel restrictions were relaxed in the fourth quarter of 2021, there was a resurgence in bookings resulting in a 231% increase in quarterly hotel revenue to 78 million pesos versus the preceding quarter, with Twin Lakes Hotel leading all hotel brands.

Encouraging Performance in 2022

This upward trajectory of our real estate performance continued in 2022. In the first quarter of this year, net income reached 412.2 million pesos, up by 28% versus the 322.6 million pesos reported for the first quarter of last year.

Consolidated revenue came in at 1.3 billion pesos, reflecting a 10% jump versus the same period last year, largely benefiting from the rebound in travel and leisure-related activities. Real estate sales remain to be the largest growth driver, contributing one billion pesos as more projects accelerated construction. The rise in hotel income in the last quarter continued to the first quarter of this year, surging by 175% year-on-year to 60.6 million pesos. Leasing revenues declined but at a lower rate of 7%, ending at 112.1 million pesos for the first three months of the year.

Demand for GERI's property offerings remained high as the Company reported 4 billion pesos in sales in the first quarter of this year. Boracay Newcoast continues to be the top performer followed by Eastland Heights in Antipolo and Arden Botanical Estate in Cavite.

On the production side, we are on track to turn over this year lakefront residential lots in Hamptons Caliraya and condominium units in Boracay, Twin Lakes and Tulip Gardens with a total value of close to 4 billion pesos.

To cater to emerging trends in the post-pandemic era, we have introduced amenities in our developments to enhance customer experience. These include a workcation area by the beach in Boracay Newcoast equipped with wifi, charging stations, and beach loungers, a water leisure park in Eastland Heights and a wine gallery in Twin Lakes Hotel.

To create safe spaces for our guests, clients and patrons, 100% of our frontliners deployed in our residential developments, malls and hotels have been fully vaccinated. As the recovery of tourism and leisure markets gains momentum, we are opening this year the Boracay Newcoast Convention Center. A convention facility which can accommodate up to 1,200 persons, it is an ideal venue for industry meetings, conventions, expos, weddings and events. The convention center will complement and support our hotel business in Boracay consisting of the Belmont and Savoy hotels and the upcoming Chancellor hotel which is slated for completion next year.

The Path Forward

Boracay remains to be the top tourist destination in the country and the demand for our leisure products in the island remains high, allowing us to expand Newcoast Village this year. Closer to Metro Manila, the market for residential lots in nature-inspired settings is growing, thus we are launching new offerings in Eastland Heights in Antipolo, Arden Botanical Estate in Cavite and Hamptons Caliraya fronting Caliraya Lake in Laguna.

In the light of renewed consumer confidence and an upbeat economic outlook, we are looking to launch two new townships next year as the Company strives to return to its pre-pandemic growth pace. The Company has also allocated 5 billion pesos this year for the construction of launched projects and acquisition of strategic land for future development.

Once again, we thank our stockholders for staying with us thru challenging times. We wish to share with them our hope for full recovery next year and

pledge to channel our energies towards increased profitability across all business segments."

V. APPOINTMENT OF EXTERNAL AUDITOR

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has resolved to reappoint Punongbayan & Araullo as external auditor of the Corporation for the audit of the Corporation's financial statements for the year ending December 31, 2022, and that this is being submitted for approval by the stockholders.

The Corporate Secretary certified that the required number of votes has been cast approving the appointment of Punongbayan & Araullo as external auditor for the fiscal year ending December 31, 2022, as follows:

"RESOLVED, that the Corporation hereby approve the appointment of Punongbayan & Araullo as the external auditor for the audit of the Corporation's financial statements for the year ending 31 December 2022."

VI. RATIFICATION OF ALL ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND CORPORATE OFFICERS ADOPTED DURING THE PRECEDING YEAR

The Presiding Officer requested the Corporate Secretary to present the proposed resolution on the ratification of all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation since the date of last year's annual stockholders' meeting held on June 24, 2021 until July 22, 2022.

The Corporate Secretary informed the stockholders that the list of such acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation was provided in the Definitive Information Statement and made available through the Corporation's website. She certified that the required number of votes has been cast in favor of the following resolution:

"RESOLVED, that the Corporation hereby ratify all acts of the Board of Directors, Board Committees and corporate officers and all resolutions adopted by them from 24 June 2021 until 22 July 2022."

Therefore, the Presiding Officer declared that the above resolution has been approved.

VII. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that the Corporation shall be electing nine (9) directors, at least two of whom shall be independent directors pursuant to the Securities and Regulation Code and the Corporation's Manual of Corporate Governance. She requested the Corporate Secretary, on behalf of the Corporate Governance Committee, to present the Final List of Nominees for members of the Board of Directors.

Atty. Uykim, on behalf of the Corporate Governance Committee, presented the Final List of Nominees to the Board of Directors, as follows: Andrew L. Tan, Monica T. Salomon, Lourdes T. Gutierrez-Alfonso, Kevin Andrew L. Tan, Wilbur L. Chan, Ferdinand T. Santos, and Giancarlo C. Ng for regular directors, and Jesus B. Varela and Cresencio P. Aquino for independent directors. The Corporate Secretary likewise reported that the Final List of Nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the Corporation's By-Laws, as amended.

The Corporate Secretary certified that each of the nominees has obtained the required number of votes to be elected as members of the Board.

Therefore, the Presiding Officer declared that the following resolution electing the members of the Board has been approved:

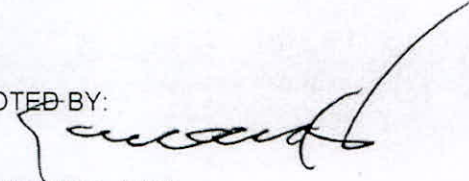
"RESOLVED, that the Corporation hereby approve the election of the following nominees as members of the Board of Directors for the year 2022:

1. *Andrew L. Tan*
2. *Monica T. Salomon*
3. *Lourdes T. Gutierrez-Alfonso*
4. *Kevin Andrew L. Tan*
5. *Ferdinand T. Santos*
6. *Wilbur L. Chan*
7. *Giancarlo C. Ng*
8. *Jesus B. Varela*
9. *Cresencio P. Aquino*

VIII. ADJOURNMENT

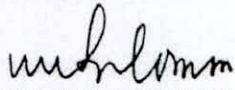
The Presiding Officer inquired if there are other matters in the agenda. The Corporate Secretary replied that there was none. There being no other matters to be discussed, the Meeting was adjourned around 9:45 A.M.

NOTED BY:


ANDREW L. TAN
Chairman

PREPARED BY:


MARIA CARLA T. UYKIM
Corporate Secretary


MONICA T. SALOMON
President



GLOBAL-ESTATE RESORTS, INC.

MANAGEMENT REPORT

For the
2023 Annual Shareholders' Meeting
Pursuant to SRC Rule 20 (4)

Item 1. Financial and Other Information

Audited Financial Statements

The consolidated financial statements as of 31 December 2022 are attached hereto. The Statement of Management Responsibility, Schedules Required under Part IV (c) of Rule 48 are included in the Annual Report (Form 17-A).

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.

1.1 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 Group 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 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

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- 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*
- 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*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 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 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.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (until December 31, 2023)

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, in 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.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (until December 31, 2023)

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.

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 does 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.

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 percentage of completion (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.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(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 a consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes 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 the 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 Peso, 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 the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

1.2 Adoption of Amended PFRS

(a) Effective in 2022 that is Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments) :	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments) :	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)	
PFRS 9 (Amendments) :	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments) :	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an

entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

1.3 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.

(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.

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.

1.4 Foreign Currency Transactions and Translations

The accounting records of the 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.

1.5 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.

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.

1.6 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. 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.

1.7 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.

1.8 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.

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.

1.9 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.

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.

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.

1.10 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. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated statement of comprehensive income.

1.11 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.

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 the consolidated 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.

1.12 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 represents 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.

1.13 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.

1.14 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.

1.15 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.

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.

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.

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.

1.16 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.

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

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

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.

1.17 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.

1.18 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.

1.19 Share-based Employee Remuneration

The Group 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).

1.20 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. 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.

1.21 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.

1.22 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.

1.23 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.

NCI represents 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.

1.24 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.

1.25 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.

External Auditor

The Group has engaged the services of Punongbayan & Araullo during the most recent calendar year. There were no disagreements with Punongbayan & Araullo on any matter of accounting and financial disclosure.

Attendance of External Auditor at the Meeting

Representatives of the Corporation's external auditor, Punongbayan & Araullo, for the Calendar Year 2022, are expected to be present at the Annual Stockholders' Meeting scheduled on 03 July 2023. Said accountants will be given the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions on the Corporation's financial statements.

BUSINESS AND GENERAL INFORMATION

Form and Date of Organization

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 “GEGDI”*), 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.

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

KEY PERFORMANCE INDICATORS

LIQUIDITY RATIOS

	December 31, 2022	December 31, 2021	December 31, 2020
Current Ratio	4.34	4.37	4.20
Quick Ratio	1.29	1.48	1.28

Current Ratio (Current Assets/ Current Liabilities)

Liquidity ratio 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

	December 31, 2022	December 31, 2021	December 31, 2020
Debt to Total Assets	33%	33%	32%
Equity to Total Assets	67%	67%	68%
Debt to Equity	50%	50%	46%
Asset to Equity	1.50	1.50	1.46

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.

PROFITABILITY RATIOS

	December 31, 2022	December 31, 2021	December 31, 2020
Return on Equity	5.63%	4.37%	3.79%
Return on Assets	3.75%	2.86%	2.59%
Earnings per Share	₱ 0.0163	₱ 0.119	₱ 0.099

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.

ACTIVITY RATIO

	December 31, 2022	December 31, 2021	December 31, 2020
Asset Turnover	10.30%	6.87%	7.15%

Asset Turnover (Sales/Total Assets)

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

INTEREST COVERAGE RATIO

	December 31, 2022	December 31, 2021	December 31, 2020
Interest Coverage	8.28	7.52	8.00

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

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

Management Discussion and Analysis

Review for the year ended December 31, 2022

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 for the calendar year 2022. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. 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 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.

Results of Operations

	Audited		Movement	%
	2022	2021		
REVENUES AND INCOME				
Real estate sales	P 5,899,854,122	P 3,717,314,154	P 2,182,539,968	59%
Rental income	455,961,990	408,929,904	47,032,086	12%
Marketing fees	68,717,195	148,531,430	(79,814,235)	-54%
Hotel operations	420,470,075	145,950,403	274,519,672	188%
Service income	138,379,243	131,419,980	6,959,263	5%
Finance and other income	346,907,590	433,968,542	(87,060,952)	-20%
TOTAL	7,330,290,215	4,986,114,413	2,344,175,802	47%
COSTS AND EXPENSES				
Cost of real estate sales	2,144,625,053	1,628,491,489	516,133,564	32%
Cost of rentals and services	319,643,144	344,233,070	(24,589,926)	-7%
Cost of hotel operations	191,572,019	75,864,785	115,707,234	153%
Other operating expenses	1,492,773,638	1,044,689,038	448,084,600	43%
Finance costs and other charges	392,076,778	220,512,155	171,564,623	78%
Equity share in net losses of associates	235,717	594,473	(358,756)	-60%
TOTAL	4,540,926,349	3,314,385,010	1,226,541,339	37%
PROFIT BEFORE TAX	2,789,363,866	1,671,729,403	1,117,634,463	67%
TAX EXPENSE	702,803,615	177,036,359	525,767,256	297%
NET PROFIT	2,086,560,251	1,494,693,044	591,867,207	40%
OTHER COMPREHENSIVE INCOME (LOSS)				
Revaluation reserve	38,918,313	24,957,294	13,961,019	56%
OTHER COMPREHENSIVE INCOME (LOSS)	38,918,313	24,957,294	13,961,019	56%
TOTAL COMPREHENSIVE INCOME	P 2,125,478,564	P 1,519,650,338	P 605,828,226	40%
Net profit attributable to:				
Parent Company's shareholders	P 1,792,146,732	P 1,311,281,638	480,865,094	37%
Non-controlling interest	294,413,519	183,411,406	111,002,113	61%
TOTAL	P 2,086,560,251	P 1,494,693,044	P 591,867,207	40%
Total comprehensive income attributable to:				
Parent Company's shareholders	P 1,831,065,045	P 1,336,238,932	494,826,113	37%
Non-controlling interest	294,413,519	183,411,406	111,002,113	61%
TOTAL	P 2,125,478,564	P 1,519,650,338	P 605,828,226	40%

For the year ended December 31, 2022 the Group's consolidated net income amounted to Php 2.09 billion, a 40% increase from the December 31, 2021 net income of Php1.49 billion.

Consolidated total revenues amounted to Php7.33 billion. The bulk of revenues came from real estate sales, rental income, hotel operations, and service 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, Ecocentrum Business Park and 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, The Belvedere and The Manor in Twin Lakes, Tagaytay.

Total cost and expenses as of December 2022 amounted to Php5.24 billion, an increase of 50% from Php3.49 billion as of December 2021, mainly due to increase in cost of real estate sales, hotel operations, operating expenses and tax expense.

Financial Condition

	Audited		Movement	%
	2021	2020		
Cash and cash equivalents	P 2,354,706,901	P 3,949,449,148	(P 1,594,742,247)	-40%
Trade and other receivables - net	11,891,830,139	10,134,424,726	1,757,405,413	17%
Contract assets	4,501,242,737	3,147,300,186	1,353,942,551	43%
Advances to real estate property owners	1,328,102,796	1,303,730,350	24,372,446	2%
Advances to related parties	672,948,672	714,141,424	(41,192,752)	-6%
Inventories - net	20,023,795,404	18,872,379,522	1,151,415,882	6%
Investments in associates - net	731,197,235	731,432,952	(235,717)	0%
Investment property - net	10,705,712,498	10,797,030,614	(91,318,116)	-1%
Property and equipment - net	883,770,248	912,535,908	(28,765,660)	-3%
Right-of-use assets - net	115,784,192	150,159,058	(34,374,866)	-23%
Other current and non-current assets - net	4,097,397,907	3,405,485,697	691,912,210	20%
TOTAL ASSETS	57,306,488,729	54,118,069,585	3,188,419,144	6%
Interest-bearing loans	P 7,605,669,500	P 7,492,924,404	P 112,745,096	2%
Trade and other payables	4,064,589,034	3,605,270,531	459,318,503	13%
Contract liabilities	906,489,506	758,668,433	147,821,073	20%
Due to joint venture partners	386,706,191	400,238,268	(13,532,077)	-3%
Advances from related parties	851,450,654	850,531,858	918,796	0%
Redeemable preferred shares	-	251,597,580	(251,597,580)	-100%
Customers' deposits	1,481,992,809	1,300,393,845	181,598,964	14%
Lease liabilities	523,324,634	526,912,163	(3,587,529)	-1%
Retirement benefit obligation	111,012,219	127,234,441	(16,222,222)	-13%
Deferred tax liabilities - net	2,665,766,500	2,135,571,400	530,195,100	25%
Other non-current liabilities	513,118,898	597,836,442	(84,717,544)	-14%
TOTAL LIABILITIES	19,110,119,945	18,047,179,365	1,062,940,580	6%
EQUITY				
Capital stock	10,986,000,000	10,986,000,000	-	0%
Additional paid-in capital	4,747,739,274	4,747,739,274	-	0%
Revaluation reserves	71,504,073	32,585,760	38,918,313	119%
Retained earnings	16,010,172,859	14,218,026,127	1,792,146,732	13%
Equity attributable to shareholders of the				
Parent Company	31,815,416,206	29,984,351,161	1,831,065,045	6%
Non-controlling interest	6,380,952,578	6,086,539,059	294,413,519	5%
Total Equity	38,196,368,784	36,070,890,220	2,125,478,564	6%
TOTAL LIABILITIES AND EQUITY	P 57,306,488,729	P 54,118,069,585	P 3,188,419,144	6%

The Group's financial position remained stable and with adequate capacity to support its growth. Total Assets of Php57.3 billion as of December 31, 2022 compared to Php54.1 billion as of December 31, 2021 posted an increase of Php3.2 billion or 6%. Cash and cash equivalents decreased by 40% mainly due to payment to contractors and suppliers for the ongoing development of various projects, from Php3.9 billion as of December 2021 to Php2.4 billion as of December 2022. Trade and other receivables increased by 17% due to installment sales booked for the year, from Php10.1 billion as of December 2021 to Php11.9 billion as of December 2022. Contract assets increased by 43%, from Php3.1 billion as of December 2021 to Php4.5 billion as of December 2022 due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Inventories increased by 6% mainly due to increase in completion of various projects under construction, from Php18.9 billion as of December 31, 2021 to Php20.0 billion as of December 31, 2022. Advances to related parties decreased by 6% due to collection from related parties. Right-of-use asset decreased by 23% due to amortization for the period. Other current and non-current assets increased by 20% mainly due to Advances to contractors and suppliers, from Php3.4 billion as of December 31, 2021 to Php4.1 billion as of December 31, 2022.

Trade and other payables increased by 13% mainly due to increase in payables to contractors and suppliers, from Php3.6 billion as of December 31, 2021 to Php4.1 billion as of December 31, 2022. Contract liabilities increased by 20% due to increase in sales from uncompleted projects with lower percentage of completion than percentage of collection. Redeemable preferred shares decreased by 100% due to redemption of shares. Customer's deposit increased by 14% due to collection from existing buyers and new reservations sales, from Php1.3 billion as of December 2021 to Php1.5 billion as of December 31, 2022. Retirement benefit obligation decreased by 13% due to decrease in accrual of retirement benefit. Deferred tax liability increased by 25% due to increase in taxable temporary difference, from Php2.1 billion as of December 31, 2021 to Php2.7 billion as December 31, 2022. Other non-current liabilities decreased by 14% from Php597.8 million as of December 31, 2021 to Php513.1 million as of December 31, 2022 mainly due to presentation of current retention payable to current liability.

Shareholders' Equity increased from Php36.1 billion to Php38.2 billion mainly due to net income for the year.

*Material Changes in the Statements of Final Position for the year ended December 31, 2022
(Increase/decrease of 5% or more versus December 31, 2021)*

- 40% decrease in Cash and cash equivalents – due to payment to contractors and suppliers for the ongoing development of various projects.
- 17% increase in Trade and other receivables – due to installment sales booked for the year.
- 43% increase in Contract assets – due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 6% decrease in Advances to related parties – due to collection from related parties.
- 6% increase in Inventories – due to to increase in completion of various projects under construction.
- 23% decrease in Right of use-asset – due to amortization for the period.
- 20% increase in Other current and non-current assets – due to Advances to contractors and suppliers.
- 13% increase in Trade and other payables – mainly due increase in payables to contractors and suppliers.
- 20% increase in Contract liabilities – due to increase in sales from uncompleted projects with lower percentage of completion than percentage of collection.

- 100% decrease in Redeemable preferred shares – due to redemption of shares.
- 14% increase in Customer’s deposit – due to collection from existing buyers and new reservations sales.
- 13% decrease in Retirement benefit obligation – due to decrease in accrual of retirement benefit.
- 25% increase in Deferred tax liability – due to increase in taxable temporary difference.
- 14% decrease in other non-current liability – mainly due to presentation of current retention payable to current liability.

*Material Changes in the Statements of Comprehensive Income the year ended December 31, 2022
(Increase/decrease of 5% or more versus December 31, 2021)*

- 59% increase in Real estate sales – mainly due to increase in real estate sales recognized for the period.
- 12% increase in Rental income – due to increase in occupancy rate.
- 188% increase in Hotel Operations – mainly due to increase in occupancy rate as the result lifting of travel bans.
- 5% increase in Service Income – due to higher service income for the year.
- 54% decrease in Marketing fees – due to decrease in marketing income from sale of lots of joint venture partner.
- 20% decrease in Finance and other income – due to decrease in other income.
- 32% increase in Cost of real estate sales – mainly due to increase in real estate sales for the year.
- 7% decrease in Cost of rentals and services – mainly due to decrease of cost of services.
- 153% increase in Cost of hotel operations – directly related to increase in hotel revenue.
- 43% increase in Operating expenses – mainly due to increase in expenses directly related to increase in revenue such as commission, expenses related to hotel operations and other administrative expenses.
- 60% decrease in Equity share in net losses of associates – due to decrease in net loss of associate recognized for the year.
- 78% increase in Finance cost and other charges – due to increase in other charges.
- 297% increase on Income tax expense – due to increase in taxable income.

Others

As of the year ended December 31, 2022, there are no:

- a. Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- b. Material commitments for capital expenditures, the general purpose of such commitments 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 items of the Company’s financial operations.

- f. Seasonal aspects that had a material effect on the financial condition or results of the operations.
- g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

Review for the year ended December 31, 2021

Results of Operations

	Audited		Movement	%
	2021	2020		
REVENUES AND INCOME				
Real estate sales	P 3,717,314,154	P 3,614,255,530	P 103,058,624	3%
Rental income	408,929,904	619,359,588	(210,429,684)	-34%
Marketing fees	148,531,430	314,157,595	(165,626,165)	-53%
Hotel operations	145,950,403	201,209,745	(55,259,342)	-27%
Service income	131,419,980	124,218,552	7,201,428	6%
Finance and other income	433,968,542	322,396,825	111,571,717	35%
TOTAL	4,986,114,413	5,195,597,835	(209,483,422)	-4%
COSTS AND EXPENSES				
Cost of real estate sales	1,628,491,489	1,538,459,693	90,031,796	6%
Cost of rentals and services	344,233,070	317,293,791	26,939,279	9%
Cost of hotel operations	75,864,785	113,669,079	(37,804,294)	-33%
Other operating expenses	1,044,689,038	1,122,279,497	(77,590,459)	-7%
Finance costs and other charges	220,512,155	156,338,409	64,173,746	41%
Equity share in net losses of associates	594,473	120,265	474,208	394%
TOTAL	3,314,385,010	3,248,160,734	66,224,276	2%
PROFIT BEFORE TAX	1,671,729,403	1,947,437,101	(275,707,698)	-14%
TAX EXPENSE	177,036,359	647,156,777	(470,120,418)	-73%
NET PROFIT	1,494,693,044	1,300,280,324	194,412,720	15%
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurements of retirement benefit plan	34,002,912	3,372,833	30,630,079	908%
Tax income (expense)	(9,045,618)	(1,011,850)	(8,033,768)	794%
OTHER COMPREHENSIVE INCOME (LOSS)	24,957,294	2,360,983	22,596,311	957%
TOTAL COMPREHENSIVE INCOME	P 1,519,650,338	P 1,302,641,307	P 217,009,031	17%
Net profit attributable to:				
Parent Company's shareholders	P 1,311,281,638	P 1,086,836,496	224,445,142	21%
Non-controlling interest	183,411,406	213,443,828	(30,032,422)	-14%
TOTAL	P 1,494,693,044	P 1,300,280,324	P 194,412,720	15%
Total comprehensive income attributable to:				
Parent Company's shareholders	P 1,336,238,932	P 1,089,197,479	247,041,453	23%
Non-controlling interest	183,411,406	213,443,828	(30,032,422)	-14%
TOTAL	P 1,519,650,338	P 1,302,641,307	P 217,009,031	17%

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

	Audited		Movement	%
	2021	2020		
Cash and cash equivalents	P 3,949,449,148	P 2,239,105,042	P 1,710,344,106	76%
Trade and other receivables - net	10,134,424,726	9,221,982,318	912,442,408	10%
Contract assets	3,147,300,186	2,793,995,947	353,304,239	13%
Advances to real estate property owners	1,303,730,350	1,283,568,006	20,162,344	2%
Advances to related parties	714,141,424	717,625,029	(3,483,605)	0%
Inventories - net	18,872,379,522	18,221,005,862	651,373,660	4%
Investments in associates - net	731,432,952	732,027,425	(594,473)	0%
Investment property - net	10,797,030,614	10,824,754,225	(27,723,611)	0%
Property and equipment - net	912,535,908	940,361,431	(27,825,523)	-3%
Right-of-use assets - net	150,159,058	128,232,911	21,926,147	17%
Other current and non-current assets - net	3,405,485,697	3,458,569,066	(53,083,369)	-2%
TOTAL ASSETS	54,118,069,585	50,561,227,262	3,556,842,323	7%
Interest-bearing loans	P 7,492,924,404	P 5,334,558,820	P 2,158,365,584	41%
Trade and other payables	3,605,270,531	3,338,759,931	266,510,600	8%
Contract liabilities	758,668,433	799,560,052	(40,891,619)	-5%
Due to joint venture partners	400,238,268	410,467,353	(10,229,085)	-2%
Advances from related parties	850,531,858	916,543,597	(66,011,739)	-7%
Redeemable preferred shares	251,597,580	503,195,160	(251,597,580)	-50%
Customers' deposits	1,300,393,845	1,297,465,671	2,928,174	0%
Lease liabilities	526,912,163	473,635,321	53,276,842	11%
Retirement benefit obligation	127,234,441	125,775,212	1,459,229	1%
Deferred tax liabilities - net	2,135,571,400	2,078,888,861	56,682,539	3%
Other non-current liabilities	597,836,442	731,137,402	(133,300,960)	-18%
TOTAL LIABILITIES	18,047,179,365	16,009,987,380	2,037,191,985	13%
EQUITY				
Capital stock	10,986,000,000	10,986,000,000	-	0%
Additional paid-in capital	4,747,739,274	4,747,739,274	-	0%
Revaluation reserves	32,585,760	7,628,466	24,957,294	327%
Retained earnings	14,218,026,127	12,906,744,489	1,311,281,638	10%
Equity attributable to shareholders of the				
Parent Company	29,984,351,161	28,648,112,229	1,336,238,932	5%
Non-controlling interest	6,086,539,059	5,903,127,653	183,411,406	3%
Total Equity	36,070,890,220	34,551,239,882	1,519,650,338	4%
TOTAL LIABILITIES AND EQUITY	P 54,118,069,585	P 50,561,227,262	P 3,556,842,323	7%

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.

Others

As of the year ended December 31, 2021, there are no:

- a. Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- b. Material commitments for capital expenditures, the general purpose of such commitments 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 items of the Company’s financial operations.
- f. Seasonal aspects that had a material effect on the financial condition or results of the operations.
- g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

Review for the year ended December 31, 2020

Results of Operations

	Audited		Movement	%
	2020	2019		
REVENUES AND INCOME				
Real estate sales	P 3,614,255,530	P 5,906,525,172	P (2,292,269,642)	-39%
Rental income	619,359,588	746,691,845	(127,332,257)	-17%
Marketing fees	314,157,595	180,867,447	133,290,148	74%
Hotel operations	201,209,745	813,928,144	(612,718,399)	-75%
Service income	124,218,552	172,020,165	(47,801,613)	-28%
Finance and other income	322,396,825	287,307,555	35,089,270	12%
TOTAL	5,195,597,835	8,107,340,328	(2,911,742,493)	-36%
COSTS AND EXPENSES				
Cost of real estate sales	1,538,459,693	2,794,278,385	(1,255,818,692)	-45%
Cost of rentals and services	317,293,791	331,144,642	(13,850,851)	-4%
Cost of hotel operations	113,669,079	442,819,864	(329,150,785)	-74%
Other operating expenses	1,122,279,497	1,737,131,547	(614,852,050)	-35%
Finance costs and other charges	156,338,409	280,829,826	(124,491,417)	-44%
Equity share in net losses of associates	120,265	101,665	18,600	18%
TOTAL	3,248,160,734	5,586,305,929	(2,338,145,195)	-42%
PROFIT BEFORE TAX	1,947,437,101	2,521,034,399	(573,597,298)	-23%
TAX EXPENSE	647,156,777	792,811,959	(145,655,182)	-18%
NET PROFIT	1,300,280,324	1,728,222,440	(427,942,116)	-25%
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurements of retirement benefit plan	3,372,833	(45,519,012)	48,891,845	-107%
Tax income (expense)	(1,011,850)	13,655,704	(14,667,554)	-107%
OTHER COMPREHENSIVE INCOME (LOSS)	2,360,983	2,360,983	34,224,291	1450%
TOTAL COMPREHENSIVE INCOME	P 1,302,641,307	P 1,730,583,423	(P 393,717,825)	-23%
Net profit attributable to:				
Parent Company's shareholders	P 1,086,836,496	P 1,489,054,664	(402,218,168)	-27%
Non-controlling interest	213,443,828	427,682,228	(214,238,400)	-50%
TOTAL	P 1,300,280,324	P 1,916,736,892	(P 616,456,568)	-32%
Total comprehensive income attributable to:				
Parent Company's shareholders	P 1,089,197,479	P 1,457,191,356	(367,993,877)	-25%
Non-controlling interest	213,443,828	427,682,228	(214,238,400)	-50%
TOTAL	P 1,302,641,307	P 1,730,583,423	(P 393,717,825)	-23%

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

	Audited		Movement	%
	2020	2019		
Cash and cash equivalents	P 2,239,105,042	P 2,621,473,415	P (382,368,373)	-15%
Trade and other receivables - net	9,221,982,318	9,122,747,401	99,234,917	1%
Contract assets	2,793,995,947	1,542,549,924	1,251,446,023	81%
Advances to real estate property owners	1,283,568,006	1,280,685,030	2,882,976	0%
Advances to related parties	717,625,029	877,657,824	(160,032,795)	-18%
Inventories - net	18,221,005,862	18,113,657,372	107,348,490	1%
Investments in associates - net	732,027,425	732,147,690	(120,265)	0%
Investment property - net	10,824,754,225	10,784,728,402	40,025,823	0%
Property and equipment - net	940,361,431	1,014,528,721	(74,167,290)	-7%
Right-of-use assets - net	128,232,911	168,872,252	(40,639,341)	-24%
Other current and non-current assets - net	3,458,569,066	3,508,691,004	(50,121,938)	-1%
TOTAL ASSETS	50,561,227,262	49,767,739,035	793,488,227	2%
Interest-bearing loans	P 5,334,558,820	P 5,024,305,898	P 310,252,922	6%
Trade and other payables	3,338,759,931	3,950,962,607	(612,202,676)	-16%
Contract liabilities	799,560,052	1,232,642,698	(433,082,646)	-35%
Due to joint venture partners	410,467,353	356,227,254	54,240,099	15%
Advances from related parties	916,543,597	1,001,596,228	(85,052,631)	-9%
Redeemable preferred shares	503,195,160	754,792,740	(251,597,580)	-33%
Customers' deposits	1,297,465,671	1,347,728,715	(50,263,044)	-4%
Lease liabilities	473,635,321	494,291,683	(20,656,362)	-4%
Retirement benefit obligation	125,775,212	107,158,224	18,616,988	17%
Deferred tax liabilities - net	2,078,888,861	1,566,791,165	512,097,696	33%
Other non-current liabilities	731,137,402	682,643,250	48,494,152	7%
TOTAL LIABILITIES	16,009,987,380	16,519,140,462	(509,153,082)	-3%
EQUITY				
Capital stock	10,986,000,000	10,986,000,000	-	0%
Additional paid-in capital	4,747,739,274	4,747,739,274	-	0%
Revaluation reserves	7,628,466	5,267,482	2,360,984	45%
Retained earnings	12,906,744,489	11,819,907,992	1,086,836,497	9%
Equity attributable to shareholders of the				
Parent Company	28,648,112,229	27,558,914,748	1,089,197,481	4%
Non-controlling interest	5,903,127,653	5,689,683,825	213,443,828	4%
Total Equity	34,551,239,882	33,248,598,573	1,302,641,309	4%
TOTAL LIABILITIES AND EQUITY	P 50,561,227,262	P 49,767,739,035	P 793,488,227	2%

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.

Others

As of the year ended December 31, 2020, there are no:

- a. Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- b. Material commitments for capital expenditures, the general purpose of such commitments 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 items of the Company’s financial operations.
- f. Seasonal aspects that had a material effect on the financial condition or results of the operations.
- g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Independent Public Accountants

The Company's Board of Directors approved, on 22 July 2022 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 2022. For the years 2016 to 2022, 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.

AUDIT AND AUDIT- RELATED FEES

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 2022, 2021, and 2020, the fee was approximately Php1.73 million, Php1.68 million, and Php1.57 million, respectively.

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

Item 9. Market for Registrant's Common Equity and Related Stockholder Matters

(1) Stock Prices

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

	Philippine Stock Exchange	
	Closing Price per Share (₱) 0.93 as of December 31, 2022	
<u>2023</u> <u>First Quarter</u>	High 0.91	Low 0.89
<u>2022</u> <u>First Quarter</u>	High 0.94	Low 0.89
<u>Second Quarter</u>	0.92	0.83
<u>Third Quarter</u>	0.96	0.84
<u>Fourth Quarter</u>	0.93	0.93

2021	High	Low
<u>First Quarter</u>	0.95	0.80
<u>Second Quarter</u>	0.90	0.81
<u>Third Quarter</u>	1.33	0.82
<u>Fourth Quarter</u>	1.00	0.81
2020	High	Low
<u>First Quarter</u>	1.19	0.65
<u>Second Quarter</u>	0.92	0.74
<u>Third Quarter</u>	0.88	0.76
<u>Fourth Quarter</u>	0.99	0.74

The market capitalization of GERI as of 31 December 2022 based on the closing price at Php 0.93 per share of GERI's shares at that date, was approximately Php10.217 billion. The price information as of the close of the latest practicable trading date May 8, 2023 is Php0.87 per share.

(2) **Holders**

GERI has a total of about 4,164 common shareholders as of December 31, 2022

TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2022

	STOCKHOLDER'S NAME	NO. OF SHARES	% OF OWNERSHIP
1	MEGAWORLD CORPORATION	9,042,732,139 ¹	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
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 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

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

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 21, 2022 amounting to Php16.0 billion, Php14.2 billion in December 31, 2021, and Php12.9 billion in December 31, 2020, 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.

(4) Recent Sale 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 2022, 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 2023, 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.

Discussion on Compliance with Leading Practice on Corporate Governance

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 21, 2022 amounting to Php16.0 billion, Php14.2 billion in December 31, 2021, and Php12.9 billion in December 31, 2020, 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.

Undertaking to Provide Annual Report

THE CORPORATION UNDERTAKES TO PROVIDE EACH STOCKHOLDER WITHOUT CHARGE A COPY OF ITS ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO EITHER OF:

Atty. Maria Carla T. Uykim
Corporate Secretary
9th Floor, Eastwood Global Plaza
Palm Tree Avenue, Eastwood City
Bagumbayan, Quezon City

Banco de Oro Unibank, Inc.
Stock Transfer Department
Makati Ave. Cor. H.V. dela Costa St.
Makati City

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
P	A	L	M		T	R	E	E		A	V	E	N	U	E		B	A	G	U	M	B	A	Y	A	N				
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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

4,164

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, 2022**
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. **(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
Common Shares	10,986,000,000
Outstanding debts (loans)	7,605,669,500

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

Yes [] 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, 2022.

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 1,803,666,818.91 (as of December 31, 2022) based on the closing price of Php0.93 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:

2022 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 “**GEGDI**”*), 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” or the “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 4% of the consolidated real estate sales for the year 2022.

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, Laurel, Batangas and Cavinti, Laguna 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

Republic Act No. 6552, otherwise known as 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 not less than sixty (60) days from the date the installment 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 is 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 amended by Republic Act No. 11521 (effective 30 January 2021), real estate developers (REDs) are covered institutions. Thus, REDs are 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 2022, GERI Group has a total of 840 employees, divided into:

Top Management	-	12
Middle Management	-	148
Rank and File	-	680

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 13th 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.

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 Environmental 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, 2022, the Group has no outstanding foreign denominated loans.

ITEM 2. PROPERTIES

The GERI Group has a landbank of approximately 2,632 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
LUZON			
A. <u>Metro Manila</u>			
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
B. <u>Laguna</u>			
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
Riverina	San Pablo City	Joint Venture	GEPI
C. <u>Cavite</u>			
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
D. <u>Batangas</u>			
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
Countrywoods	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
Palmtree Point	Talisay, Batangas	Joint Venture	GEPI
Windsor Heights	Tagaytay	Joint Venture	GEPI
E. <u>Bulacan</u>			
Goldridge Estate	Guiguinto, Bulacan	Joint Venture	GEPI
Plaridel Heights	Plaridel, Bulacan	Joint Venture	GEPI
F. <u>Antipolo City</u>			
Forest Hills (now Eastland Heights)	Antipolo City	Joint Venture	GEPI

The Daintree Residences	Antipolo City	None	GERI
G. <u>Naga City, Camarines Sur</u>			
Monte Cielo De Naga	Naga City	Joint Venture	GEPI
Monte Cielo De Peñafrancia	Naga City	Joint Venture	GEPI
H. <u>Quezon</u>			
Puerto Del Mar	Lucena City	Joint Venture	GEPI
VISAYAS			
I. <u>Malay, Aklan</u>			
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
J. <u>Iloilo</u>			
Sta. Barbara Heights Residential Estate (Phase 1, 2 & 3)	Sta. Barbara, Iloilo	Joint Venture	GERI
Sta. Barbara Heights Shophouse District	Sta. Barbara, Iloilo	Joint Venture	GERI
MINDANAO			
K. <u>Cagayan De Oro</u>			
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

BUILDING NAME
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.

	Philippine Stock Exchange	
	Closing Price per Share (₱) 0.93	
	as of December 31, 2022	
<u>2023</u>	High	Low
<u>First Quarter</u>	0.91	0.89
<u>2022</u>	High	Low
<u>First Quarter</u>	0.94	0.89
<u>Second Quarter</u>	0.92	0.83
<u>Third Quarter</u>	0.96	0.84
<u>Fourth Quarter</u>	0.93	0.93

<u>2021</u>	High	Low
<u>First Quarter</u>	0.95	0.80
<u>Second Quarter</u>	0.90	0.81
<u>Third Quarter</u>	1.33	0.82
<u>Fourth Quarter</u>	1.00	0.81
<u>2020</u>	High	Low
<u>First Quarter</u>	1.19	0.65
<u>Second Quarter</u>	0.92	0.74
<u>Third Quarter</u>	0.88	0.76
<u>Fourth Quarter</u>	0.99	0.74

The market capitalization of GERI as of 31 December 2022 based on the closing price at Php 0.93 per share of GERI's shares at that date, was approximately Php10.217 billion. The price information as of the close of the latest practicable trading date April 4, 2023 is Php0.90 per share.

Stockholders

GERI has a total of about 4,164 common shareholders as of December 31, 2022

TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2022

	STOCKHOLDER'S NAME	NO. OF SHARES	% OF OWNERSHIP
1	MEGAWORLD CORPORATION	9,042,732,139 ¹	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
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

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

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, 2022 amounting to Php16.0 billion, Php14.2 billion in December 31, 2021, and Php12.9 billion in December 31, 2020, 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 2022, 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 2023, 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

	December 31, 2022	December 31, 2021	December 31, 2020
Current Ratio	4.34	4.37	4.20
Quick Ratio	1.29	1.48	1.28

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

	December 31, 2022	December 31, 2021	December 31, 2020
Debt to Total Assets	33%	33%	32%
Equity to Total Assets	67%	67%	68%
Debt to Equity	50%	50%	46%
Asset to Equity	1.50	1.50	1.46

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

	December 31, 2022	December 31, 2021	December 31, 2020
Assets Turnover	10.30%	6.87%	7.15%

Assets Turnover

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

PROFITABILITY RATIOS

	December 31, 2022	December 31, 2021	December 31, 2020
Return on Equity	5.63%	4.37%	3.79%
Return on Assets	3.75%	2.86%	2.59%
Earnings per Share	₱ 0.163	₱ 0.119	₱ 0.099

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

	December 31, 2022	December 31, 2021	December 31, 2020
Interest Coverage	₱8.28	₱7.52	₱8.00

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, 2022, 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

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 for the calendar year 2022. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. 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 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.

Review for the year ended December 31, 2022

Results of Operations

For the year ended December 31, 2022 the Group's consolidated net income amounted to Php 2.09 billion, a 40% increase from the December 31, 2021 net income of Php1.49 billion.

Consolidated total revenues amounted to Php7.33 billion. The bulk of revenues came from real estate sales, rental income, hotel operations, and service 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, Ecocentrum Business Park and 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, The Belvedere and The Manor in Twin Lakes, Tagaytay.

Total cost and expenses as of December 2022 amounted to Php5.24 billion, an increase of 50% from Php3.49 billion as of December 2021, mainly due to increase in cost of real estate sales, 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 Php57.3 billion as of December 31, 2022 compared to Php54.1 billion as of December 31, 2021 posted an increase of Php3.2 billion or 6%.

Cash and cash equivalents decreased by 40% mainly due to payment to contractors and suppliers for the ongoing development of various projects, from Php3.9 billion as of December 2021 to Php2.4 billion as of December 2022. Trade and other receivables increased by 17% due to installment sales booked for the year, from Php10.1 billion as of December 2021 to Php11.9 billion as of December 2022. Contract assets increased by 43%, from Php3.1 billion as of December 2021 to Php4.5 billion as of December 2022 due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Inventories increased by 6% mainly due to increase in completion of various projects under construction, from Php18.9 billion as of December 31, 2021 to Php20.0 billion as of December 31, 2022. Advances to related parties decreased by 6% due to collection from related parties. Right-of-use asset decreased by 23% due to amortization for the period. Other current and non-current assets increased by 20% mainly due to Advances to contractors and suppliers, from Php3.4 billion as of December 31, 2021 to Php4.1 billion as of December 31, 2022.

Trade and other payables increased by 13% mainly due to increase in payables to contractors and suppliers, from Php3.6 billion as of December 31, 2021 to Php4.1 billion as of December 31, 2022. Contract liabilities increased by 20% due to increase in sales from uncompleted projects with lower percentage of completion than percentage of collection. Redeemable preferred shares decreased by 100% due to redemption of shares. Customer's deposit increased by 14% due to collection from existing buyers and new reservations sales, from Php1.3 billion as of December 2021 to Php1.5 billion as of December 31, 2022. Retirement benefit obligation decreased by 13% due to decrease in accrual of retirement benefit. Deferred tax liability increased by 25% due to increase in taxable temporary difference, from Php2.1 billion as of December 31, 2021 to Php2.7 billion as December 31, 2022. Other non-current liabilities decreased by 14% from Php597.8 million as of December 31, 2021 to Php513.1 million as of December 31, 2022 mainly due to presentation of current retention payable to current liability.

Shareholders' Equity increased from Php36.1 billion to Php38.2 billion mainly due to net income for the year.

Material Changes in the Statements of Final Position for the year ended December 31, 2022

(Increase/decrease of 5% or more versus December 31, 2021)

- 40% decrease in Cash and cash equivalents – due to payment to contractors and suppliers for the ongoing development of various projects.
- 17% increase in Trade and other receivables – due to installment sales booked for the year.
- 43% increase in Contract assets – due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 6% decrease in Advances to related parties – due to collection from related parties.
- 6% increase in Inventories – due to to increase in completion of various projects under construction.
- 23% decrease in Right of use-asset – due to amortization for the period.

- 20% increase in Other current and non-current assets – due to Advances to contractors and suppliers.
- 13% increase in Trade and other payables – mainly due increase in payables to contractors and suppliers.
- 20% increase in Contract liabilities – due to increase in sales from uncompleted projects with lower percentage of completion than percentage of collection.
- 100% decrease in Redeemable preferred shares – due to redemption of shares.
- 14% increase in Customer’s deposit – due to collection from existing buyers and new reservations sales.
- 13% decrease in Retirement benefit obligation – due to decrease in accrual of retirement benefit.
- 25% increase in Deferred tax liability – due to increase in taxable temporary difference.
- 14% decrease in other non-current liability – mainly due to presentation of current retention payable to current liability.

Material Changes in the Statements of Comprehensive Income the year ended December 31, 2022

(Increase/decrease of 5% or more versus December 31, 2021)

- 59% increase in Real estate sales – mainly due to increase in real estate sales recognized for the period.
- 12% increase in Rental income – due to increase in occupancy rate.
- 188% increase in Hotel Operations – mainly due to increase in occupancy rate as the result lifting of travel bans.
- 5% increase in Service Income – due to higher service income for the year.
- 54% decrease in Marketing fees – due to decrease in marketing income from sale of lots of joint venture partner.
- 20% decrease in Finance and other income – due to decrease in other income.
- 32% increase in Cost of real estate sales – mainly due to increase in real estate sales for the year.
- 7% decrease in Cost of rentals and services – mainly due to decrease of cost of services.
- 153% increase in Cost of hotel operations – directly related to increase in hotel revenue.
- 43% increase in Operating expenses – mainly due to increase in expenses directly related to increase in revenue such as commission, expenses related to hotel operations and other administrative expenses.
- 60% decrease in Equity share in net losses of associates – due to decrease in net loss of associate recognized for the year.
- 78% increase in Finance cost and other charges – due to increase in other charges.
- 297% increase on Income tax expense – due to increase in taxable income.

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.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2022, 31 December 2021, and 31 December 2020, 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 22 July 2022 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 2022. For the years 2016 to 2022, 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 2022, 2021, and 2020, the fee was approximately Php1.73 million, Php1.68 million, and Php1.57 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 OF THE ISSUER

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

Name	Age	Citizenship	Position
Andrew L. Tan	73	Filipino	Chairman & CEO
Lourdes T. Gutierrez-Alfonso	59	Filipino	Managing Director
Monica T. Salomon	54	Filipino	President
Kevin Andrew L. Tan	43	Filipino	Director
Ferdinand T. Santos	72	Filipino	Director
Wilbur L. Chan	63	Filipino	Director for Clubs and Hotels
Giancarlo C. Ng	45	Filipino	Director
Jesus B. Varela	66	Filipino	Lead Independent Director
Cresencio P. Aquino	69	Filipino	Independent Director

The table below sets forth GERI's executive officers in addition to its executive directors listed above (as of December 31, 2022):

Name	Age	Citizenship	Position
Lailani V. Villanueva	43	Filipino	Chief Finance Officer/Treasurer, Compliance Officer, Corporate Information Officer
Marie Emelyn Gertrudes C. Martinez	58	Filipino	EVP, Head of Legal
Karen B. Maderazo	44	Filipino	VP, Head of Human Resources and Corporate Admin
Felipe L. Mangubat Jr.	57	Filipino	VP, Head of Operations Management
Michael R. Roxas	44	Filipino	Chief Risk Officer/Chief Audit Executive
Maria Carla T. Uykim	46	Filipino	Corporate Secretary and Assistant Corporate Information Officer
Nelileen S. Baxa	46	Filipino	Asst. Corporate Secretary

Board of Directors

ANDREW L. TAN, Filipino, 73 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, 59 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, 54 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.

KEVIN ANDREW L. TAN, 43 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.

FERDINAND T. SANTOS, Filipino, 72 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).

WILBUR L. CHAN, Filipino, 63 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.

GIANCARLO C. NG, 45 years old, was first elected as Director on 28 August 2020. He is the Vice-President of Progreen Agricorp, 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, 66 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, 69 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, 43 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 Conception.

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, 44 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, 57 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, 44 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, 46 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, 46 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

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

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

NAME	POSITION	YEAR	SALARY	Other Annual Compensation
<p>A. Five Most Highly Compensated Officers</p> <p>Monica T. Salomon Wilbur L. Chan</p> <p>Emelyn C. Martinez Felipe L. Mangubat, Jr.</p> <p>Lailani V. Villanueva</p>	<p>President Director for Hotels and Clubs EVP-Legal Head of Operations Management Chief Finance Officer</p>	<p>Estimate 2023</p>	<p>23.6 Million</p>	<p>4.3 Million</p>
<p>B. All other officers and directors as a group unnamed</p>			<p>25.9 Million</p>	<p>4.5 Million</p>
<p>A. Five Most Highly Compensated Officers</p> <p>Monica T. Salomon Wilbur L. Chan</p> <p>Emelyn C. Martinez Felipe L. Mangubat, Jr.</p> <p>Lailani V. Villanueva</p>	<p>President Director for Hotels and Clubs EVP-Legal Head of Operations Management Chief Finance Officer</p>	<p>2022</p>	<p>22.5 Million</p>	<p>4.1 Million</p>
<p>B. All other officers and directors as a group unnamed</p>			<p>24.7 Million</p>	<p>4.2 Million</p>

NAME	POSITION	YEAR	SALARY	Other Annual Compensation
A. Five Most Highly Compensated Officers		2021	21.6 Million	3.4 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			16.3 Million	2.1 Million

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to Php26.6 million in 2022, and Php25.0 million in 2021. The projected total annual compensation for the current year is Php27.9 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 (1st 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 (2nd 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 (3rd 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 (4th Tranche) and Php1.00 (5th 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 (3rd Tranche), an additional 50,000,000 common shares (4th Tranche), and an additional 50,000,000 common shares (5th 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 2022, 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 1st, 2nd, 3rd and 4th Tranches of the ESOP expired on 15 February 2019, 17 February 2020, 6 March 2021, and 8 March 2022, respectively and the 5th Tranche will expire on 16 June 2023. Thus, as of 31 March 2023, a total of fifty million common shares of unexercised options remains 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 2022 are as follows:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (Based in total shares)
Common Shares	Megaworld Corporation 30th Floor, Alliance Global Tower, 36 th St. corner 11 th 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 2022 common shares owned by all directors and executive officers of GERI, representing original issues and stock dividends are as follows:

Title of Class	Name of Beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	Percent of Class
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%

Other Executive Officers				
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 2022 and 2021 and for each of the last three (3) years ended 31 December, 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:

2022 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
- 22 July 2022 Organizational Board Meeting – election of Corporate Officers
- 22 July 2022 Annual Stockholders' Meeting & Election of Board of Directors
- Certification of Independent Directors


2. Press Releases


- 11 April 2022 – “GERI reports P5.0-billion in revenues for FY2021
- 13 May 2022 – “GERI’S INCOME UP BY 28% YoY TO P412 MILLION”
- 22 July 2022 – “GERI TO OPEN 1,200-SEATER CONVENTION CENTER IN BORACAY NEWCOAST”
- 11 August 2022 – “GERI’S FIRST HALF 2022 INCOME UP 32% TO P848-M”
- 08 November 2022 – “GERI Nine Months 2022 Earnings Performance”
- 25 November 2022 – “GERI TO BUILD ZEN-BALINESE INSPIRED LUXURY VILLAGE IN CAVITE”

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 Taguig City on April 12, 2023.

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


Christian R. Sta. Rita
 Assistant Vice President
 General Accounting I

SUBSCRIBED AND SWORN to before me this 12th day of April 2023, affiants exhibiting to me their valid identification card, as follows:

<u>NAMES</u>	<u>TIN/UMID/ SSS No./Driver's License</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	--	--
Christian R. Sta. Rita	N03-20-005870	--	--

Doc. No: 425;
 Page No.: 88;
 Book No.: X;
 Series of 2023.


CHARISMA MICHELLE L. DE JESUS
 NOTARY PUBLIC
 City of Taguig
 Appointment No. 33 valid until December 31, 2023
 9/F Commerce & Industry Plaza, 1030
 Campus Ave., McKinley Hill, Taguig City
 Attorney's Roll No. 68267
 IBP No. 171091/12-21-2021/Quezon City
 PTR No. 2368149/01-04-2022/Quezon City
 MCLE Compliance No. 0004921
 Issued on 27 August 2021 Valid until 14 April 2025

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
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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

4,164

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.



GLOBAL-ESTATE RESORTS, INC.

9th Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2nd 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, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 24th day of February, 2023



GLOBAL-ESTATE RESORTS, INC.

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

SUBSCRIBED AND SWORN to before me this 04 APR 2023 day of _____ at Quezon City, Philippines, affiant(s) exhibited to me their respective Identification Cards, as follows:

NAMES	Identification Number
Andrew L. Tan	TIN 125-960-003-000
Monica T. Salomon	TIN 182-240-560-000
Lailani V. Villanueva	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.

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Book No. XV
Series of 2023

[Signature]
Atty. Richard Leo M. Balduenza
Notary Public for Quezon City
Until December 31, 2023
Roll No. 53953
PTR No. 0531977 / 01/03/2023 / Plaridel Bulacan
MCLE Compliance No. VII - 0007663 / 11/04/2021
IBP Lifetime No. 7203 (01-17-08)



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Global-Estate Resorts, Inc. and Subsidiaries

December 31, 2022, 2021 and 2020



Report of Independent Auditors

Punongbayan & Araullo

20th 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, 2022 and 2021, and the 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The 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 those 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.

Revenue Recognition on Real Estate 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 P5.9 billion or 80.5% of the consolidated Revenues and Income and P2.1 billion or 47.2% of consolidated Costs and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgment and estimation, 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. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 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 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 tests of design and operating effectiveness of relevant controls over revenue generation and recognition, as well as tests of information technology (IT) general and application controls. We also performed tests of details to ascertain accuracy and occurrence of revenue recognized through examination of real estate sales contracts and other relevant supporting documents of the samples selected and performed overall analytical review of actual results.

As part of our test of compliance with revenue recognition criteria, we 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 behavior.

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 per project 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 consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to 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 design and operating effectiveness of controls over cost recognition and measurement, including IT general and application controls, and performed analytics on a year-on-year basis. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors, and official receipts.

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, 2022 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, 2022, 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, as modified by 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 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. 9566641, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2023

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,354,706,901	P 3,949,449,148
Trade and other receivables - net	6	8,463,172,618	7,529,861,186
Contract assets	19	3,438,659,294	1,914,210,251
Advances to real estate property owners	9	55,896,013	45,442,620
Advances to related parties	25	672,948,672	714,141,424
Inventories - net	7	20,023,795,404	18,872,379,522
Prepayments and other current assets - net	8	3,949,207,036	3,245,392,771
		38,958,385,938	36,270,876,922
NON-CURRENT ASSETS			
Trade and other receivables - net	6	3,428,657,521	2,604,563,540
Contract assets	19	1,062,583,443	1,233,089,935
Advances to real estate property owners	9	1,272,206,783	1,258,287,730
Investment in an associate - net	10	731,197,235	731,432,952
Investment properties - net	11	10,705,712,498	10,797,030,614
Property and equipment - net	12	883,770,248	912,535,908
Right-of-use assets - net	13	115,784,192	150,159,058
Other non-current assets - net	14	148,190,871	160,092,926
		18,348,102,791	17,847,192,663
TOTAL ASSETS			
		P 57,306,488,729	P 54,118,069,585

	Notes	2022	2021
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	15	P 1,587,254,907	P 1,387,254,907
Trade and other payables	16	4,064,589,034	3,605,270,531
Contract liabilities	19	595,562,676	491,603,288
Due to joint venture partners	17	386,706,191	400,238,268
Advances from related parties	25	851,450,654	850,531,858
Redeemable preferred shares	26	-	251,597,580
Customers' deposits	2	1,384,011,046	1,226,743,675
Lease liabilities	13	114,705,742	84,127,139
		<u>8,984,280,250</u>	<u>8,297,367,246</u>
Total Current Liabilities			
NON-CURRENT LIABILITIES			
Interest-bearing loans	15	6,018,414,593	6,105,669,497
Contract liabilities	19	310,926,830	267,065,145
Customers' deposits	2	97,981,763	73,650,170
Retirement benefit obligation	23	111,012,219	127,234,441
Deferred tax liabilities - net	24	2,665,766,500	2,135,571,400
Lease liabilities	13	408,618,892	442,785,024
Other non-current liabilities	18	513,118,898	597,836,442
		<u>10,125,839,695</u>	<u>9,749,812,119</u>
Total Non-current Liabilities			
Total Liabilities		<u>19,110,119,945</u>	<u>18,047,179,365</u>
EQUITY			
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		71,504,073	32,585,760
Retained earnings	2	16,010,172,859	14,218,026,127
		<u>31,815,416,206</u>	<u>29,984,351,161</u>
Non-controlling interest	10	6,380,952,578	6,086,539,059
Total Equity		<u>38,196,368,784</u>	<u>36,070,890,220</u>
TOTAL LIABILITIES AND EQUITY		<u>P 57,306,488,729</u>	<u>P 54,118,069,585</u>

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES AND INCOME				
Real estate sales	6, 19	P 5,899,854,122	P 3,717,314,154	P 3,614,255,530
Rental income	11, 19	455,961,990	408,929,904	619,359,588
Hotel operations	19	420,470,075	145,950,403	201,209,745
Service income	2	138,379,243	131,419,980	124,218,552
Marketing fees	9	68,717,195	148,531,430	314,157,595
Finance and other income	20	346,907,590	433,968,542	322,396,825
		<u>7,330,290,215</u>	<u>4,986,114,413</u>	<u>5,195,597,835</u>
COSTS AND EXPENSES				
Cost of real estate sales	21, 22	2,144,625,053	1,628,491,489	1,538,459,693
Cost of rentals and services	21, 22	319,643,144	344,233,070	317,293,791
Cost of hotel operations	21, 22	191,572,019	75,864,785	113,669,079
Other operating expenses	21	1,492,773,638	1,044,689,038	1,122,279,497
Finance costs and other charges	20	392,076,778	220,512,155	156,338,409
Equity share in net losses of associates	10	235,717	594,473	120,265
		<u>4,540,926,349</u>	<u>3,314,385,010</u>	<u>3,248,160,734</u>
PROFIT BEFORE TAX		2,789,363,866	1,671,729,403	1,947,437,101
TAX EXPENSE	24	<u>702,803,615</u>	<u>177,036,359</u>	<u>647,156,777</u>
NET PROFIT		<u>2,086,560,251</u>	<u>1,494,693,044</u>	<u>1,300,280,324</u>
OTHER COMPREHENSIVE INCOME				
Remeasurements of retirement benefit plan	23	51,891,084	34,002,912	3,372,833
Tax expense	24	(12,972,771)	(9,045,618)	(1,011,850)
		<u>38,918,313</u>	<u>24,957,294</u>	<u>2,360,983</u>
TOTAL COMPREHENSIVE INCOME		P 2,125,478,564	P 1,519,650,338	P 1,302,641,307
Net profit attributable to:				
Parent Company's shareholders		P 1,792,146,732	P 1,311,281,638	P 1,086,836,496
Non-controlling interest		<u>294,413,519</u>	<u>183,411,406</u>	<u>213,443,828</u>
		<u>P 2,086,560,251</u>	<u>P 1,494,693,044</u>	<u>P 1,300,280,324</u>
Total comprehensive income attributable to:				
Parent Company's shareholders		P 1,831,065,045	P 1,336,238,932	P 1,089,197,479
Non-controlling interest		<u>294,413,519</u>	<u>183,411,406</u>	<u>213,443,828</u>
		<u>P 2,125,478,564</u>	<u>P 1,519,650,338</u>	<u>P 1,302,641,307</u>
EARNINGS PER SHARE				
	27			
Basic		<u>P 0.163</u>	P 0.119	P 0.099
Diluted		<u>P 0.162</u>	P 0.118	P 0.097

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Attributable to Owners of the Parent Company					Non-controlling Interest (see Note 10)	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, 2022	P 10,986,000,000	P 4,747,739,274	P 32,585,760	P 14,218,026,127	P 29,984,351,161	P 6,086,539,059	P 36,070,890,220
Total comprehensive income for the year	-	-	38,918,313	1,792,146,732	1,831,065,045	294,413,519	2,125,478,564
Balance at December 31, 2022	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 71,504,073</u>	<u>P 16,010,172,859</u>	<u>P 31,815,416,206</u>	<u>P 6,380,952,578</u>	<u>P 38,196,368,784</u>
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	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 32,585,760</u>	<u>P 14,218,026,127</u>	<u>P 29,984,351,161</u>	<u>P 6,086,539,059</u>	<u>P 36,070,890,220</u>
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>

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,789,363,866	P 1,671,729,403	P 1,947,437,101
Adjustments for:				
Depreciation and amortization	21	318,484,433	356,424,161	360,640,145
Loss on refund and sales cancellation	20	298,886,075	106,759,954	14,447,453
Finance income	20	(244,526,620)	(177,933,238)	(164,191,512)
Finance costs	20	90,703,736	113,752,201	131,202,017
Impairment loss	6	34,776,037	-	-
Foreign exchange losses (gains)	20	(29,525,566)	(15,262,638)	10,119,955
Gain on derecognition of payables	20	(20,121,398)	(106,187,235)	(94,917,309)
Equity share in net losses of associates	10	235,717	594,473	120,265
Operating profit before working capital changes		3,238,276,280	1,949,877,081	2,204,858,115
Decrease (increase) in trade and other receivables		(1,585,179,222)	(715,659,970)	112,733,580
Increase in contract assets		(1,353,942,551)	(353,304,239)	(1,281,574,607)
Decrease (increase) in inventories		(975,912,011)	(509,485,835)	22,106,519
Increase in prepayments and other current assets		(848,095,211)	(146,966,870)	(214,388,451)
Decrease (increase) in advances to real estate property owners		(37,904,523)	(30,391,429)	51,357,123
Decrease (increase) in refundable deposits		13,655,034	6,828,979	(7,171,275)
Decrease (increase) in other non-current assets		(247,033)	630,075	81,015,792
Increase (decrease) in trade and other payables		180,553,826	324,139,016	(371,075,167)
Increase (decrease) in contract liabilities		147,821,073	(40,891,619)	(433,082,646)
Increase (decrease) in customers' deposits		181,598,964	2,928,174	(50,263,044)
Increase in retirement benefit obligation		9,592,881	34,904,263	21,989,821
Increase (decrease) in other non-current liabilities		(118,503,793)	(133,300,833)	48,494,152
Cash generated from (used in) operations		(1,148,286,286)	389,306,793	184,999,912
Interest received		37,524,392	9,054,204	39,897,286
Interest paid		(280,470,036)	(258,340,562)	(249,512,260)
Cash paid for income taxes		(7,514,090)	(39,835,078)	(163,838,514)
Net Cash From (Used in) Operating Activities		(1,398,746,020)	100,185,357	(188,453,576)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of advances to related parties	25	89,447,235	7,860,549	189,176,412
Cash advances granted to related parties	25	(48,254,483)	(4,376,944)	(29,143,617)
Additions to:				
Investment properties	11	(42,339,442)	(116,582,384)	(236,252,651)
Property and equipment	12	(41,517,891)	(76,291,689)	(9,584,509)
Software	14	(3,611,795)	-	-
Proceeds from disposals of property and equipment	12	111,235	87,321	17,143
Net Cash Used in Investing Activities		(46,165,141)	(189,303,147)	(85,787,222)
<i>Balance brought forward</i>		(P 1,444,911,161)	(P 89,117,790)	(P 274,240,798)

	Notes	2022	2021	2020
<i>Balance carried forward</i>		(P 1,444,911,161)	(P 89,117,790)	(P 274,240,798)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of interest-bearing loans	33	1,500,000,000	3,628,953,824	2,000,000,000
Repayments of interest-bearing loans	33	(1,387,254,904)	(1,470,588,240)	(1,689,747,078)
Redemption of preferred shares	26	(251,597,580)	(251,597,580)	(251,597,580)
Repayments of advances from related parties	25	(89,307,944)	(75,650,853)	(94,707,395)
Cash advances obtained from related parties	25	88,426,531	-	1,067,562
Repayment of lease liabilities	33	(39,622,755)	(46,917,893)	(63,023,129)
Net Cash From (Used in) Financing Activities		(179,356,652)	1,784,199,258	(98,007,620)
Effects of Exchange Rates Changes on Cash and Cash Equivalents		29,525,566	15,262,638	(10,119,955)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,594,742,247)	1,710,344,106	(382,368,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,949,449,148</u>	<u>2,239,105,042</u>	<u>2,621,473,415</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 2,354,706,901</u>	<u>P 3,949,449,148</u>	<u>P 2,239,105,042</u>

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 properties 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, the Group recognized right-of-use assets and lease liabilities amounting to P68.2 million and P62.1 million, respectively (see Notes 13 and 33). There was no similar transaction in 2022.
- (3) In 2021, the Group applied Advances to contractors amounting to P51.1 million against payments made for investment properties additions during the year (see Notes 11 and 14). There was no similar transaction in 2022.

See Notes to Consolidated Financial Statements.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(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 16th Floor, Alliance Global Tower, 36th Street cor. 11th 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.

Megaworld Corporation (Megaworld or the parent company) is the parent company of Global-Estate Resorts, Inc. and subsidiaries (the Group). Megaworld is 70% 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 30th Floor, Alliance Global Tower, 36th Street cor. 11th 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 7th 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>
Subsidiaries:		
Global-Estate Properties, Inc. (GEPI)		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. (FPBCB)	(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.	(e)	100%
Belmont Hotel Boracay, Inc.	(e)	100%
Megaworld Global-Estate, Inc. (MGEL)	(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%
Associates:		
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 2022 represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEL, 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 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 prior years 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. Associate because GERI has a representation in the BOD.

1.2 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's BOD on February 24, 2023.

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 Group 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 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

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- 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*

- 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*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 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 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.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (until December 31, 2023)

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, in 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.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (until December 31, 2023)

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.

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 does 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.

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 percentage of completion (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.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(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 a consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes 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 the 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 Peso, 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 the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS

(a) *Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

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 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. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated statement of comprehensive income.

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 the consolidated 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 represents 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:

- 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.
- 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.

- 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*

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

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.

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 Group 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.

NCI represents 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) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management assesses that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(iv) Service and Other income

The Group determines that its revenue from services 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 applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(v) 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 below and 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 Group 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, 2022 and 2021, 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, 2022 and 2021 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.

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, 2022, 2021 and 2020 (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, 2022, 2021 and 2020 and certain asset and liability information regarding segments at December 31, 2022, 2021 and 2020.

As of and for the Year Ended December 31, 2022

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Service Income</u>	<u>Corporate and Others</u>	<u>Total</u>
TOTAL REVENUES						
Sales to external customers	P 6,141,965,484	P 455,961,990	P 420,470,075	P138,379,243	P 171,098,165	P 7,327,874,957
Intersegment sales	-	70,388,556	-	93,089,325	267,646,086	431,123,967
Total revenues	<u>P 6,141,965,484</u>	<u>P 526,350,546</u>	<u>P 420,470,075</u>	<u>P231,468,568</u>	<u>P 438,744,251</u>	<u>P 7,758,998,924</u>
RESULTS						
Segment results	P 2,139,801,712	P 168,752,997	P 125,950,750	P 72,064,511	P 129,206,729	P 2,635,776,699
Unallocated expenses						-
Income from operations						2,635,776,699
Finance income	158,725,173	-	-	-	85,801,447	244,526,620
Finance costs	-	-	-	-	(90,703,736)	(90,703,736)
Equity in net losses of associates	-	-	-	-	(235,717)	(235,717)
Income before tax						2,789,363,866
Tax expense						(702,803,615)
Net profit before non-controlling interest						2,086,560,251
Non-controlling interest share in net profit						294,413,519
Net income attributable to the Company's shareholders						<u>P 1,792,146,732</u>
ASSETS AND LIABILITIES						
Segment assets	P45,201,156,480	P5,902,349,230	P1,076,877,575	P383,124,515	P3,289,178,915	P55,852,686,715
Investments in and advances to associates and other related parties	-	-	-	-	1,404,145,907	1,404,145,907
Deferred tax assets	-	-	49,324,742	331,365	-	49,656,107
Total assets	<u>P 45,201,156,480</u>	<u>P5,902,349,230</u>	<u>P1,126,202,317</u>	<u>P383,455,880</u>	<u>P4,693,324,822</u>	<u>P57,306,488,729</u>
Segment liabilities	P 12,850,510,378	P 663,340,867	P 866,792,834	P233,749,039	P1,829,960,327	P16,444,353,445
Deferred tax liabilities	2,665,766,500	-	-	-	-	2,665,766,500
Total Liabilities	<u>P 15,516,276,878</u>	<u>P 663,340,867</u>	<u>P 866,792,834</u>	<u>P233,749,039</u>	<u>P1,829,960,327</u>	<u>P19,110,119,945</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 3,778,828,361	P 204,570,616	P 1,428,367	P 486,906	P 39,936,971	P 4,025,305,221
Depreciation and amortization	29,156,185	244,830,082	17,381,792	4,226,007	22,890,367	318,484,433

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</u>
TOTAL REVENUES						
Sales to external customers	P 3,871,797,094	P 408,929,904	P 145,950,403	P131,419,980	P 404,566,734	P 4,962,664,115
Intersegment sales	<u>-</u>	<u>70,286,871</u>	<u>-</u>	<u>27,768,869</u>	<u>391,777,108</u>	<u>489,832,848</u>
Total revenues	<u>P 3,871,797,094</u>	<u>P 479,216,775</u>	<u>P 145,950,403</u>	<u>P159,188,849</u>	<u>P 796,343,842</u>	<u>P 5,452,496,963</u>
RESULTS						
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						<u>-</u>
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 losses						
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						<u>183,411,406</u>
Net income attributable to						
the Company's shareholders						<u>P 1,311,281,638</u>
ASSETS AND LIABILITIES						
Segment assets	P39,712,084,622	P6,533,292,701	P1,426,787,528	P303,817,005	P4,660,277,102	P52,636,258,958
Investments in and advances						
to associates and other						
related parties	-	-	-	-	1,445,574,376	1,445,574,376
Deferred tax assets	<u>-</u>	<u>-</u>	<u>35,830,838</u>	<u>405,413</u>	<u>-</u>	<u>36,236,251</u>
Total assets	<u>P 39,712,084,622</u>	<u>P6,533,292,701</u>	<u>P1,462,618,366</u>	<u>P304,222,418</u>	<u>P6,105,851,478</u>	<u>P54,118,069,585</u>
Segment liabilities	P 11,461,866,680	P 683,592,131	P 481,161,635	P 88,249,203	P3,196,738,316	P15,911,607,965
Deferred tax liabilities	<u>2,135,571,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135,571,400</u>
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>P3,196,738,316</u>	<u>P18,047,179,365</u>
OTHER SEGMENT INFORMATION						
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</u>
TOTAL REVENUES						
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>
RESULTS						
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 losses 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						213,443,828
Net income attributable to the Company's shareholders						<u>P 1,086,836,496</u>
ASSETS AND LIABILITIES						
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
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	2,078,888,861	-	-	-	-	2,078,888,861
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>
OTHER SEGMENT INFORMATION						
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	24,322,478	360,640,145

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>2022</u>	<u>2021</u>	<u>2020</u>
Net revenues			
Total segment revenues	P 7,758,998,924	P 5,452,496,963	P 5,348,719,525
Day - one loss on installment contract receivables	(242,111,362)	(154,482,940)	(66,674,291)
Elimination of intersegment revenues	(431,123,967)	(489,832,848)	(250,638,911)
Revenues as reported in consolidated profit or loss*	<u>P 7,085,763,595</u>	<u>P 4,808,181,175</u>	<u>P 5,031,406,323</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>2022</u>	<u>2021</u>
Cash on hand and in banks	P 1,679,087,075	P2,760,641,366
Short-term placements	<u>675,619,826</u>	<u>1,188,807,782</u>
	<u>P 2,354,706,901</u>	<u>P3,949,449,148</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 0.05% to 5.25% in 2022 and 0.01% to 1.13% in 2021.

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>2022</u>	<u>2021</u>
Current:			
Installment contract and other trade receivables		P8,089,331,798	P7,112,591,663
Unearned discount and interest		(235,788,884)	(125,432,774)
VAT on contracts with customers		603,666,029	523,690,211
Advances to officers and employees	25.3	170,886,698	193,437,226
Finance lease receivable	28.1	112,178,195	81,915,204
Advances to raw landowners		58,652,413	59,196,996
Others		<u>204,588,669</u>	<u>224,804,960</u>
		9,003,514,918	8,070,203,486
Allowance for impairment		(<u>540,342,300</u>)	(<u>540,342,300</u>)
		<u>P8,463,172,618</u>	<u>P7,529,861,186</u>
Non-current:			
Installment contract receivables		P2,701,472,523	P1,960,489,061
Unearned discount and interest		(102,781,127)	(75,928,397)
Finance lease receivable	28.1	436,646,173	490,989,785
VAT on contracts with customers		<u>393,319,952</u>	<u>229,013,091</u>
		<u>P3,428,657,521</u>	<u>P2,604,563,540</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 P115.7 million, P92.6 million and P95.5 million in 2022, 2021 and 2020, 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 P242.1 million, P154.5 million and P66.7 million in 2022, 2021 and 2020, 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 P38.4 million, P42.1 million and P45.5 million in 2022, 2021 and 2020, respectively, and are presented as part of Finance Income under Finance and Other Income account in the 2022 and 2021 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 2022, certain rent receivables assessed to be no longer collectible were written off amounting to P34.8 million recognized as Impairment loss as part of Other Operating Expenses under Costs and Expenses in the 2022 consolidated statement of comprehensive income (see Note 21). In 2021, management assessed that no additional impairment loss is needed to be recognized.

As of December 31, 2022 and 2021, 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 2022 and 2021 were stated at cost. The details of inventories are shown below.

	<u>2022</u>	<u>2021</u>
At cost:		
Real estate for sale	P 11,477,183,610	P11,386,972,479
Property development cost	3,104,881,102	2,088,914,308
Raw land inventory	<u>2,533,573,625</u>	<u>2,497,451,968</u>
	<u>17,115,638,337</u>	<u>15,973,338,755</u>
Golf and resort shares for sale at NRV:		
At cost	2,996,568,569	2,987,452,269
Allowance for impairment	<u>(88,411,502)</u>	<u>(88,411,502)</u>
	<u>2,908,157,067</u>	<u>2,899,040,767</u>
	<u>P 20,023,795,404</u>	<u>P18,872,379,522</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 P361.0 million and P222.3 million for the years ended December 31, 2022 and 2021, respectively. The said interest was incurred in relation to the interest-bearing loans obtained in 2022, 2021, and 2020 (see Note 15). The capitalization rate averaged 6.13% and 4.82% in 2022 and 2021, respectively.

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.

In 2022 and 2021, the Group reclassified property development cost and real estate for sale with a total carrying amount of P84.1 million and P31.5 million, respectively, to investment properties as such properties are held to earn rentals (see Note 11).

In 2022 and 2021, the Group reclassified property and equipment with a total carrying amount of P5.9 million and P23.1 million, respectively, to property development cost (see Note 12).

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, 2022 and 2021, 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 2022 and 2021.

None of the Group's inventories are used as collateral for its interest-bearing loans and borrowings.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Advances to contractors and suppliers		P1,862,963,725	P1,378,110,469
Input VAT		907,238,201	887,038,032
Creditable withholding tax		468,480,286	328,641,282
Deferred commission	19.3	396,898,739	299,438,713
Prepayments		228,445,602	285,663,530
Others		<u>103,897,408</u>	<u>85,217,670</u>
		3,967,923,961	3,264,109,696
Allowance for impairment		<u>(18,716,925)</u>	<u>(18,716,925)</u>
		<u>P3,949,207,036</u>	<u>P3,245,392,771</u>

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.

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>2022</u>	<u>2021</u>
Advances to real estate property owners	P1,359,363,290	P1,338,894,518
Unearned discount and interest	(31,260,494)	(35,164,168)
	<u>P1,328,102,796</u>	<u>P1,303,730,350</u>

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

	<u>2022</u>	<u>2021</u>
Current	P 55,896,013	P 45,442,620
Non-current	<u>1,272,206,783</u>	<u>1,258,287,730</u>
	<u>P1,328,102,796</u>	<u>P1,303,730,350</u>

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

	<u>2022</u>	<u>2021</u>
Total commitment for construction expenditures	P6,593,328,568	P6,398,467,228
Total expenditures incurred	(5,983,247,141)	(5,812,051,334)
Net commitment	<u>P 610,081,427</u>	<u>P 586,415,894</u>

The Group's interests on jointly-controlled operations and projects up to 50% in both 2022 and 2021. 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, 2022 and 2021, 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 2022 and 2021 is presented as part of Finance income under the Finance and Other Income account under the Revenues and Income section 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 2022, 2021 and 2020 amounting to P68.7 million, P148.5 million and P250.3 million, respectively, which are presented as part of Marketing fees under the Revenues and Income section in the consolidated statements of comprehensive income.

All of the Group's advances have been analyzed for ECL. Based on management's evaluation, the expected loss is not significant [see Note 29.2(c)].

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>2022</u>	<u>2021</u>
Acquisition costs - NPI	<u>P 734,396,528</u>	<u>P 734,396,528</u>
Accumulated equity share in net losses:		
Balance at beginning of year	(<u>2,963,576</u>)	(2,369,103)
Equity share in net losses for the year	(<u>235,717</u>)	(<u>594,473</u>)
Balance at end of year	(<u>3,199,293</u>)	(<u>2,963,576</u>)
	<u>P 731,197,235</u>	<u>P 731,432,952</u>

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

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>2022</u>	<u>2021</u>
Current assets	P 253,744,471	P 255,428,161
Non-current assets	5,411,008,680	5,411,008,680
Current liabilities	1,317,011,624	1,317,011,624
Revenues	2,252	3,980
Net loss	1,683,690	4,246,233

NPI does not have any non-current liabilities as of December 31, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Net assets at end of year	P4,347,741,527	P4,349,425,217
Equity ownership interest	<u>14%</u>	<u>14%</u>
	608,683,813	608,919,530
Nominal goodwill	<u>122,513,422</u>	<u>122,513,422</u>
Balance at end of year	<u>P 731,197,235</u>	<u>P 731,432,952</u>

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	
		2022	2021	2022	2021	2022	2021
TLC	Various stockholders	49%	49%	P 89,356,565	P 96,358,759	P 3,856,236,591	P 3,766,880,026
SMI	Megaworld	49%	49%	13,961,642	26,894,654	1,222,137,833	1,208,176,191
OPI	Various stockholders	50%	50%	42,219,772	31,325,736	393,181,812	350,962,040
SWEC	Various stockholders	40%	40%	115,265,709	23,081,924	431,040,409	315,774,700

No dividends were paid by the subsidiaries to the NCI in 2022 and 2021.

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 – 5th 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Current assets	P 5,589,904,829	P 5,154,120,425	P 685,911,234	P 740,511,987	P 1,113,424,476	P 607,883,234	P 800,145,973	P 964,080,914
Non-current assets	5,905,702,011	6,118,317,246	2,788,551,904	2,907,102,072	385,774,223	371,449,181	620,655,135	381,500,457
Total assets	<u>P 11,495,606,840</u>	<u>P 11,272,437,671</u>	<u>P 3,474,463,138</u>	<u>P 3,647,614,059</u>	<u>P 1,499,189,699</u>	<u>P 979,332,415</u>	<u>P 1,420,801,108</u>	<u>P 1,345,581,371</u>
Current liabilities	P 1,030,603,110	P 1,305,604,988	P 700,805,375	P 876,814,635	P 301,957,256	P 161,904,006	P 543,763,950	P 577,845,293
Non-current liabilities	2,452,453,596	2,181,504,466	276,895,823	302,374,922	145,636,243	53,987,482	130,673,536	105,812,000
Total liabilities	<u>P 3,483,056,706</u>	<u>P 3,487,106,454</u>	<u>P 977,701,198</u>	<u>P 1,179,189,557</u>	<u>P 447,593,599</u>	<u>P 215,891,488</u>	<u>P 674,437,486</u>	<u>P 683,657,293</u>
Equity attributable to shareholders of the Company	<u>P 4,086,400,569</u>	<u>P 3,970,518,921</u>	<u>P 1,273,348,094</u>	<u>P 1,258,896,496</u>	<u>P 630,957,660</u>	<u>P 458,064,556</u>	<u>P 373,181,811</u>	<u>P 330,962,039</u>
Non-controlling interests	<u>P 3,926,149,565</u>	<u>P 3,814,812,296</u>	<u>P 1,223,413,846</u>	<u>P 1,209,528,006</u>	<u>P 420,638,440</u>	<u>P 305,376,371</u>	<u>P 373,181,811</u>	<u>P 330,962,039</u>
Revenue	<u>P 1,013,251,779</u>	<u>P 986,521,655</u>	<u>P 279,518,521</u>	<u>P 288,865,380</u>	<u>P 581,427,185</u>	<u>P 115,645,400</u>	<u>P 402,557,151</u>	<u>P 171,350,218</u>
Profit for the year attributable to shareholders of the Company	P 93,003,771	P 100,291,769	P 14,531,493	P 27,625,220	P 172,898,564	P 34,405,767	P 42,219,772	P 31,325,735
Profit for the year attributable to NCI	89,356,565	96,358,759	13,961,642	26,894,654	115,265,709	23,081,924	42,219,772	31,325,735
Profit for the year	<u>P 182,360,336</u>	<u>P 196,650,528</u>	<u>P 28,493,135</u>	<u>P 54,519,874</u>	<u>P 288,164,273</u>	<u>P 57,487,691</u>	<u>P 84,439,544</u>	<u>P 62,651,470</u>
Net cash from (used) in operating activities	(P 885,714,860)	(P 123,787,411)	P 204,864,215	P 193,614,442	P 94,205,396	(P 9,015,099)	P 82,158,752	P 132,983,812
Net cash from (used in) investing activities	(30,373,506)	(7,154,435)	2,471,384	(71,851,752)	(2,372,386)	1,832,925	26,353	46,024
Net cash from (used in) financing activities	237,281,308	1,020,457	(180,151,893)	(92,028,398)	-	(30,000,000)	(77,980,890)	(140,453,079)
Effect of foreign exchange rates	14,682,204	(6,017,912)	-	-	-	-	-	-
Net cash inflow (outflow)	<u>(P 664,124,854)</u>	<u>(P 135,939,301)</u>	<u>P 27,183,706</u>	<u>P 29,734,292</u>	<u>P 91,833,010</u>	<u>(P 37,182,174)</u>	<u>P 4,204,215</u>	<u>(P 7,423,243)</u>

TLC, SMI, SWEC and OPI have no other comprehensive income in the year 2022 and 2021; hence, the respective total comprehensive income (loss) of these subsidiaries are the same with the profit (loss) recognized in both years.

11. INVESTMENT PROPERTIES

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 show as follows:

	<u>Building and Improvements</u>	<u>Land and Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2022				
Cost	P 6,531,318,380	P 5,541,498,340	P 51,918,605	P 12,124,735,325
Accumulated depreciation and amortization	(1,279,317,288)	(139,705,539)	-	(1,419,022,827)
Net carrying value	<u>P 5,252,001,092</u>	<u>P 5,401,792,801</u>	<u>P 51,918,605</u>	<u>P 10,705,712,498</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	<u>P 5,270,724,519</u>	<u>P 5,486,844,996</u>	<u>P 39,461,099</u>	<u>P 10,797,030,614</u>
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	<u>P 5,155,359,423</u>	<u>P 5,630,537,053</u>	<u>P 38,857,749</u>	<u>P 10,824,754,225</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is as follows:

	<u>Building and Improvements</u>	<u>Land and Development and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 5,270,724,519	P 5,486,844,996	P 39,461,099	P 10,797,030,614
Additions	15,071,042	14,810,894	12,457,506	42,339,442
Reclassifications (see Note 7)	183,956,795	(99,863,089)	-	84,093,706
Depreciation and amortization charges for the year	(217,751,264)	-	-	(217,751,264)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 5,252,001,092</u>	<u>P 5,401,792,801</u>	<u>P 51,918,605</u>	<u>P 10,705,712,498</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 (see Note 7)	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	<u>P 5,270,724,519</u>	<u>P 5,486,844,996</u>	<u>P 39,461,099</u>	<u>P 10,797,030,614</u>
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	<u>P 5,155,359,423</u>	<u>P 5,630,537,053</u>	<u>P 38,857,749</u>	<u>P 10,824,754,225</u>

Rental revenues recognized in 2022, 2021 and 2020 amounted to P456.0 million, P408.9 million and P619.4 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 P38.6 million, P56.1 million and P22.2 million in 2022, 2021 and 2020, respectively, and Repairs and maintenance amounting to P12.4 million, P0.4 million and P6.4 million in 2022, 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 amounting to P51.1 million (see Note 14). There was no similar transaction in 2022.

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, 2022 and 2021. In 2022 and 2021, there are no contractual commitments for construction-in-progress projects.

Based on management's estimate, the fair value of building and improvements amounted to P9,935.8 million and P10,502.0 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 8.61% and 7.48% as at December 31, 2022 and 2021, respectively.

On the other hand, the fair value of land and land development and improvements amounted to P30,413.5 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, 2022 and 2021.

Moreover, the carrying value of construction in progress approximates its fair value as of December 31, 2022 and 2021.

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

None of the Group's investment properties are used as collateral for its interest-bearing loans and borrowings.

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 as follows:

	Land	Building	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Building and Office Improvements	Total
December 31, 2022						
Cost	P 1,600,000	P 1,165,621,185	P 325,551,545	P 328,212,248	P 152,975,382	P 1,973,960,360
Accumulated depreciation and amortization	-	(423,169,764)	(270,356,822)	(310,365,078)	(86,298,448)	(1,090,190,112)
Net carrying amount	<u>P 1,600,000</u>	<u>P 742,451,421</u>	<u>P 55,194,723</u>	<u>P 17,847,170</u>	<u>P 66,676,934</u>	<u>P 883,770,248</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>

	<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>
January 1, 2021						
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>

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, 2022 net of accumulated depreciation and amortization	P 1,600,000	P 756,147,740	P 52,685,791	P 25,090,473	P 77,011,904	P 912,535,908
Additions	-	-	27,606,747	8,048,021	5,863,123	41,517,891
Disposals	-	-	-	(111,235)	-	(111,235)
Reclassifications (see Note 7)	-	(5,871,162)	(48,697)	-	-	(5,919,859)
Depreciation and amortization Charges for the year	-	(7,825,157)	(25,049,118)	(15,180,089)	(16,198,093)	(64,252,457)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 1,600,000</u>	<u>P 742,451,421</u>	<u>P 55,194,723</u>	<u>P 17,847,170</u>	<u>P 66,676,934</u>	<u>P 883,770,248</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 (see Note 7)	-	-	-	-	(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>

In 2022 and 2021, the Group reclassified property and equipment with a total carrying amount of P5.9 million and P23.1 million, respectively, to property development cost (see Note 7).

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 P626.5 million and P431.7 million as at December 31, 2022 and 2021, respectively.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

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 2016, the Company entered into a lease agreement as lessee with Megaworld for the new space where the Company transferred its office in 2017 and recognized the related right-of-use asset and lease liability. 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 2020 consolidated statement of comprehensive income (see Note 21). 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 2020 consolidated statement of comprehensive income (see Note 20.2). No amount was recognized in the 2021 for amortization of the right-of-use asset and interest expense due to its pre-termination in 2020.

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. In the same year, 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 2020 consolidated statement of comprehensive income (see Note 21). There was no similar transaction in 2022 and 2021.

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 liability amounting to P62.1 million.

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>
December 31, 2022					
Offices	3	1 – 12 years	12 years	3	3
Commercial lot	1	26 years	26 years	1	1
December 31, 2021					
Offices	3	2 – 13 years	13 years	3	3
Commercial lot	1	27 years	27 years	1	1

The carrying amounts of the Group's right-of-use assets as at December 31, 2022 and 2021 and the movements during the periods are shown as follows.

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<u>December 31, 2022</u>			
Cost			
Balance at beginning and end of year	P 180,073,145	P 25,654,963	P 205,728,108
Accumulated amortization			
Balance at beginning of year	51,464,255	4,104,795	55,569,050
Amortization for the year	<u>33,006,601</u>	<u>1,368,265</u>	<u>34,374,866</u>
Balance at end of year	<u>84,470,856</u>	<u>5,473,060</u>	<u>89,943,916</u>
Carrying amount at December 31, 2022	<u>P 95,602,289</u>	<u>P 20,181,903</u>	<u>P 115,784,192</u>
<u>December 31, 2021</u>			
Cost			
Balance at beginning of year	P 111,843,748	P 25,654,963	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	<u>P 128,608,890</u>	<u>P 21,550,168</u>	<u>P 150,159,058</u>

13.2 Lease Liabilities

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

	<u>2022</u>	<u>2021</u>
Current	P 114,705,742	P 84,127,139
Non-current	<u>408,618,892</u>	<u>442,785,024</u>
	<u>P 523,324,634</u>	<u>P 526,912,163</u>

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 526,912,163	P 473,635,321
Addition	-	62,125,930
Interest amortization	36,035,226	38,068,805
Repayment of lease liabilities	<u>(39,622,755)</u>	<u>(46,917,893)</u>
Balance at end of year	<u>P 523,324,634</u>	<u>P 526,912,163</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 2022 and 2021 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, 2022							
Lease payment	P 148,342,735	P 69,740,970	P 59,057,830	P 28,993,255	P 27,149,002	P 691,250,293	P1,024,534,085
Finance charges	(33,636,993)	(30,846,283)	(27,763,670)	(26,439,824)	(26,345,415)	(356,177,266)	(501,209,451)
Net present value	<u>P 114,705,742</u>	<u>P 38,894,687</u>	<u>P 31,294,160</u>	<u>P 2,553,431</u>	<u>P 803,587</u>	<u>P335,073,027</u>	<u>P 523,324,634</u>
December 31, 2021							
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	P1,064,156,841
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	<u>P 84,127,139</u>	<u>P 34,166,132</u>	<u>P 38,894,686</u>	<u>P 31,294,162</u>	<u>P 2,553,431</u>	<u>P335,876,613</u>	<u>P 526,912,163</u>

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 P33.0 million, P35.2 million and P63.0 million for the years ended December 31, 2022, 2021 and 2020, 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 Notes 21 and 22.3).

At December 31, 2022 and 2021, the Group is committed to short-term leases, and the total commitment at those dates are P12.3 million and P16.8 million, respectively.

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P39.6 million and P46.9 million in 2022 and 2021, respectively. Interest expense in relation to lease liabilities amounted to P36.0 million and P38.1 million in 2022 and 2021, respectively, and is presented as part of Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Note 20.2).

14. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Refundable deposits	29.2	P 91,036,127	P 118,111,018
Deferred tax assets – net	24	49,656,107	36,236,251
Software		4,886,272	3,380,323
Others		<u>2,612,365</u>	<u>2,365,334</u>
		<u>P 148,190,871</u>	<u>P 160,092,926</u>

Amortization for the Group's software amounting to P2.1 million and P2.3 million in 2022 and 2021, respectively, are presented as part of Depreciation and Amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 21).

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 amounting to P51.1 million (see Note 11).

As of December 31, 2022 and 2021, management assessed that the Group's other non-current assets are fully recoverable. As such, no impairment losses are recognized in 2022 and 2021.

15. INTEREST-BEARING LOANS

The Group's interest-bearing loans are broken down as follows:

	<u>2022</u>	<u>2021</u>
Current	P1,587,254,907	P1,387,254,907
Non-current	<u>6,018,414,593</u>	<u>6,105,669,497</u>
	<u>P7,605,669,500</u>	<u>P7,492,924,404</u>

The Company and TLC obtained unsecured, interest-bearing loans from Megaworld in the last quarter of 2022 and 2021 amounting to P1.5 billion and P2.0 billion, respectively. These loans bear a fixed interest rate of 6.33% and shall be payable for a maximum term of 16 months for the loan obtained in 2022 and for a maximum period of eight years for the loan obtained in 2021. As of December 31, 2022 and 2021, the related outstanding balance of these loans is P3.5 billion and P2.0 billion, respectively (see Note 25.8).

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 6.00% and shall be payable for a maximum term of five years. The outstanding balance of the related loan as at December 31, 2022 and 2021 is P129.0 million (see Note 25.8).

The Company availed unsecured, interest-bearing loans from Rizal Commercial Banking Corporation (RCBC) in 2021 and 2020. The loan obtained in 2021 amounting to P500.0 million is payable quarterly with a term of seven years and the loan obtained in 2020 amounting to P500.0 million is payable quarterly with a term of seven years. The floating interest rate for these loans are ranging from 3.64% to 6.90% and is payable quarterly in arrears. The outstanding balance of these loans amounted to P1.0 billion as at December 31, 2022 and 2021, respectively.

The Company availed unsecured, interest-bearing loans from Unionbank of the Philippines in 2021 and 2020. The loan obtained in 2021 amounting P1.0 billion, bearing a fixed interest rate of 5.37%, is payable quarterly in arrears, for a term of four years. The loan obtained in 2020 amounting to P1.0 billion is payable 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 P1.8 billion and P2.0 billion as of December 31, 2022 and 2021, respectively.

In March 2020, TLC obtained additional unsecured interest-bearing loan from Banco De Oro Unibank, Inc. (BDO) amounting to P500.0 million. The loan bears 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 P218.8 million and P343.8 million as at December 31, 2022 and 2021, respectively.

In 2019, the Company and TLC obtained unsecured long-term loans from BDO totalling to P2.5 billion, payable quarterly for a term of five years. The loan amounting to P2.0 billion bears a floating interest rate ranging from 4.75% to 5.00% and is payable quarterly in arrears. The other P0.5 billion is used for the funding requirements of the construction of projects in Twin Lakes Tagaytay. The total outstanding balance pertaining from these loans amounted to P0.9 billion and P1.5 billion as of December 31, 2022 and 2021, respectively.

In December 2017, the Company obtained an unsecured long-term loan from RCBC 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. The loan bear a floating interest rate and is payable quarterly in arrears. The outstanding balance pertaining to such loan amounted to P500.0 million as at December 31, 2021. The loan was fully paid in 2022.

In 2016, the Company obtained a P2.0 billion unsecured loan with a term of five years from BDO with principal to be paid in quarterly installments, 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. Such loan was fully paid in 2021.

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 P17.8 million and P11.7 million as of December 31, 2022 and 2021, 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 P383.1 million and P258.2 million in 2022 and 2021, respectively. Of these amounts, P361.0 million and P222.3 million in 2022 and 2021, 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). Average capitalization rate used in determining the amount of interest charges qualified for capitalization is 6.13%, 4.82% and 3.56% in 2022, 2021 and 2020, respectively.

16. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables		P 2,888,601,181	P 2,100,701,169
Accrued expenses	15, 26.3	513,913,956	720,126,955
Retention payable		268,443,371	300,228,143
Liabilities for land acquisition		114,706,871	246,821,195
Income tax payable		5,316,390	4,224,517
Others		<u>273,607,265</u>	<u>233,168,552</u>
		<u>P4,064,589,034</u>	<u>P3,605,270,531</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's 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.

Liabilities for land acquisition represent the unpaid portion of raw land acquired by the Group for the development of real estate projects.

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 P386.7 million and P400.2 million as of December 31, 2022 and 2021, respectively. 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:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Retention payable	16	P 420,703,928	P 503,165,372
Security deposits		84,539,848	86,611,433
Advance rental		4,443,846	3,952,871
Others		<u>3,431,276</u>	<u>4,106,766</u>
		<u>P 513,118,898</u>	<u>P 597,836,442</u>

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.

	<u>Segments</u>			
	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Rentals</u>	<u>Total</u>
2022				
Geographical areas:				
Luzon	P 4,283,287,200	P 244,958,429	P 432,394,731	P 4,960,640,360
Visayas	<u>1,616,566,922</u>	<u>175,511,646</u>	<u>23,567,259</u>	<u>1,815,645,827</u>
	<u>P 5,899,854,122</u>	<u>P 420,470,075</u>	<u>P 455,961,990</u>	<u>P 6,776,286,187</u>
Types of product or services:				
Residential lots	P 3,057,218,929	P -	P -	P 3,057,218,929
Residential condominium	2,312,348,898	-	-	2,312,348,898
Commercial lots and spaces	530,286,295	-	-	530,286,295
Room accommodation	-	296,259,430	-	296,259,430
Food and beverage	-	124,210,645	-	124,210,645
Rentals	-	-	455,961,990	455,961,990
	<u>P 5,899,854,122</u>	<u>P 420,470,075</u>	<u>P 455,961,990</u>	<u>P 6,776,286,187</u>
2021				
Geographical areas:				
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>
	<u>P 3,717,314,154</u>	<u>P 145,950,403</u>	<u>P 408,929,904</u>	<u>P 4,272,194,461</u>
Types of product or services:				
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
	<u>P 3,717,314,154</u>	<u>P 145,950,403</u>	<u>P 408,929,904</u>	<u>P 4,272,194,461</u>
2020				
Geographical areas:				
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>
	<u>P 3,614,255,530</u>	<u>P 201,209,745</u>	<u>P 619,359,588</u>	<u>P 4,434,824,863</u>
Types of product or services:				
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
	<u>P 3,614,255,530</u>	<u>P 201,209,745</u>	<u>P 619,359,588</u>	<u>P 4,434,824,863</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>2022</u>	<u>2021</u>
Current	P3,438,659,294	P 1,914,210,251
Non-current	<u>1,062,583,443</u>	<u>1,233,089,935</u>
	<u>P4,501,242,737</u>	<u>P 3,147,300,186</u>

The significant changes in the contract assets balances during the year are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 3,147,300,186	P 2,793,995,947
Transfers from contract assets recognized at the beginning of year to installment contract receivables	-	(958,901,947)
Increase as a result of changes in measurement of progress	<u>1,353,942,551</u>	<u>1,312,206,186</u>
Balance at end of year	<u>P4,501,242,737</u>	<u>P3,147,300,186</u>

b. Contract Liabilities

The Group's contract liabilities is classified as follows:

	<u>2022</u>	<u>2021</u>
Current	P 595,562,676	P 491,603,288
Non-current	<u>310,926,830</u>	<u>267,065,145</u>
	<u>P 906,489,506</u>	<u>P 758,668,433</u>

The significant changes in the contract liabilities balances during the year are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 758,668,433	P 799,560,052
Revenue recognized from contract liability at the beginning of year	(658,827)	(90,802,017)
Change due to cash received excluding amount recognized as revenue during the year	<u>148,479,900</u>	<u>49,910,398</u>
Balance at end of year	<u>P 906,489,506</u>	<u>P 758,668,433</u>

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 2022 and 2021 is presented as Commission under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 21).

The movements in balances of deferred commission is presented below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 299,438,713	P 145,464,948
Additions for the year		302,810,493	236,320,446
Amortization for the year		(205,350,467)	(82,346,681)
Balance at end of year	8	<u>P 396,898,739</u>	<u>P 299,438,713</u>

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, 2022 and 2021 is P4.5 billion and P4.2 billion, respectively. The Group expects to recognize revenue from unsatisfied contracts as of December 31 as summarized below.

	<u>2022</u>	<u>2021</u>
Within a year	P2,088,123,553	P1,587,246,213
More than one year to three years	2,165,197,092	2,481,033,486
More than three years to five years	<u>251,385,826</u>	<u>134,845,310</u>
	<u>P 4,504,706,471</u>	<u>P4,203,125,009</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>2022</u>	<u>2021</u>	<u>2020</u>
Finance income	5, 6, 9	P 244,526,620	P 177,933,238	P 164,191,512
Foreign currency gains – net		29,525,566	15,262,638	-
Gain on derecognition of payables		20,121,398	106,187,235	94,917,309
Miscellaneous		<u>52,734,006</u>	<u>134,585,431</u>	<u>63,288,004</u>
		<u>P 346,907,590</u>	<u>P 433,968,542</u>	<u>P 322,396,825</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.

	Notes	2022	2021	2020
Loss on refund and sales cancellations		P 298,886,075	P 106,759,954	P 14,447,453
Finance costs	13, 15, 23.2, 25.2, 25.4, 25.8, 26.3	90,703,736	113,752,201	131,202,017
Foreign currency losses – net		-	-	10,119,955
Miscellaneous		2,486,967	-	568,984
		<u>P 392,076,778</u>	<u>P 220,512,155</u>	<u>P 156,338,409</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.

	Notes	2022	2021	2020
Cost of real estate sales	22.1	P 2,144,625,053	P 1,628,491,489	P 1,538,459,693
Salaries and employee benefits	23.1	521,887,145	471,738,400	469,363,078
Depreciation and amortization	11, 12, 13, 14	318,484,433	356,424,161	360,640,145
Commissions	19.3, 25.5	205,350,467	82,346,681	161,720,883
Cost of hotel operations	22.3	191,572,019	75,864,785	113,669,079
Taxes and licenses	11	183,556,601	129,638,059	121,102,660
Professional fees and outside services		131,974,787	93,220,366	56,938,603
Utilities and supplies		66,527,759	46,266,096	72,590,153
Impairment loss	6	34,776,037	-	-
Rental		32,970,225	35,212,264	40,311,182
Advertising and promotions		24,804,176	21,346,530	16,960,531
Repairs and maintenance	11	24,546,842	9,268,482	12,266,920
Transportation		23,560,334	15,217,638	11,132,108
Representation		17,335,364	4,033,292	4,971,662
Gas and oil		13,546,173	6,847,679	983,150
Miscellaneous	13, 25.6	213,096,439	117,362,460	110,592,213
		<u>P 4,148,613,854</u>	<u>P 3,093,278,382</u>	<u>P 3,091,702,060</u>

Miscellaneous expenses mainly include loss on pretermination of lease agreement 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>2022</u>	<u>2021</u>	<u>2020</u>
Cost of real estate sales	22.1	P 2,144,625,053	P 1,628,491,489	P 1,538,459,693
Cost of rentals and services	22.2	319,643,144	344,233,070	317,293,791
Cost of hotel operations	22.3	191,572,019	75,864,785	113,669,079
Other operating expenses		<u>1,492,773,638</u>	<u>1,044,689,038</u>	<u>1,122,279,497</u>
		<u>P 4,148,613,854</u>	<u>P 3,093,278,382</u>	<u>P 3,091,702,060</u>

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>2022</u>	<u>2021</u>	<u>2020</u>
Construction costs		P 1,828,425,755	P 1,510,858,245	P 1,349,962,692
Land cost		233,496,946	76,405,742	157,995,301
Borrowing cost		<u>82,702,352</u>	<u>41,227,502</u>	<u>30,501,700</u>
	21	<u>P 2,144,625,053</u>	<u>P 1,628,491,489</u>	<u>P 1,538,459,693</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>2022</u>	<u>2021</u>	<u>2020</u>
Depreciation and amortization	21	P 225,705,609	P 228,490,621	P 217,670,672
Maintenance	11	48,158,896	49,444,463	54,505,242
Civil works and survey		12,829,308	9,513,277	3,621,957
Salaries and employee benefits		11,728,514	15,305,455	16,826,489
Land development and construction		11,379,126	24,958,339	14,898,478
Landscaping		8,606,685	15,651,499	7,573,239
Rental expense		227,500	227,500	390,000
Transportation and travel		20,200	58,941	108,004
Miscellaneous		<u>987,306</u>	<u>582,975</u>	<u>1,699,710</u>
	21	<u>P 319,643,144</u>	<u>P 344,233,070</u>	<u>P 317,293,791</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>2022</u>		<u>2021</u>		<u>2020</u>
Salaries and employee benefits	P 62,508,324	P	26,140,571	P	47,184,387
Food and beverage	33,384,815		17,956,448		8,702,596
Commission	32,677,395		611,822		6,099,056
Utilities	24,696,118		19,651,448		19,153,571
Supplies	15,193,291		-		-
Depreciation	3,713,316		5,489,754		7,229,906
Repairs and maintenance	64,445		928,121		2,295,292
Outside services	-		1,666,375		9,007,087
Club bookings	-		-		2,161,646
Miscellaneous	19,334,315		3,420,246		11,835,538
	<u>P 191,572,019</u>	P	<u>75,864,785</u>	P	<u>113,669,079</u>

Miscellaneous includes expenses for laundry and dry cleaning, travel and transportation, and communication expenses.

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>2022</u>		<u>2021</u>		<u>2020</u>
Short-term benefits		P 490,236,051	P	432,576,656	P	452,721,132
Post-employment defined benefit	23.2	<u>31,651,094</u>		<u>39,161,744</u>		<u>16,641,946</u>
	21	<u>P 521,887,145</u>	P	<u>471,738,400</u>	P	<u>469,363,078</u>

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 below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The movements in present value of the retirement benefit obligation are as follows:

	<u>2022</u>		<u>2021</u>
Balance at beginning of year	P 127,234,441	P	125,775,212
Current service cost	31,651,094		39,161,744
Interest expense	6,475,350		4,698,369
Benefits paid	(1,661,842)	(8,397,972)
Past service cost	(771,837)		-
Benefits shouldered by the Group	(23,903)		-
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(39,061,196)	(40,875,656)
Experience adjustments	(12,022,671)		6,872,744
Demographic assumptions	(807,217)		-
Balance at end of year	<u>P 111,012,219</u>	P	<u>127,234,441</u>

The amounts of post-employment benefit recognized in the consolidated statements of comprehensive income are as follows:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
<i>Reported in profit or loss:</i>					
Current service cost	P 31,651,094	P	39,161,744	P	16,641,946
Interest cost	6,475,350		4,698,369		5,347,875
Past service cost	(771,837)		-		-
Net transferred liabilities	(23,903)		-		-
	<u>P 37,330,704</u>	P	<u>43,860,113</u>	P	<u>21,989,821</u>
<i>Reported in other comprehensive income –</i>					
Actuarial losses (gains) arising from:					
Changes in financial assumptions	(P 39,061,196)	(P	40,875,656)	P	235,736
Experience adjustments	(12,022,671)		6,872,744	(3,608,569)
Demographic assumptions	(807,217)		-		-
	<u>(P 51,891,084)</u>	(P	<u>34,002,912)</u>	(P	<u>3,372,833)</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>2022</u>	<u>2021</u>	<u>2020</u>
Discount rates	7.30% - 7.85%	3.27% - 5.12%	3.70%
Expected rate of salary increase	3.00% - 4.00%	4.00%	4.00%

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 36 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 as follows.

(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>
<u>December 31, 2022</u>			
Discount rate	+/- 0.5% - 1.0% (P	2,612,127) P	11,164,269
Salary increase rate	+/- 1.0%	4,452,082 (7,656,142)

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumptions</u>	<u>Increase in Assumptions</u>	<u>Decrease in Assumptions</u>
<u>December 31, 2021</u>			
Discount rate	+/- 0.5% - 1.0% (P	7,455,726) P	23,303,693
Salary increase rate	+/- 1.0%	34,492,997 (921,177)

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, 2022. 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, 2022, 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>2022</u>	<u>2021</u>
Within one year	P 5,225,218	P 5,504,433
More than one year to five years	27,659,815	18,601,837
More than five years to 10 years	64,142,945	55,506,162
More than 10 years to 15 years	71,960,054	65,653,536
More than 15 years to 20 years	<u>360,931,366</u>	<u>239,563,453</u>
	<u>P 529,919,398</u>	<u>P 384,829,421</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15.0 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.

The components of tax expense as reported in the consolidated statements of comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% or 20% in 2022 and 2021 and at 30% in 2020	P 143,425,909	P 181,323,703	P 188,863,821
MCIT at 1% in 2022 and 2021 and at 2% in 2020	855,038	5,126,919	122,007
Final taxes at 20% and 15%	7,514,090	1,746,291	3,180,862
Effect of change in income tax rate	<u>-</u>	<u>(16,004,614)</u>	<u>-</u>
	<u>151,795,037</u>	<u>172,192,299</u>	<u>192,166,690</u>
Deferred tax expense relating to:			
Origination and reversal of temporary differences	551,008,578	350,780,647	454,990,087
Effect of the change in income tax rate	<u>-</u>	<u>(345,936,587)</u>	<u>-</u>
	<u>551,008,578</u>	<u>4,844,060</u>	<u>454,990,087</u>
	<u>P 702,803,615</u>	<u>P 177,036,359</u>	<u>P 647,156,777</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense relating to remeasurements of retirement benefit plan	P 12,972,771	P 8,500,728	P 1,011,850
Effect of the change in income tax rate	<u>-</u>	<u>544,890</u>	<u>-</u>
	<u>P 12,972,771</u>	<u>P 9,045,618</u>	<u>P 1,011,850</u>

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>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% or 20% in 2022 and 2021 and at 30% in 2020	P 794,102,015	P 417,932,350	P 584,231,130
Adjustments for income subjected to lower income tax rates	(1,899,616)	(405,776)	(1,582,884)
Tax effects of:			
Non-taxable income	(140,406,512)	(21,982,584)	(112,228,618)
Non-deductible expenses	66,991,530	132,267,624	175,983,348
Application of net-operating loss carry-over (NOLCO)	(15,477,660)	-	(585,740)
Reversal of temporary differences	(4,907,508)	-	-
Unrecognized deferred tax assets	3,174,246	10,334,703	-
Non-deductible interest expense	1,227,120	355,713	1,339,541
Income tax expense from previously unrecognized deferred tax liabilities	-	475,530	-
Effect of the change in income tax rate	<u>-</u>	<u>(361,941,201)</u>	<u>-</u>
Tax expense	<u>P 702,803,615</u>	<u>P 177,036,359</u>	<u>P 647,156,777</u>

The Group's deferred tax liabilities and deferred tax assets relate to the following as at December 31:

	<u>2022</u>	<u>2021</u>
Deferred tax liabilities:		
Unrealized gross profit on real estate sales	P 2,287,406,628	P 1,758,064,440
Capitalized borrowing cost	153,675,843	125,233,048
Marketing fee receivable	133,566,088	114,878,200
Finance lease	130,135,481	120,530,636
Rental income	123,599,864	38,319,344
Deferred commission	60,126,286	116,695,252
Unrecognized foreign exchange gains – net	7,020,949	1,620,384
Refund liability	3,186,318	1,205,191
Leases	<u>-</u>	<u>57,354,755</u>
<i>Balance carried forward</i>	<u>P 2,898,717,457</u>	<u>P 2,333,901,250</u>

	<u>2022</u>	<u>2021</u>
<i>Balance forwarded</i>	<u>P 2,898,717,457</u>	<u>P 2,333,901,250</u>
Deferred tax assets:		
Allowance for impairment	(108,268,631)	(116,301,356)
Share-based employee compensation	(59,106,392)	(59,106,392)
Leases	(34,318,633)	-
Retirement benefit obligation	(25,587,562)	(22,805,595)
Unearned income	(5,669,739)	-
MCIT	<u>-</u>	<u>(116,507)</u>
	<u>(232,950,957)</u>	<u>(198,329,850)</u>
	<u>P 2,665,766,500</u>	<u>P 2,135,571,400</u>

The components of the deferred tax assets as of December 31, 2022 and 2021 are separately reported under the Other Non-current Assets account (see Note 14) are as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
NOLCO	P 53,955,122	P 34,757,705
Retirement benefit obligation	2,050,314	3,686,147
Advances from customers	1,785,819	-
MCIT	<u>638,229</u>	<u>-</u>
	<u>58,429,484</u>	<u>38,443,852</u>
Deferred tax liabilities:		
Leases	(8,731,959)	(2,207,601)
Unrealized gross profit on real estate sales	<u>(41,418)</u>	<u>-</u>
	<u>P 49,656,107</u>	<u>P 36,236,251</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Comprehensive Income					
	Profit or Loss			Other Comprehensive Income		
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Unrealized profit on real estate sales	P 529,342,188	(P 166,783,511)	P 314,604,857	P -	P -	P -
Leases	(83,832,681)	(18,356,361)	6,643,236	-	-	-
Rental income	85,280,520	(30,483,690)	(8,417,525)	-	-	-
Deferred commission	(56,568,966)	51,977,441	12,602,982	-	-	-
Capitalized borrowing cost	28,442,795	13,975,536	15,071,293	-	-	-
Marketing fee receivable	18,687,888	28,081,409	86,796,791	-	-	-
Allowance for impairment	8,032,725	24,340,770	-	-	-	-
Retirement benefit obligation	10,190,804	20,124,289	(14,565,703)	12,972,771	9,045,618	1,011,850
Finance lease	9,604,845	(15,141,135)	13,655,320	-	-	-
Unearned Income	(5,669,739)	-	-	-	-	-
Unrealized foreign exchange gains - net	5,400,565	4,610,575	-	-	-	-
Refund liability	1,981,127	6,004,707	(4,799,516)	-	-	-
MCIT	116,507	(116,507)	13,739,144	-	-	-
Accrued expenses	-	87,193,064	43,410,644	-	-	-
Share-based employee compensation	-	11,821,278	-	-	-	-
Unrealized foreign exchange losses - net	-	-	(1,397,536)	-	-	-
NOLCO	<u>-</u>	<u>(12,403,805)</u>	<u>(22,353,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax expense (income)- net	<u>P 551,008,578</u>	<u>P 4,844,060</u>	<u>P 454,990,087</u>	<u>P 12,972,771</u>	<u>P 9,045,618</u>	<u>P 1,011,850</u>

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>
2022	P 141,259,515	P -	P -	P 141,259,515	2025
2021	85,941,943	(11,836,636)	-	74,105,307	2026
2020	<u>3,641,024</u>	<u>(3,641,024)</u>	<u>-</u>	<u>-</u>	2025
	<u>P 230,842,482</u>	<u>(P 15,477,660)</u>	<u>P -</u>	<u>P 215,364,822</u>	

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, *Bayaniban to Recover as One Act*.

Majority of the entities within the Group are subject to the RCIT, which is computed at 25% or 20% 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 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>
2022	P 203,679	P -	P -	P 203,679	2025
2021	61,133	-	-	61,133	2024
2020	24,017	-	-	24,017	2023
2019	<u>31,357</u>	<u>-</u>	<u>(31,357)</u>	<u>-</u>	
	<u>P 320,186</u>	<u>P -</u>	<u>(P 31,357)</u>	<u>P 288,829</u>	

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>2022</u>	<u>2021</u>
NOLCO	<u>P 11,206,617</u>	P 63,146,937
MCIT	<u>288,829</u>	<u>116,507</u>
	<u>P 11,495,446</u>	<u>P 63,263,444</u>

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, 2022, 2021 and 2020 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 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, 2022, 2021 and 2020, and the related outstanding balances as at December 31, 2022 and 2021 is discussed below and in the succeeding pages.

Related Party Category	Note	Amount of Transactions			Outstanding Balances	
		2022	2021	2020	2022	2021
Parent company:						
Interest-bearing loans	25.8	(P 1,500,000,000)	(P 2,128,433,550)	P -	(P3,628,953,824)	(P 2,128,433,550)
Interest	25.8	(7,358,663)	(520,274)	-	(8,557,269)	(520,274)
Availment of advances – net of interest and repayments	25.4	(50,589,788)	38,745,018	(9,475,016)	(691,896,693)	(742,486,481)
Lease liabilities	25.2(b)	(27,117,614)	(25,130,147)	53,831,702	(94,524,744)	(122,896,541)
Right-of-use assets	25.2(b)	(34,374,866)	(31,653,608)	(49,846,367)	93,459,889	126,614,033
Commission expense	25.5	5,362,486	3,609,256	6,119,167	-	-
Management fee	25.6	9,427,310	8,571,429	8,571,429	-	-
Associates:						
Granting of cash advances – net of collections and reclass	25.3	(1,137,483)	4,376,944	-	21,243,698	22,381,181
Other investees of shareholders:						
Granting of cash advances – net of collections	25.3	(40,055,269)	(7,860,549)	(160,032,795)	651,704,974	691,760,243
Availment of advances – net of repayments	25.4	51,508,584	(27,266,721)	(94,527,647)	(159,553,961)	(108,045,377)
Lease of office spaces	25.2(a)	-	6,742,495	6,742,495	-	-
Key Management Personnel –						
Compensation	25.7	32,518,864	27,070,337	27,589,919	-	-

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, 2022 and 2021 as discussed in Notes 25.3 and 29.2(c).

25.2 Lease of Office Spaces – Company as Lessee

(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 in 2021 and 2020 are included as part of Rental Income account under Revenues and Income section in the 2021 and 2020 consolidated statements of comprehensive income (see Note 11). There was no similar transaction in 2022. There are no outstanding receivables from these transactions.

(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. The Company recognized the related right-of-use asset and lease liability. 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 2020 consolidated statement 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, and recognized the related right-of-use asset and lease liability in relation to this new lease agreement. In the same year, 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 as part of Miscellaneous under 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 P72.0 million and P70.7 million, respectively, as of December 31, 2021, while the carrying amounts of the right-of-use asset and lease liability as of December 31, 2022 amounted to P52.5 million and P53.8 million, respectively (see Note 13).

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, while the carrying amounts of the right-of-use asset and lease liability as of December 31, 2022 amounted to P40.9 million and P40.8 million, respectively (see Note 13).

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>2022</u>	<u>2021</u>
Associates	P 21,243,698	P 22,381,181
Other investee companies of shareholders	<u>651,704,974</u>	<u>691,760,243</u>
	<u>P 672,948,672</u>	<u>P 714,141,424</u>

A summary of transactions with these related parties are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Associates:			
Balance at beginning of year	P 22,381,181	P 18,004,237	P 18,004,237
Collections	(1,179,630)	-	-
Cash advances granted	<u>42,147</u>	<u>4,376,944</u>	<u>-</u>
Balance at end of year	<u>P 21,243,698</u>	<u>P 22,381,181</u>	<u>P 18,004,237</u>
Other investee companies of shareholders:			
Balance at beginning of year	P 691,760,243	P 699,620,792	P 859,653,587
Collections	(88,267,605)	(7,860,549)	(189,176,412)
Cash advances granted	<u>48,212,336</u>	<u>-</u>	<u>29,143,617</u>
Balance at end of year	<u>P 651,704,974</u>	<u>P 691,760,243</u>	<u>P 699,620,792</u>

The Group also has short-term, unsecured and non-interest-bearing outstanding advances to officers and employees amounting to P170.9 million and P193.4 million as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 losses were recognized in 2022 and 2021.

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.

	<u>2022</u>	<u>2021</u>
Parent company	P 691,896,693	P 742,486,481
Other investee companies of shareholders	<u>159,553,961</u>	<u>108,045,377</u>
	<u>P 851,450,654</u>	<u>P 850,531,858</u>

A summary of transactions with these related parties are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Parent company:			
Balance at beginning of year	P 742,486,481	P 781,231,499	P 771,756,483
Repayments	(52,389,997)	(48,384,132)	-
Interest expense	1,800,209	9,639,114	8,587,202
Cash advances obtained	<u>-</u>	<u>-</u>	<u>887,814</u>
Balance at end of year	<u>P 691,896,693</u>	<u>P 742,486,481</u>	<u>P 781,231,499</u>
Other investee companies of shareholders:			
Balance at beginning of year	P 108,045,377	P 135,312,098	P 229,839,745
Repayments	(36,917,947)	(27,266,721)	(94,707,395)
Cash advances obtained	<u>88,426,531</u>	<u>-</u>	<u>179,748</u>
Balance at end of year	<u>P 159,553,961</u>	<u>P 108,045,377</u>	<u>P 135,312,098</u>

The advances from Megaworld bear annual interest of 6.0%. The interest expense incurred in 2022, 2021 and 2020 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 P75.0 million as at December 31, 2022 (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 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 2022, 2021 and 2020 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, 2022 and 2021.

25.6 Management Fee

The Group obtains services from the 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 2022 and 2021 consolidated statements of comprehensive income (see Note 21). There was no outstanding balance from this transaction as of December 31, 2022 and 2021.

25.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	Note	2022	2021	2020
Short-term benefits		P 27,550,622	P 23,012,469	P 23,030,597
Post-employment defined benefit	23.1	4,968,242	4,057,868	4,559,322
		<u>P 32,518,864</u>	<u>P 27,070,337</u>	<u>P 27,589,919</u>

25.8 Interest-Bearing Loans

The Company and TLC obtained unsecured, interest-bearing loans from Megaworld for working capital requirements in 2022 and 2021. The outstanding balance of the loans amounted to P3.6 billion and P2.1 billion as of December 31, 2022 and 2021, respectively, and is presented as part of Interest-bearing Loans account in the consolidated statements of financial position (see Note 15). The related interest from these loans are presented as part of Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Note 20.2).

26. EQUITY AND REDEEMABLE PREFERENCE SHARES

26.1 Capital Stock

Capital stock as of December 31, 2022 and 2021 consists of:

	Shares	Amount
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, 2022 and 2021, there are 4,164 and 4,183 holders of the listed shares, respectively, which closed at P0.93 per share and P1.01 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 Company's BOD 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, 2022, pursuant to this ESOP, GERI has granted the option to its key company executives to subscribe to 400.0 million shares of GERI. 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. All options have vested as at December 31, 2021, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods. As at December 31, 2022, only 50.0 million options remain exercisable until 2023.

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.

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 P0.5 million as at December 31, 2021 (nil in 2022), is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated 2021 statement of financial position (see Note 16). The related interest expense recognized amounting to P5.3 million, P11.1 million, P17.0 million, in 2022, 2021 and 2020, 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 10th anniversary date. The sixth anniversary date was on December 3, 2018. Accordingly, face value amounting to P251.6 million has been redeemed both in 2022 and 2021. All preferred shares were redeemed in full in 2022.

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>2022</u>	<u>2021</u>	<u>2020</u>
Basic:			
Net profit attributable to Company's shareholders	P 1,792,146,732	P 1,311,281,638	P 1,086,836,496
Divided by weighted number of outstanding common shares	<u>10,986,000,000</u>	<u>10,986,000,000</u>	<u>10,986,000,000</u>
	<u>P 0.163</u>	<u>P 0.119</u>	<u>P 0.099</u>
Diluted:			
Net profit attributable to Company's shareholders	P 1,792,146,732	P 1,311,281,638	P 1,086,836,496
Divided by weighted number of outstanding common shares	<u>11,036,000,001</u>	<u>11,086,000,002</u>	<u>11,186,000,001</u>
	<u>P 0.162</u>	<u>P 0.118</u>	<u>P 0.097</u>

In relation to the approved ESOP for key executive officers, the remaining 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 5.00% to 10.00%. The average annual rental covering these agreements amounts to P324.3 million.

Future minimum lease payments receivable under these operating lease agreements are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Within one year	P 502,776,320	P 667,187,437	P 571,959,088
After one year but not more than two years	351,220,130	578,855,591	564,097,443
After two years but not more than three years	313,091,791	336,319,635	570,929,043
After three years but more than four years	268,575,303	271,939,979	295,241,834
After four years but not more than five years	363,591,703	423,114,746	210,497,237
More than five years	<u>1,959,264,168</u>	<u>2,496,909,268</u>	<u>1,743,487,893</u>
	<u>P 3,758,519,415</u>	<u>P 4,774,326,656</u>	<u>P 3,956,212,538</u>

The undiscounted maturity analysis of finance lease receivable at December 31, 2022 and 2021 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, 2022							
Lease collection	P 146,533,703	P 89,346,871	P 90,014,054	P 26,281,499	P 24,301,659	P654,848,489	P1,031,326,275
Interest income	(34,355,508)	(29,909,018)	(25,047,216)	(24,407,402)	(24,373,209)	(344,409,554)	(482,501,907)
Net present value	<u>P 112,178,195</u>	<u>P 59,437,853</u>	<u>P 64,966,838</u>	<u>P 1,874,097</u>	<u>(P 71,550)</u>	<u>P310,438,935</u>	<u>P 548,824,368</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	P679,150,148	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>P 81,915,204</u>	<u>P 54,343,612</u>	<u>P 59,437,853</u>	<u>P 64,966,838</u>	<u>P 1,874,097</u>	<u>P310,367,385</u>	<u>P 572,904,989</u>

28.2 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 for the calendar year 2022. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products have gradually returned to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Group has been lessened, and Group's operations are slowly going back to pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Accordingly, management is taking an optimistic stance in the Group's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

28.3 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 below.

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 2022 and 2021, pertain to cash and cash equivalents amounting to P236.5 million and P206.6 million, respectively. The Group has no U.S. dollar denominated financial liabilities in 2022 and 2021.

If the Philippine peso had strengthened against the U.S. dollar, profit before tax would have decreased by P14.9 million and P8.5 million in 2022 and 2021, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased profit before tax in 2022 and 2021 by the same amount. This sensitivity of the net result for the year assumes a +/-6.29% and +/-4.11% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2022 and 2021, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months for 2022 and 2021 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, 2022 and 2021, 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 +/- 1.53% and +/-1.26% in 2022 and 2021, 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 1.53% and 1.26% in 2022 and 2021, respectively, profit before tax would have increased by P3.1 million and P8.5 million in 2022 and 2021, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2022 and 2021 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>2022</u>	<u>2021</u>
Cash and cash equivalents	5	P 2,354,706,901	P 3,949,449,148
Trade receivables – net	6	9,302,351,432	7,637,754,343
Finance lease receivable	6	548,824,368	572,904,989
Rent receivables	6	609,540,578	693,622,910
Other receivables	6	204,588,669	224,804,959
Contract assets	19.2	4,501,242,737	3,147,300,186
Advances to real estate property owners	9	1,328,102,796	1,303,730,350
Advances to related parties	25.3	672,948,672	714,141,424
Refundable deposits	14	91,036,127	118,111,018
		<u>P19,613,342,280</u>	<u>P18,361,819,327</u>

(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, 2022 and 2021, 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 and 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 certain rental receivables were no longer collectible as of December 31, 2022. Accordingly, the related impairment was recognized (see Notes 6 and 21). There was no similar assessment for 2021. 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 as follows:

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<u>2022</u>			
Installment contract receivables – net	P 9,302,351,432	P 14,076,807,137	P -
Contract assets	4,501,242,737	8,165,258,646	-
Rent receivables	<u>609,540,578</u>	<u>444,491,404</u>	<u>165,049,173</u>
	<u>P 14,413,134,747</u>	<u>P 22,686,557,187</u>	<u>P 165,049,173</u>
<u>2021</u>			
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>
	<u>P 11,478,677,438</u>	<u>P 18,127,878,455</u>	<u>P 222,834,687</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>2022</u>	<u>2021</u>
Current (not past due)	P 9,281,030,927	P7,756,332,985
Past due but not impaired:		
More than one month but not more than three months	153,020,921	194,687,820
More than three months but not more than six months	151,394,117	160,032,968
More than six months but not more than one year	371,031,071	349,614,895
More than one year	<u>369,678,088</u>	<u>377,479,127</u>
	<u>P10,326,155,124</u>	<u>P8,838,147,795</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, 2022 and 2021 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 2022 and 2021 (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 AGP'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, 2022 and 2021, 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
December 31, 2022				
Interest-bearing loans	P 983,055,971	P 998,595,435	P 5,671,453,250	P 1,614,673,781
Trade and other payables	787,521,221	3,003,308,052	-	-
Advances from related parties	851,450,654	-	-	-
Due to joint venture partners	-	386,706,191	-	-
Lease liabilities	74,171,367	74,171,368	184,941,057	691,250,293
Security deposits	-	-	-	84,539,848
Retention payable	-	268,443,371	-	420,703,928
	<u>P 2,696,199,213</u>	<u>P 4,731,224,417</u>	<u>P 5,856,394,307</u>	<u>P 2,811,167,850</u>
December 31, 2021				
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	-	503,165,372
	<u>P 2,696,701,194</u>	<u>P 4,343,862,188</u>	<u>P 5,387,456,065</u>	<u>P 3,157,141,100</u>

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 below.

	Notes	2022		2021	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	P 2,354,706,901	P 2,354,706,901	P 3,949,449,148	P 3,949,449,148
Trade and other receivables – net	6	10,665,305,047	11,003,875,058	9,129,087,202	9,347,916,671
Advances to real estate property owners	9	1,328,102,796	1,328,102,796	1,303,730,350	1,303,730,350
Advances to related parties	25.3	672,948,672	672,948,672	714,141,424	714,141,424
Refundable deposits	14	91,036,127	91,036,127	118,111,018	118,914,287
		<u>P 15,112,099,543</u>	<u>P 15,450,669,554</u>	<u>P 15,214,519,142</u>	<u>P 15,434,151,880</u>
Financial liabilities					
At amortized cost:					
Interest-bearing loans	15	P 7,605,669,500	P 6,948,238,374	P 7,492,924,404	P 7,510,917,599
Trade and other payables	16	3,790,829,273	3,790,829,273	3,300,378,809	3,300,378,809
Advances from related parties	25.4	851,450,654	851,450,654	850,531,858	850,531,858
Due to joint venture partners	17	386,706,191	386,706,191	400,238,268	400,238,268
Retention payable	16, 18	689,147,299	689,147,299	803,393,515	803,393,515
Redeemable preferred shares	26.3	-	-	251,597,580	245,810,836
Accrued dividends on preferred shares	16	-	-	439,062	439,062
Security deposits	18	84,539,848	84,539,848	86,611,433	86,611,433
Lease liabilities	13	523,324,634	523,324,634	526,912,163	526,912,163
		<u>P 13,931,667,399</u>	<u>P 13,274,236,273</u>	<u>P 13,713,027,092</u>	<u>P 13,725,233,543</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 2022 and 2021 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 P672.9 million and P714.1 million can be offset by the amount of outstanding advances from related parties amounting to P851.5 million and P850.5 million as at December 31, 2022 and 2021, 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 P1,719.8 million and P2,760.6 million can be applied against its outstanding loans from banks amounting to P3,976.7 million and P5,229.7 million as of December 31, 2022 and 2021, 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 2022 and 2021 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>
2022:				
Financial Assets:				
Cash and cash equivalents	P2,354,706,901	P -	P -	P 2,354,706,901
Trade and other receivables – net	-	-	11,003,875,058	11,003,875,058
Advances to real estate property owners	-	-	1,328,102,796	1,328,102,796
Advances to related parties	-	-	672,948,672	672,948,672
Refundable deposits	-	-	91,036,127	91,036,127
	<u>P2,354,706,901</u>	<u>P -</u>	<u>P13,095,962,653</u>	<u>P15,450,669,554</u>
Financial Liabilities:				
Interest-bearing loans	P -	P -	P 6,948,238,374	P 6,948,238,374
Trade and other payables	-	-	3,790,829,273	3,790,829,273
Advances from related parties	-	-	851,450,654	851,450,654
Due to joint venture partners	-	-	386,706,191	386,706,191
Retention payable	-	-	689,147,299	689,147,299
Security deposit	-	-	84,539,848	84,539,848
Lease liabilities	-	-	523,324,634	523,324,634
	<u>P -</u>	<u>P -</u>	<u>P13,274,236,273</u>	<u>P13,274,236,273</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2021:				
<i>Financial Assets:</i>				
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
	<u>P3,949,449,148</u>	<u>P -</u>	<u>P11,484,702,732</u>	<u>P 15,434,151,880</u>
<i>Financial Liabilities:</i>				
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
	<u>P -</u>	<u>P -</u>	<u>P13,725,233,543</u>	<u>P13,725,233,543</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 as at December 31, 2022 and 2021 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 P9,935.8 million and P10,502.0 million, as at December 31, 2022 and 2021, 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 8.61% and 7.48% in 2022 and 2021, 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 2022 and 2021.

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>2022</u>	<u>2021</u>
Total liabilities	P 19,110,119,945	P 18,047,179,365
Total equity	<u>38,196,368,784</u>	<u>36,070,890,220</u>
Debt-to-equity ratio	<u>0.50 :1.00</u>	<u>0.50 :1.00</u>

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2022 and 2021 is presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans <small>(see Note 15)</small>	Advances from Related Parties <small>(see Note 25.4)</small>	Lease Liabilities <small>(see Note 13.2)</small>	Total
Balance as of January 1, 2022	P 7,492,924,404	P 850,531,858	P 526,912,163	P 8,870,368,425
Cash flows from financing activities:				
Additional borrowings	1,500,000,000	88,426,531	-	1,588,426,531
Repayments of borrowings	(1,387,254,904)	(89,307,944)	(39,622,755)	(1,516,185,603)
Non-cash financing activities:				
Interest expense	-	1,800,209	-	1,800,209
Interest amortization on lease liabilities	-	-	36,035,226	36,035,226
Balance as of December 31, 2022	<u>P 7,605,669,500</u>	<u>P 851,450,654</u>	<u>P 523,324,634</u>	<u>P 8,980,444,788</u>
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
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	<u>P 7,492,924,404</u>	<u>P 850,531,858</u>	<u>P 526,912,163</u>	<u>P 8,870,368,425</u>
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	<u>P 5,334,558,820</u>	<u>P 916,543,597</u>	<u>P 473,635,321</u>	<u>P 6,724,737,739</u>



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)**

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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, 2022 and 2021, on which we have rendered our report dated February 24, 2023. 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, 2022 and 2021 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. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2023

GLOBAL - ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities	4.34	Total Current Assets divided by Total Current Liabilities	4.37
	Total Current Assets Divide by: Total Current Liabilities	38,958,385,938 8,984,280,250	Total Current Assets Divide by: Total Current Liabilities	36,270,876,922 8,297,367,246
	Current ratio	4.34	Current ratio	4.37
Acid test ratio	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities	1.29	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities	1.48
	Total Current Assets Less: Inventories Contract Assets Other Current Assets	38,958,385,938 (20,023,795,404) (3,438,659,294) (3,949,207,036)	Total Current Assets Less: Inventories Contract Assets Other Current Assets	36,270,876,922 (18,872,379,522) (1,914,210,251) (3,245,392,770)
	Quick Assets Divide by: Total Current Liabilities	11,546,724,204 8,984,280,250	Quick Assets Divide by: Total Current Liabilities	12,238,894,379 8,297,367,246
	Acid Test ratio	1.29	Acid Test ratio	1.48
Solvency ratio	Total Assets divided by Total Liabilities	3.00	Total Assets divided by Total Liabilities	3.00
	Total Assets Divide by: Total Liabilities	57,306,488,729 19,110,119,945	Total Assets Divide by: Total Liabilities	54,188,069,585 18,047,179,365
	Solvency ratio	3.00	Solvency ratio	3.00
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.50	Total Liabilities divided by Total Equity	0.50
	Total Liabilities Divide by: Total Equity	19,110,119,945 38,196,368,784	Total Liabilities Divide by: Total Equity	18,047,179,365 36,070,890,220
	Debt-to-equity ratio	0.50	Debt-to-equity ratio	0.50
Assets-to-equity ratio	Total Assets divided by Total Equity	1.50	Total Assets divided by Total Equity	1.50
	Total Assets Divide by: Total Equity	57,306,488,729 38,196,368,784	Total Assets Divide by: Total Equity	54,118,069,585 36,070,890,220
	Assets-to-equity ratio	1.50	Assets-to-equity ratio	1.50
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense	8.28	Earnings before interest and taxes (EBIT) divided by Interest expense	7.52
	EBIT Divide by: Interest expense	3,172,513,012 383,149,146	EBIT Divide by: Interest expense	1,928,106,765 256,377,362
	Interest rate coverage ratio	8.28	Interest rate coverage ratio	7.52
Return on equity	Net Profit divided by Average Total Equity	0.06	Return on Net Profit divided by Average Total Equity	0.04
	Net Profit Divide by: Total Equity	1,792,146,732 31,815,416,206	Net Profit Divide by: Total Equity	1,311,281,638 29,984,351,161
	Return on equity	0.06	Return on equity	0.04

Ratio	Formula	2022	Formula	2021
Return on assets	Net Profit divided by Average Total Assets	0.04	Net Profit divided by Average Total Assets	0.03
	Net Profit Divide by: Average Total Assets		Net Profit Divide by: Average Total Assets	
	2,086,560,251 55,747,279,157 0.04		1,494,693,044 52,339,648,423 0.03	
Net profit margin	Net Profit divided by Total Revenue	0.28	Net Profit divided by Total Revenue	0.30
	Net Profit Divide by: Total Revenue		Net Profit Divide by: Total Revenue	
	2,086,560,251 7,330,290,215 0.28		1,494,693,044 4,986,114,413 0.30	



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Grant Thornton



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#BoldPerspectives #DivergentThinking #ForgingPaths

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, 2022, on which we have rendered our report dated February 24, 2023. 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. 9566641, January 3, 2023, Makati City
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February 24, 2023

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

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
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GLOBAL - ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)

Schedule B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2022

(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	
<i>Amounts Due from Related Parties</i>							
FERC	P 2,141,360	P -	P 1,179,628	P -	P 961,732	P -	P 961,732
FERSAI	7,518,690	42,006	-	-	7,560,696	-	7,560,696
BNHGI	3,141,747	-	-	-	3,141,747	-	3,141,747
NPI	12,721,130	140	-	-	12,721,270	-	12,721,270
MEG	-	-	-	-	-	-	-
Other related parties	688,618,497	249,116,548	289,171,818	-	648,563,227	-	648,563,227
Total	P 714,141,424	P 249,158,694	P 290,351,446	P -	P 672,948,672	P -	P 672,948,672
<i>Advances to Officers and Employees</i>							
Binag Macaraig, Melody	P 135,789	P 19,395	P 135,789	P -	P 19,395	P -	P 19,395
Globio, Salvino	153,186	-	75,512	-	77,674	-	77,674
Samson, Ma. Rica	387,488	-	170,360	-	217,128	-	217,128
Bravo, Melissa Anne	438,408	3,573	107,817	-	334,164	-	334,164
Lim, Meliza Anne	480,262	18,288	115,148	-	383,402	-	383,402
Carbon, Thomas George M.	357,582	6,674	130,951	-	233,305	-	233,305
David, Chatt S.	180,108	6,653	76,856	-	109,905	-	109,905
Luzung, Fred	393,407	7,059	112,404	-	288,062	-	288,062
Mangubat, Felipe	586,936	46,282	179,787	-	453,431	-	453,431
Quintana, Allan	622,149	-	155,674	-	466,475	-	466,475
Herrera, Christopher	444,158	227,978	579,279	-	92,857	-	92,857
Roxas, Michael	216,646	-	92,514	-	124,132	-	124,132
Others	189,041,107	37,832,828	58,787,167	-	168,086,768	-	168,086,768
Total	P 193,437,226	P 38,168,730	P 60,719,258	P -	P 170,886,698	P -	P 170,886,698

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, 2022

(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	
Fil-Estate Property, Inc.	P 7,811,764,955	P 150,116,921	P -	P -	P 7,961,881,876	P -	P 7,961,881,876
Novo Sierra Holdings Corp.	353,067	1,683	-	-	354,750	-	354,750
Fil-Estate Urban Development Corporation	144,243,486	1,232,196	-	-	145,475,682	-	145,475,682
Oceanfront Properties	134,138,107	-	77,980,891	-	56,157,216	-	56,157,216
Twin Lakes Corporation	7,322,182	-	7,322,182	-	-	-	-
Southwoods Mall, Inc.	100,341,174	-	95,374,611	-	4,966,563	-	4,966,563
Megaworld Global Estate Inc.	42,196,684	20,147,543	-	-	62,344,227	-	62,344,227
Global Homes and Communities Inc.	111,155,654	4,224,973	-	-	115,380,627	-	115,380,627
	P 8,351,515,309	P 175,723,316	P 180,677,684	P -	P 8,346,560,941	P -	P 8,346,560,941

Amounts Receivable from Related Parties Eliminated During Consolidation:

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

(A Subsidiary of Megaworld Corporation)

Schedule D - Long Term Debt

December 31, 2022

(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 3,976,715,676	P 1,587,254,907	P 2,389,460,769
Megaworld Corporation	<u>3,628,953,824</u>	<u>-</u>	<u>3,628,953,824</u>
	<u>P 7,605,669,500</u>	<u>P 1,587,254,907</u>	<u>P 6,018,414,593</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, 2022
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Year	Balance at End of Period
Megaworld Corporation	P 742,486,481	P 691,896,693
Others	<u>108,045,377</u>	<u>159,553,961</u>
TOTAL	<u>P 850,531,858</u>	<u>P 851,450,654</u>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2022

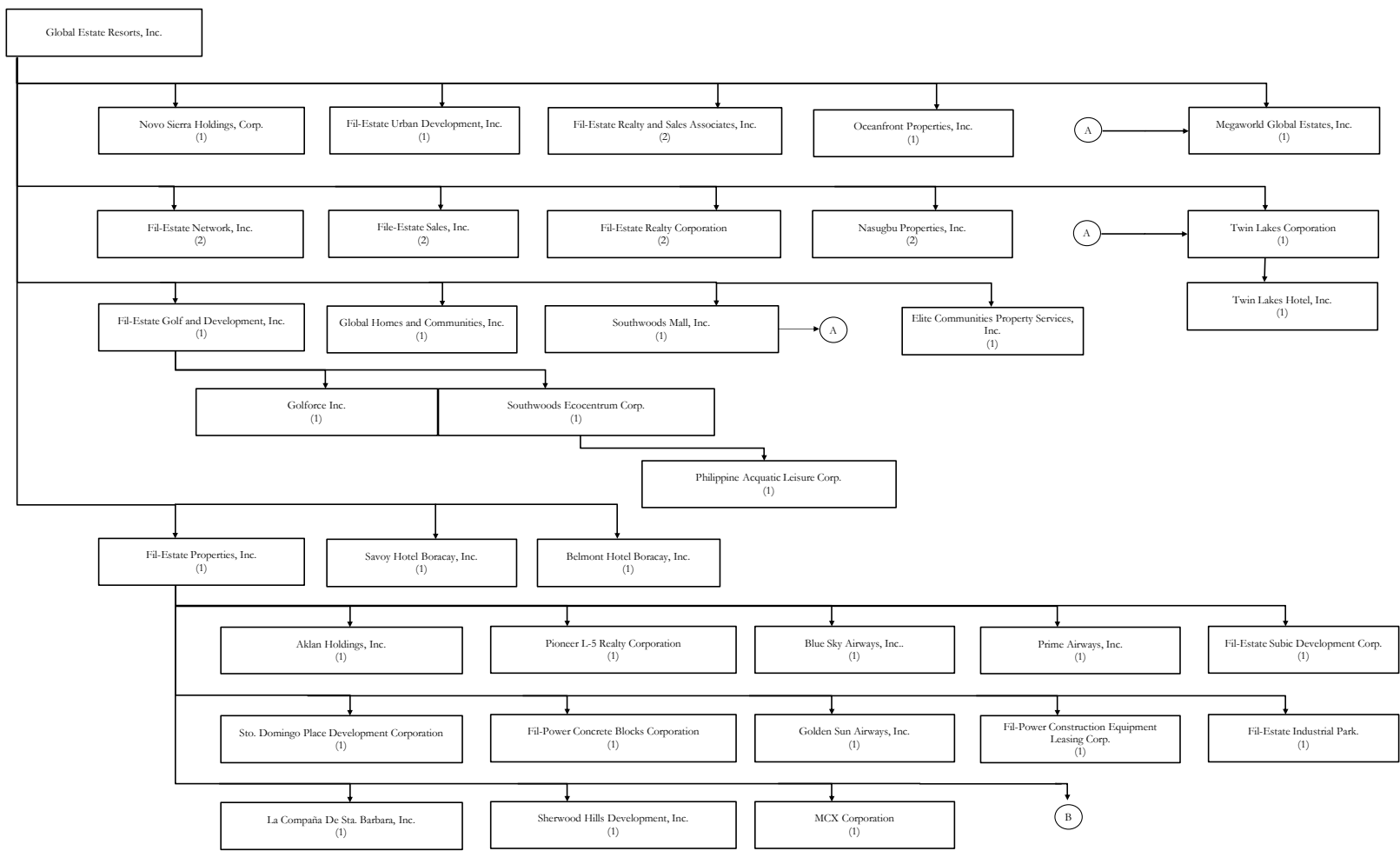
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
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.
(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, 2022**

Unappropriated Retained Earnings at Beginning of Year		<u>P 15,196,936,729</u>
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(96,048,730)	
Accumulated share in net income of subsidiaries	(<u>7,664,106,530</u>)	
		(<u>7,760,155,260</u>)
Unappropriated Retained Earnings at Beginning of Year, as Adjusted		7,436,781,469
Net Profit Realized During the Year		
Net profit per audited financial statements	<u>P 1,698,025,640</u>	
Less: Non-actual/unrealized income, net of tax		
Equity share in net income of subsidiaries	(453,772,801)	
Deferred tax income from deferred tax assets during the year	(<u>3,404,900</u>)	
	(<u>457,177,701</u>)	<u>1,240,847,939</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		<u>P 8,677,629,408</u>

GLOBAL-ESTATE RESORTS, INC.
 Map Showing the Relationship Between Global-Estate Resorts, Inc.
 and its Related Parties
 December 31, 2022



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Twin Lakes Corporation



Myrbien C. Flores <mcflores@global-estate.ph>

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1 message

eafs@bir.gov.ph <eafs@bir.gov.ph>

Thu, Apr 13, 2023 at 4:31 PM

To: GENERAL.ACCOUNTING@global-estate.ph

Cc: CRSTARITA@global-estate.ph

Hi GLOBAL-ESTATE RESORTS, INC.,

Valid files

- EAFS000426523RPTTY122022.pdf
- EAFS000426523TCRTY122022-02.pdf
- EAFS000426523TCRTY122022-01.pdf
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Transaction Code: **AFS-0-7H7BKFKAO PNZSVRQZMSQTVTZV04TXVXRSR**

Submission Date/Time: **Apr 13, 2023 04:31 PM**

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;
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GLOBAL-ESTATE RESORTS, INC.

9th Floor Eastwood Global Plaza Palm Tree Avenue, Bagumbayan 1110 Quezon City NCR, 2nd 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, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 24th day of February, 2023



GLOBAL-ESTATE RESORTS, INC.

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

SUBSCRIBED AND SWORN to before me this 04 APR 2023 day of _____ at Quezon City, Philippines, affiant(s) exhibited to me their respective Identification Cards, as follows:

NAMES


Identification Number

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

TIN 125-960-003-000
TIN 182-240-560-000
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. 35
Page No. 8
Book No. XV
Series of 2023


Atty. Richard L. M. Baldueza
Notary Public for Quezon City
Until December 31, 2023
Roll No. 53953
PTR No. 0531977 / 01/03/2023 / Plaridel Bulacan
MCLE Compliance No. VII - 0007663 / 11/04/2021
IBP Lifetime No. 7203 (01-17-08)



P&A
Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Global-Estate Resorts, Inc.

December 31, 2022, 2021 and 2020



Report of Independent Auditors

Punongbayan & Araullo

20th 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.

(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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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.

Emphasis of Matter

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 reliefs 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 this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, 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, 2022 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 described in Note 2 to the financial statements, 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, 2022 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. 9566641, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2023

GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

<u>ASSETS</u>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,187,741,758	P 2,324,849,090
Trade and other receivables - net	5	5,508,985,419	4,278,402,745
Contract assets	16	2,275,299,997	1,729,064,651
Advances to related parties - net	21	10,005,508,613	10,057,263,137
Inventories	6	5,871,711,285	5,009,074,703
Prepayments and other current assets	7	<u>1,581,516,960</u>	<u>1,253,413,891</u>
Total Current Assets		<u>26,430,764,032</u>	<u>24,652,068,217</u>
NON-CURRENT ASSETS			
Trade and other receivables - net	5	2,296,186,449	1,953,355,829
Contract assets	16	427,392,766	383,776,484
Advances to joint ventures	8	220,137,555	203,457,118
Investments in subsidiaries and associates	9	12,565,110,232	12,104,134,126
Property and equipment - net	10	110,566,107	127,030,162
Right-of-use assets - net	11	115,784,192	150,159,058
Investment property - net	12	<u>1,725,477,434</u>	<u>1,860,592,686</u>
Total Non-current Assets		<u>17,460,654,735</u>	<u>16,782,505,463</u>
TOTAL ASSETS		<u>P 43,891,418,767</u>	<u>P 41,434,573,680</u>

	Notes	2022	2021
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	13	P 1,337,254,907	P 1,137,254,907
Trade and other payables	14	1,677,443,338	1,467,163,432
Contract liabilities	16	79,955,476	44,388,255
Customers' deposits	2	917,956,040	722,936,981
Advances from related parties	21	317,838,628	255,689,384
Lease liabilities	11	114,705,742	84,127,140
		<u>4,445,154,131</u>	<u>3,711,560,099</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans	13	4,201,960,769	4,539,215,673
Contract liabilities	16	74,304,852	56,945,778
Customers' deposits	2	55,904,484	36,113,882
Retirement benefit obligation	19	64,885,242	75,871,042
Deferred tax liabilities - net	20	1,679,660,016	1,260,267,244
Lease liabilities	11	408,618,893	442,785,025
Other non-current liabilities	15	284,812,778	359,380,328
		<u>6,770,147,034</u>	<u>6,770,578,972</u>
Total Current Liabilities		<u>4,445,154,131</u>	<u>3,711,560,099</u>
Total Non-current Liabilities		<u>6,770,147,034</u>	<u>6,770,578,972</u>
Total Liabilities		<u>11,215,301,165</u>	<u>10,482,139,071</u>
EQUITY			
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		47,415,959	21,758,606
Retained earnings		16,894,962,369	15,196,936,729
		<u>32,676,117,602</u>	<u>30,952,434,609</u>
Total Equity		<u>32,676,117,602</u>	<u>30,952,434,609</u>
TOTAL LIABILITIES AND EQUITY		<u>P 43,891,418,767</u>	<u>P 41,434,573,680</u>

See Notes to Financial Statements.

GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020
(Amounts in Philippine Pesos)

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES				
Real estate sales	16	P 3,437,640,241	P 2,181,859,468	P 2,277,166,353
Rental income	12	155,526,369	152,636,361	151,912,044
Management and marketing income	8, 21	201,959,854	208,530,632	285,608,174
Equity share in net income of subsidiaries	9	453,772,801	233,102,672	275,678,966
Finance income	18	153,241,552	119,941,056	116,154,150
Commission income	21	15,231,540	222,394,161	72,352,952
Others	2	45,662,830	55,745,588	55,199,500
		<u>4,463,035,187</u>	<u>3,174,209,938</u>	<u>3,234,072,139</u>
COSTS AND EXPENSES				
Cost of real estate sales	17	1,141,903,827	932,286,081	939,364,349
Cost of rentals	17	45,972,955	47,108,997	46,708,989
Other operating expenses	17	870,893,351	627,965,682	639,951,515
Finance costs and other charges	18	239,928,161	160,574,962	191,317,535
		<u>2,298,698,294</u>	<u>1,767,935,722</u>	<u>1,817,342,388</u>
PROFIT BEFORE TAX		2,164,336,893	1,406,274,216	1,416,729,751
TAX EXPENSE	20	466,311,253	107,421,843	338,676,580
NET PROFIT		<u>1,698,025,640</u>	<u>1,298,852,373</u>	<u>1,078,053,171</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit plan	19	24,605,398	12,879,133	3,089,713
Equity share in other comprehensive income (loss) of subsidiaries	9	7,203,305	5,495,321	(1,347,148)
Tax expense	20	(6,151,350)	(2,999,089)	(926,914)
		<u>25,657,353</u>	<u>15,375,365</u>	<u>815,651</u>
TOTAL COMPREHENSIVE INCOME		<u>P 1,723,682,993</u>	<u>P 1,314,227,738</u>	<u>P 1,078,868,822</u>
EARNINGS PER SHARE				
Basic	23	<u>P 0.155</u>	<u>P 0.118</u>	<u>P 0.098</u>
Diluted	23	<u>P 0.154</u>	<u>P 0.117</u>	<u>P 0.096</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, 2022, 2021, AND 2020
(Amounts in Philippine Pesos)

	<u>Capital Stock</u> (See Note 22)	<u>Additional Paid-in Capital</u> (See Note 2)	<u>Revaluation Reserves</u> (See Note 19)	<u>Retained Earnings</u> (See Notes 2 and 22)	<u>Total</u>
Balance at January 1, 2022	P 10,986,000,000	P 4,747,739,274	P 21,758,606	P 15,196,936,729	P 30,952,434,609
Total comprehensive income for the year	-	-	25,657,353	1,698,025,640	1,723,682,993
Balance at December 31, 2022	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 47,415,959</u>	<u>P 16,894,962,369</u>	<u>P 32,676,117,602</u>
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	-	-	15,375,365	1,298,852,373	1,314,227,738
Balance at December 31, 2021	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 21,758,606</u>	<u>P 15,196,936,729</u>	<u>P 30,952,434,609</u>
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	-	-	815,651	1,078,053,171	1,078,868,822
Balance at December 31, 2020	<u>P 10,986,000,000</u>	<u>P 4,747,739,274</u>	<u>P 6,383,241</u>	<u>P 13,898,084,356</u>	<u>P 29,638,206,871</u>

See Notes to Financial Statements.

GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,164,336,893	P 1,406,274,216	P 1,416,729,751
Adjustments for:				
Equity share in net income of subsidiaries	9	(453,772,801)	(233,102,672)	(275,678,966)
Interest income	18	(139,839,960)	(110,568,828)	(116,154,150)
Depreciation and amortization	17	124,257,764	127,909,533	146,306,315
Interest expense	18	65,977,999	86,722,172	124,276,029
Impairment losses	21	22,832,265	21,454,577	22,335,173
Unrealized foreign exchange losses (gains) - net	18	(13,401,592)	(9,372,228)	5,370,850
Loss on refund	18	1,290,225	161,958	1,895,180
Loss on pretermination of lease	11	-	-	2,710,438
Operating profit before working capital changes		1,771,680,793	1,289,478,728	1,327,790,620
Decrease (increase) in trade and other receivables		(1,489,184,606)	(313,123,015)	378,958,454
Increase in contract assets		(589,851,628)	(856,637,421)	(1,141,107,990)
Increase in inventories		(762,773,493)	(531,474,850)	(56,592,424)
Increase in prepayments and other current assets		(376,273,214)	(189,350,448)	(213,189,734)
Increase in advances to joint venture		(16,680,437)	(13,614,855)	(3,161,417)
Increase (decrease) in trade and other payables		235,958,737	152,800,009	(150,278,718)
Increase (decrease) in contract liabilities		52,926,295	29,134,705	(440,418,644)
Increase (decrease) in customers' deposits		214,809,661	124,153,397	(57,917,844)
Increase in retirement benefit obligation		9,720,649	12,932,598	12,272,890
Increase (decrease) in other non-current liabilities		(74,567,550)	42,703,080	19,434,709
Cash used in operations		(1,024,234,793)	(252,998,073)	(324,210,098)
Cash paid for income taxes		(4,899,686)	(1,420,173)	(76,371,461)
Net Cash Used in Operating Activities		(1,029,134,479)	(254,418,245)	(400,581,559)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of advances to related parties	21	255,827,580	15,225,284	183,703,318
Advances granted to related parties	21	(226,905,321)	(44,848,734)	(76,879,436)
Interest received		55,611,272	48,082,172	55,705,034
Acquisitions of property and equipment	10	(27,557,123)	(49,768,354)	(22,235,946)
Acquisitions of investment properties	12	(10,720,792)	(41,836,115)	(169,786)
Proceeds from disposal of property and equipment	10	111,235	-	-
Dividends received	9	-	21,140,537	-
Net Cash From (Used in) Investing Activities		46,366,851	(52,005,210)	140,123,184
<i>Balance brought forward</i>		(P 982,767,628)	(P 306,423,455)	(P 260,458,375)

	Notes	2022	2021	2020
<i>Balance carried forward</i>		(P 982,767,628)	(P 306,423,455)	(P 260,458,375)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans	29	(1,137,254,904)	(1,220,588,240)	(1,583,710,411)
Proceeds from interest-bearing loans	13, 29	1,000,000,000	2,500,000,000	1,500,000,000
Advances obtained from related parties	21	53,298,983	632,881	44,410,175
Interest paid		(43,854,009)	(35,789,111)	(77,529,174)
Repayments of lease liabilities	11	(39,622,755)	(37,735,957)	(72,842,277)
Repayments of advances from related parties	21	(308,611)	(43,083,706)	(74,100)
Net Cash From (Used in) Financing Activities		(167,741,296)	1,163,435,867	(189,745,787)
Effects of Exchange Rates Changes on Cash and Cash Equivalents		13,401,592	9,372,228	(5,370,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,137,107,332)	866,384,640	(455,575,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,324,849,090	1,458,464,450	1,914,039,462
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,187,741,758	P 2,324,849,090	P 1,458,464,450

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 Properties as the property goes through 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). There was no similar transactions in 2022.
- 3) In 2020, the Company derecognized right-of-use asset and lease liability amounting to P195.6 million and P114.5 million, respectively (see Notes 11 and 29). There were no similar transactions in 2022 and 2021.

See Notes to Financial Statements.

GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Megaworld Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(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 16th Floor, Alliance Global Tower, 36th Street cor. 11th 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.

Megaworld Corporation (Megaworld or the parent company) is the parent company of Global-Estate Resorts, Inc. Megaworld is 70% 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 30th Floor, Alliance Global Tower, 36th Street cor. 11th 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 7th 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 The Company's Subsidiaries and Associates (the Group)

The Company holds interests in the following subsidiaries and associates as of December 31, 2022, 2021 and 2020:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership
Subsidiaries:		
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. (SHBI)	(e)	100%
Belmont Hotel Boracay, Inc. (BHBI)	(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%
Associates:		
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 2022, 2021 and 2020 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 Approval of the Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on February 24, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarized as follows. 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

The Company has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- 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*

- 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*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 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 on the succeeding page 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.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

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, in 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.

Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (deferred until December 31, 2023)

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.

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 does 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.

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 percentage of completion (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 the year of adoption and in comparative periods presented. Should the Company elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(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.

The Company effected certain reclassification of account in the 2021 statement of financial position to conform with the presentation and account classification in the 2022 financial statements. The Loan receivables amounting to P134.2 million in 2021 was previously presented under the current portion of the Trade and Other Receivables in the 2021 statement of financial position. In 2022, the account was reclassified and presented under the non-current portion of the 2021 statement of financial position (see Note 5).

The Company also effected certain reclassification of account in the 2021 and 2020 statements of comprehensive income to conform with the presentation and account classification in the 2022 financial statements. The Loss on cancellation amounting to P52.2 million and P37.3 million in 2021 and 2020, respectively, were previously presented net of Others under Revenues section in the 2021 and 2020 statements of comprehensive income. In 2022, the account was reclassified and presented as part of Finance Costs and Other Charges in the 2021 and 2020 statements of comprehensive income (see Note 18).

The foregoing reclassifications did not have a material impact on the Company's statements of changes in equity and statements of cash flows for the years ended December 31, 2021 and 2020.

(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 2022 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, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test of Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective Subsequent to 2022 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2022, 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) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

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 being a publicly listed entity.

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 (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.

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 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 will 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. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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.

- (c) *Rendering of services* – Revenues are recognized over time (i.e., time-and-materials basis as the services are provided or based on the actual work done) until the performance of contractually agreed tasks has been substantially rendered. 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. Revenue from rendering of services include property management, commission and marketing income.
- (d) *Other income* – Other income includes revenues from penalties collected from late payments and forfeited collections and deposits. They are recognized at a point in time in the year the receivables become due and/or contract was cancelled. Such income is presented under Others in the statement of comprehensive income.

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 assets based on the latest audited 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 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 1.1).

(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 (As a Lessor)*

The Company has entered into various lease agreements. 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. Based on management, assessment, the Company's lease agreements are classified as operating lease.

(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, 2022 and 2021, 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, 2022 and 2021 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, 2022, 2021 and 2020 (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>2022</u>	<u>2021</u>
Cash on hand and in banks	21.7(d)	P 888,999,959	P 2,181,555,228
Short-term placements		<u>298,741,799</u>	<u>143,293,862</u>
		<u>P1,187,741,758</u>	<u>P 2,324,849,090</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made between fourteen to sixty days at prevailing market interest rates and earn effective interest ranging from 0.25% to 5.25% in 2022, 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>2022</u>	<u>2021</u>
Current:			
Installment contracts receivable		P3,705,356,138	P 2,745,344,485
Unearned interest		(25,611,347)	(18,926,044)
VAT on contracts with customers		603,666,029	523,690,211
Marketing and management fee receivable	21.3	512,316,222	437,564,669
Rental receivables	21.2(a)	348,989,593	281,266,715
Advances to officers and employees	21.4	115,361,630	123,597,647
Finance lease receivable	24.1	112,178,195	81,915,204
Interest receivable	21.4	48,292,064	43,641,550
Advances to landowners		19,636,327	19,636,327
Others		<u>68,800,568</u>	<u>40,671,981</u>
		<u>P5,508,985,419</u>	<u>P 4,278,402,745</u>

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Non-current:			
Installment contracts receivable		P1,540,125,066	P1,200,556,313
Unearned interest		(208,121,986)	(101,420,605)
Finance lease receivable	24.1	436,646,173	490,989,785
VAT on contracts with customer		393,319,951	229,013,091
Loan receivables	21.7(c)	<u>134,217,245</u>	<u>134,217,245</u>
		<u>P2,296,186,449</u>	<u>P1,953,355,829</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 P64.6 million, P56.6 million, and P53.3 million for the years ended December 31, 2022, 2021 and 2020, 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 P178.0 million, P75.4 million, and P25.7 million, for the years ended December 31, 2022, 2021 and 2020, 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 P38.4 million, P42.1 million, and P45.5 million in 2022, 2021 and 2020, 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 2022, 2021 and 2020. This assessment is undertaken each financial year using simplified approach in measuring ECL as fully disclosed in Note 25.2(b).

6. INVENTORIES

Inventories at the end of 2022 and 2021 were stated at cost. The composition of this account as at December 31 is shown below.

	<u>2022</u>	<u>2021</u>
Real estate for sale	P3,255,128,981	P 2,710,229,568
Raw land inventory	1,365,915,783	1,332,606,586
Property development cost	1,209,039,776	924,611,804
Resort shares for sale	<u>41,626,745</u>	<u>41,626,745</u>
	<u>P 5,871,711,285</u>	<u>P 5,009,074,703</u>

Real estate for sale pertains to accumulated costs incurred in developing the Company's horizontal and condominium projects and certain integrated-tourism projects in Boracay, and residential subdivision lots in Iloilo, Philippines. The accumulated costs include capitalized borrowing costs totalling to P280.5 million in 2022 and P182.8 million in 2021. The aforementioned interest was incurred in relation to the interest-bearing loans obtained specifically to finance the construction of certain projects. The capitalization rate averaged 5.30% and 4.61% in 2022 and 2021, 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, the Company reclassified raw land inventory with a total carrying amount of P7.3 million to investment property as such properties are held to earn rentals and/or for capital appreciation (see Note 12). There was no similar reclassification in 2022.

In 2022, the Company reclassified land held for capital appreciation amounting to P99.9 million to inventories as such properties are already on the pre-selling stage (see Note 12). There was no similar reclassification in 2021.

Resort shares for sale comprise of proprietary or membership shares (landowner shares and founders shares) in Fairways & Bluewater 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.

None of the Company's inventories are used as collateral for its interest-bearing loans and borrowings.

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 2022 and 2021.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Advances to contractors and suppliers		P 922,907,578	P 713,658,214
Deferred commission	16.3	344,042,359	250,644,786
Creditable withholding tax		94,982,095	84,832,706
Deferred creditable withholding tax		71,970,590	53,225,804
Refundable deposits	25.2	64,911,308	64,008,617
Prepayments		46,646,444	40,624,063
Input tax		36,056,586	46,419,701
		<u>P1,581,516,960</u>	<u>P1,253,413,891</u>

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 Garden, Eastland Heights, Sta. Barbara, The Hampton Village, The Fifth, Lindren, and Lakefront Esplanade projects were charged marketing fees in 2022, 2021 and 2020 amounting to P140.5 million, 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>2022</u>	<u>2021</u>
Total commitment for construction expenditures	P2,743,096,462	P2,548,235,122
Total expenditures incurred	(2,144,519,435)	(1,980,886,471)
Net commitment	<u>P 598,577,027</u>	<u>P 567,348,651</u>

The Company's interests on these jointly controlled projects range from 28.75% to 85% both in 2022 and 2021.

As at December 31, 2022 and 2021, 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 2022 and 2021.

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the investments in subsidiaries and associates accounted for under the equity method as at December 31 is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TLC	P 4,101,942,302	P 3,973,206,330	P 3,864,679,949
GEPI	3,880,403,726	3,772,968,993	3,511,521,282
GEGDI	2,207,115,901	2,009,253,717	2,165,397,528
SMI	1,273,526,827	1,258,896,496	1,231,091,360
SWEC	451,242,181	458,064,556	445,061,818
OPI	391,527,695	330,962,039	319,636,304
FEUDC	177,299,805	229,018,237	287,452,093
MGEI	52,584,112	48,518,810	40,145,929
GHCI	14,724,633	18,332,458	21,690,407
ECPSI	<u>14,743,050</u>	<u>4,912,490</u>	<u>-</u>
	<u>P12,565,110,232</u>	<u>P12,104,134,126</u>	<u>P11,886,676,670</u>

The Company recognized its share in net income of subsidiaries amounting to P453.8 million, P233.1 million, P275.7 million in 2022, 2021 and 2020, 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 P7.2 million and P5.5 million income in 2022 and 2021, respectively, and P1.3 million loss in 2020.

A reconciliation of the carrying amounts of investments in subsidiaries at the beginning and end of 2022, 2021 and 2020 is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P12,104,134,126	P11,886,676,670	P11,612,344,852
Equity in net income	453,772,801	233,102,672	275,678,966
Equity in other comprehensive income (losses) – net	7,203,305	5,495,321	(1,347,148)
Dividends received	<u>-</u>	<u>(21,140,537)</u>	<u>-</u>
Balance at end of year	<u>P12,565,110,232</u>	<u>P12,104,134,126</u>	<u>P11,886,676,670</u>

A reconciliation of the costs of investments and cumulative share in net income (losses) of the subsidiaries as of December 31, 2022, 2021 and 2020 are shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost			
Balance at beginning of year	P 4,424,572,762	P 4,445,713,299	P 4,445,713,299
Dividends received	<u>-</u>	<u>(21,140,537)</u>	<u>-</u>
Balance at end of year	<u>4,424,572,762</u>	<u>4,424,572,762</u>	<u>4,445,713,299</u>
Cumulative share in net income (losses)			
Balance at beginning of year	7,679,561,364	7,440,963,371	7,166,631,553
Equity in net income for the year	453,772,801	233,102,672	275,678,966
Equity in other comprehensive income (loss) for the year – net	<u>7,203,305</u>	<u>5,495,321</u>	<u>(1,347,148)</u>
Balance at end of year	<u>8,140,537,470</u>	<u>7,679,561,364</u>	<u>7,440,963,371</u>
Carrying amount at end of year	<u>P12,565,110,232</u>	<u>P12,104,134,126</u>	<u>P11,886,676,670</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>
2022						
GEPI	P 11,771,841,688	P 3,993,539,180	P 11,298,766,879	P 562,563,912	P 616,543,786	(P 133,883,451)
AHC	183,682,102	-	1,462,098	-	-	313,751
BSAI	-	-	17,814,204	-	-	93,098
FESDC	14,016,648	-	23,997,024	-	-	84,450
FPCELC	8,194,860	2,094,000	114,457,041	-	-	120,000
GSAI	-	-	11,872,093.12	-	-	92,828
LCSBI	155,242,629	247,414	60,006,529	-	20,145,531	19,558,348
MCX	200,523,376	4,400,000	87,250	-	-	87,163
PL5	425,100	-	5,786,842	-	-	87,264
PAI	1,137,109,707	-	1,142,091,463	-	-	157,942
SDPDC	374,470,113	-	453,954,054	10,340,653	-	(2,649,540)
FPCBC	-	-	22,562,492	-	-	85,214
FEIP	4,771,248	108,000	21,920,919	-	-	-
SHDI	379,189,009	55,303,206	345,895,607	-	-	41,836
GEGLDI	2,363,392,834	397,516,727	605,081,341	138,771,941	74,314,112	316,213,017
GFI	249,583,830	288,889,235	139,619,894	-	194,623,285	8,104,523
SWEC	1,144,880,261	385,774,225	286,727,806	441,473,577	581,472,185	325,739,982
FEUDC	489,350,272	171,623,971	478,435,472	6,321,288	-	(58,729,709)
NSHC	5,382,761	-	32,930,132	-	-	(102,982)
ECPSI	101,159,412	2,800,290	11,605,037	85,524,107	36,866,110	13,346,286
SHBI	156,942,837	10,991,901	267,438,315	901,445	84,046,519	(3,167,609)
BHBI	181,111,941	4,030,895	265,072,075	757,711	91,351,548	(747,294)
MGEI	177,011,104	1,277,036	89,446,735	684,720	119,952,317	7,388,154
TLC	5,589,904,829	5,905,702,011	1,030,603,110	2,452,453,596	1,013,251,779	182,360,336
TLHI	144,354,318	10,115,021	135,911,190	1,274,711	215,749,163	61,460,927
OPI	800,145,973	620,655,135	543,763,950	130,673,536	402,557,151	84,439,544
GHCI	1,830,344	128,892,913	116,371,906	-	-	(3,794,466)
SMI	703,918,596	2,770,544,542	700,805,375	276,895,823	-	28,493,135

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Loss (Income)
2021						
GEPI	P 11,418,157,046	P 3,863,888,094	P 11,025,362,496	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
FPCBC	-	-	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)
2020						
GEPI	P 11,203,832,056	P 3,717,089,160	P 10,899,193,213	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)

A reconciliation of the summarized financial information to the carrying amount of the investments in subsidiaries as of December 31, 2022 and 2021 are shown below and in the succeeding page.

	Explanatory Note	Net Asset Value	Ownership in Net Asset	Carrying Value
2022				
TLC		P 8,012,550,134	P 4,093,927,592	P 4,093,927,592
GEPI		3,903,756,335	3,882,601,372	3,882,601,372
SMI		2,496,761,939	1,273,348,589	1,273,348,589
GEGDI		2,017,056,279	2,207,115,901	2,017,056,279
SWEC		1,089,180,909	653,508,545	653,508,545
OPI		783,055,391	391,527,695	391,527,695
FEUDC		176,240,851	176,240,851	176,240,851
SHBI	(a)	(100,405,022)	(100,405,022)	-
MGEI		87,862,329	52,717,398	52,717,398
BHBI	(a)	(59,175,576)	(59,175,576)	-
NSHC	(a)	(27,547,171)	(27,547,171)	-
GHCI		14,351,351	14,351,351	14,351,351
ECPSI	(b)	9,830,560	9,830,560	9,830,560
		<u>P 18,403,518,309</u>	<u>P 12,568,042,085</u>	<u>P 12,565,110,232</u>

	<u>Explanatory Note</u>	<u>Net Asset Value</u>	<u>Ownership in Net Asset</u>	<u>Carrying Value</u>
<u>2021</u>				
TLC		P 7,785,331,217	P 3,973,206,330	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)	<u>4,912,490</u>	<u>4,912,490</u>	<u>4,912,490</u>
		<u>P 17,569,286,505</u>	<u>P 11,904,874,405</u>	<u>P 12,104,134,126</u>

- (a) Cumulative share in net losses in these subsidiaries exceeded the investments in the said entities as of December 31, 2022 and 2021. 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 – 7th Floor, Paseo Center Building, 8757 Paseo de Roxas St., Makati City
- (e) SHB, BHB – Brgy. Yapak, Boracay Island, Malay, Aklan 5608

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, 2022				
Cost	P 79,818,861	P 173,272,374	P 139,143,073	P 392,234,308
Accumulated depreciation and amortization	(<u>70,742,457</u>)	(<u>137,982,186</u>)	(<u>72,943,558</u>)	(<u>281,668,201</u>)
Net carrying amount	<u>P 9,076,404</u>	<u>P 35,290,188</u>	<u>P 66,199,515</u>	<u>P 110,566,107</u>

	<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	(<u>62,822,898</u>)	(<u>118,450,457</u>)	(<u>56,887,061</u>)	(<u>238,160,416</u>)
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>
January 1, 2021				
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>

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, 2022 net of accumulated depreciation and amortization	P 14,378,553	P 35,753,215	P 76,898,394	P 127,030,162
Additions	3,130,804	19,068,701	5,357,618	27,557,123
Disposals	(111,235)	-	-	(111,235)
Depreciation and amortization charges for the year	(<u>8,321,718</u>)	(<u>19,531,728</u>)	(<u>16,056,497</u>)	(<u>43,909,943</u>)
Balance at December 31, 2022 net of accumulated depreciation and amortization	<u>P 9,076,404</u>	<u>P 35,290,188</u>	<u>P 66,199,515</u>	<u>P 110,566,107</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>P 14,378,553</u>	<u>P 35,753,215</u>	<u>P 76,898,394</u>	<u>P 127,030,162</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>

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of comprehensive income (see Note 17).

None of the Company's property and equipment are used as collateral for its interest-bearing loans and borrowings.

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 incurred maintenance fees and paid refundable deposits, presented as part of Prepayments and Other Current Assets in the 2022 and 2021 statements 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>
December 31, 2022					
Offices	3	1 – 3 years	3 years	3	3
Commercial lot	1	15 years	15 years	1	1
December 31, 2021					
Offices	3	3 – 4 years	4 years	3	3
Commercial lot	1	16 years	16 years	1	1

11.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at December 31, 2022 and 2021 and the movements during the period are shown below and in the succeeding page.

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<u>December 31, 2022</u>			
Cost			
Balance at beginning and end of year	P 165,033,008	P 25,654,963	P 190,687,971
Accumulated amortization			
Balance at beginning of year	36,424,119	4,104,794	40,528,913
Amortization for the year	<u>33,006,601</u>	<u>1,368,265</u>	<u>34,374,866</u>
Balance at end of year	<u>69,430,720</u>	<u>5,473,059</u>	<u>74,903,779</u>
Carrying amount at December 31, 2022	<u>P 95,602,288</u>	<u>P 20,181,904</u>	<u>P 115,784,192</u>

	<u>Offices</u>	<u>Commercial Lot</u>	<u>Total</u>
<u>December 31, 2021</u>			
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	<u>P 128,608,889</u>	<u>P 21,550,169</u>	<u>P 150,159,058</u>

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 and recognized the related right-of-use asset and lease liability. 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 2020 statement 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 2020 statement of comprehensive income (see Note 18.2). No amount was recognized in the 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 for the transfer of office space. The Company recognized right-of-use asset and lease liability for the new office space and consequently derecognized the remaining carrying amount of right-of-use asset and lease liability for the old office space. 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 Other Operating Expenses in the 2020 statement of comprehensive income (see Note 17). There were no similar transactions in 2022 and 2021.

In January 2021, the Company entered into a new lease agreement as lessee with Megaworld in 9th 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.

11.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position are as follows:

	<u>2022</u>	<u>2021</u>
Current	P 114,705,742	P 84,127,140
Non-current	<u>408,618,893</u>	<u>442,785,025</u>
	<u>P 523,324,635</u>	<u>P 526,912,165</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, 2022 and 2021 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>
2022							
Lease payment	P 148,342,735	P 69,740,970	P 59,057,832	P 28,993,255	P 27,149,002	P691,250,294	P 1,024,534,088
Finance charges	(33,636,993)	(30,846,283)	(27,763,672)	(26,439,824)	(26,345,415)	(356,177,266)	(501,209,453)
Net present value	<u>P 114,705,742</u>	<u>P 38,894,687</u>	<u>P 31,294,160</u>	<u>P 2,553,431</u>	<u>P 803,587</u>	<u>P335,073,028</u>	<u>P 523,324,635</u>
2021							
Lease payment	P 120,162,365	P 67,803,126	P 69,740,970	P 59,057,832	P 28,993,255	P718,399,295	P 1,064,156,843
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	<u>P 84,127,140</u>	<u>P 34,166,133</u>	<u>P 38,894,686</u>	<u>P 31,294,162</u>	<u>P 2,553,431</u>	<u>P335,876,613</u>	<u>P 526,912,165</u>

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 P17.7 million, P18.3 million and P14.7 million in 2022, 2021 and 2020, respectively, and are presented as part of Other Operating Expenses account in the statements of comprehensive income (see Note 17).

At December 31, 2022 and 2021, the Company is committed to short-term leases, and the total commitment at that date is P44.1 million and P40.5 million, respectively.

11.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P39.6 million, P37.7 million and P72.8 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P36.0 million and P38.1 million in 2022 and 2021, respectively, and are presented as part of Finance Costs and Other Charges in the statements of comprehensive income (see Note 18.2).

12. INVESTMENT PROPERTIES

The Company's investment properties includes 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 as follows:

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
December 31, 2022			
Cost	P 968,549,661	P 1,060,812,690	P 2,029,362,351
Accumulated depreciation and amortization	-	(303,884,917)	(303,884,917)
	<u>P 968,549,661</u>	<u>P 756,927,773</u>	<u>P 1,725,477,434</u>

	<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	<u>-</u>	<u>(257,911,963)</u>	<u>(257,911,963)</u>
	<u>P 1,057,691,958</u>	<u>P 802,900,728</u>	<u>P 1,860,592,686</u>
January 1, 2021			
Cost	P 1,015,855,843	P 1,053,551,130	P 2,069,406,973
Accumulated depreciation and amortization	<u>-</u>	<u>(210,802,966)</u>	<u>(210,802,966)</u>
	<u>P 1,015,855,843</u>	<u>P 842,748,164</u>	<u>P 1,858,604,007</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting period is shown below:

	<u>Land</u>	<u>Building and Improvements</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 1,057,691,958	P 802,900,728	P 1,860,592,686
Additions	10,720,792	-	10,720,792
Reclassifications (see Note 6)	(99,863,089)	-	(99,863,089)
Depreciation and amortization charges for the year	<u>-</u>	<u>(45,972,955)</u>	<u>(45,972,955)</u>
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 968,549,661</u>	<u>P 756,927,773</u>	<u>P 1,725,477,434</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	<u>-</u>	<u>(47,108,997)</u>	<u>(47,108,997)</u>
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 1,057,691,958</u>	<u>P 802,900,728</u>	<u>P 1,860,592,686</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	-	14,402,577	14,402,577
Depreciation and amortization charges for the year	<u>-</u>	<u>(46,708,989)</u>	<u>(46,708,989)</u>
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 1,015,855,843</u>	<u>P 842,748,164</u>	<u>P 1,858,604,007</u>

Rental income recognized in 2022, 2021 and 2020 amounted to P155.5 million, P152.6 million and P151.9 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). Other operating costs in leasing these properties include Real property taxes amounting to P3.2 million, P4.2 million and P1.5 million, and Repairs and maintenance amounting to P10.6 million, P7.1 million and P5.2 million in 2022, 2021 and 2020, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is under 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, 2022, 2021 and 2020.

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, 2022 and 2021, respectively.

The breakdown of Investment Properties at its fair market value are as follows:

	<u>2022</u>	<u>2021</u>
Building and improvements	P 3,276,262,490	P 4,678,667,114
Land and land improvement	<u>7,376,863,959</u>	<u>7,419,189,764</u>
	<u>P 10,653,126,449</u>	<u>P 12,097,856,878</u>

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 27.3.

None of the Company's investment properties are used as collateral for its interest-bearing loans and borrowings.

13. INTEREST-BEARING LOANS

The Company's interest-bearing loans are broken down as follows:

	<u>2022</u>	<u>2021</u>
Current	P1,337,254,907	P 1,137,254,907
Non-current	<u>4,201,960,769</u>	<u>4,539,215,673</u>
	<u>P5,539,215,676</u>	<u>P5,676,470,580</u>

The Company obtained an unsecured interest-bearing loan from Megaworld during the last quarter of 2022 and 2021. The loan obtained in 2022 amounting to P1.0 billion with an interest rate of 6.33% and shall be payable for a maximum term of sixteen months while the loan obtained in 2021 of the same amount and interest rate is payable for a maximum period of eight years. The Company shall repay the loan in 12 equal quarterly amortizations. As of December 31, 2022 and 2021, the related outstanding balance of these loans is P2.0 billion and P1.0 billion, respectively [see Note 21.7(c)].

In 2021 and 2020, the Company obtained an unsecured interest-bearing-loans from Unionbank of the Philippines. The loan obtained in 2020 amounting to P1.0 billion is payable quarterly for a term of five to seven years, bearing a fixed interest rate of 5.26% and payable quarterly in arrears. The loan obtained in 2021 amounting to P1.0 billion is payable quarterly for a term of four years, bearing a fixed interest rate of 5.37% and payable quarterly in arrears. As at December 31, 2022 and 2021, the outstanding balance pertaining to this loan amounted to P1.8 billion and P2.0 billion, respectively.

The Company availed unsecured, interest-bearing loans from Rizal Commercial Banking Corporation in 2021 and 2020. The loan obtained in 2020 amounting to P0.5 billion is payable quarterly with a term of seven years, with a floating interest rate ranging from 3.64% to 6.90% and is payable quarterly in arrears. The outstanding balance from this loan amounted to P0.5 billion as at December 31, 2022 and 2021. The loan obtained in 2021 from RCBC amounting to P0.5 billion has the same terms with the 2020 loan from the same bank, payable quarterly with a term of six years. The related outstanding balance from loan amounted to is P0.5 billion as of December 31, 2022 and 2021.

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 P0.7 billion and P1.2 billion as of December 31, 2022 and 2021, 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. The outstanding balance pertaining to this loan amounted to P0.5 billion as at December 31, 2021. The loan was fully paid in 2022.

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 was fully paid in 2021.

The Company has properly complied with the loan agreements' covenants as of the end of the reporting periods (see Note 28).

The accrued interest payable amounted to P6.3 million and P6.5 million as of December 31, 2022 and 2021, 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 P294.9 million, P218.0 million and P214.8 million in 2022, 2021 and 2020, respectively. Of these amounts, P280.5 million and P182.8 million in 2022 and 2021, respectively, were capitalized by the Company as part of Inventories account in the statements of financial position (see Note 6).

Interest charged to expense amounting to P14.4 million, P35.2 million and P74.8 million in 2022, 2021 and 2020, 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). Average capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.30%, 4.61% and 3.15% in 2022, 2021 and 2020, respectively.

14. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables		P 479,884,990	P 476,167,437
Deferred output VAT		750,367,439	591,082,296
Commissions payable	21.7(a)	197,117,617	184,804,947
Retention payable		71,608,559	37,181,105
Withholding tax and other government contributions payable		52,780,084	40,628,619
Due to joint venturers		35,273,461	47,795,337
Others	13, 21.7	90,411,188	89,503,691
		<u>P1,677,443,338</u>	<u>P1,467,163,432</u>

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 ventures 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>2022</u>	<u>2021</u>
Retention payable	P 279,513,399	P 354,624,188
Advance rental	5,299,379	4,756,140
	<u>P 284,812,778</u>	<u>P 359,380,328</u>

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>2022</u>	<u>2021</u>	<u>2020</u>
Geographical areas			
Luzon	P 2,219,161,052	P 974,471,389	P 513,231,153
Visayas	<u>1,218,479,189</u>	<u>1,207,388,079</u>	<u>1,763,935,200</u>
	<u>P3,437,640,241</u>	<u>P2,181,859,468</u>	<u>P2,277,166,353</u>
Types of product			
Residential lots	P1,996,363,543	P 586,018,196	P 433,148,267
Residential condominium	1,418,638,812	1,547,891,647	1,665,332,118
Commercial lots	<u>22,637,886</u>	<u>47,949,625</u>	<u>178,685,968</u>
	<u>P3,437,640,241</u>	<u>P2,181,859,468</u>	<u>P2,277,166,353</u>

16.2 Contract Accounts

a. Contract Assets

The Company's contract assets is classified as follows:

	<u>2022</u>	<u>2021</u>
Current	P2,275,299,997	P1,729,064,651
Non-current	<u>427,392,766</u>	<u>383,776,484</u>
	<u>P2,702,692,763</u>	<u>P2,112,841,135</u>

The significant changes in the contract assets balances during the year are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 2,112,841,135	P1,256,203,714
Increase as a result of changes in measurement of progress, net of collections	<u>589,851,628</u>	<u>856,637,421</u>
Balance at end of year	<u>P2,702,692,763</u>	<u>P2,112,841,135</u>

b. Contract Liabilities

The Company's contract liabilities is classified as follows:

	<u>2022</u>	<u>2021</u>
Current	P 79,955,476	P 44,388,255
Non-current	<u>74,304,852</u>	<u>56,945,778</u>
	<u>P 154,260,328</u>	<u>P 101,334,033</u>

The significant changes in the contract liabilities balances during the year are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 101,334,033	P 72,199,328
Increase as due to cash received excluding amount recognized as revenue during the year	<u>52,926,295</u>	<u>29,134,705</u>
Balance at end of year	<u>P 154,260,328</u>	<u>P 101,334,033</u>

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 2022, 2021 and 2020 is presented as part of Commissions under Other Operating Expenses account in statements of comprehensive income (see Note 17).

The movement in balances of deferred commission in 2022 and 2021 is presented below:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 250,644,786	P 92,754,129
Additions for the year		221,789,666	244,031,687
Amortization for the year		(128,392,093)	(86,141,030)
Balance at end of year	7	<u>P 344,042,359</u>	<u>P 250,644,786</u>

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, 2022 and 2021 is P2.4 billion and P2.0 billion, respectively. As of December 31, 2022 and 2021, the Company expects to recognize revenue from unsatisfied contracts as follows:

	<u>2022</u>	<u>2021</u>
Within a year	P 950,806,844	P 826,467,948
More than one year to three years	1,242,970,452	1,058,611,289
More than three years to five years	<u>186,388,815</u>	<u>134,505,529</u>
	<u>P 2,380,166,111</u>	<u>P 2,019,584,766</u>

17. OPERATING EXPENSES BY NATURE

Presented below are the details of this account.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of real estate sales		P 1,141,903,827	P 932,286,081	P 939,364,349
Salaries and employee benefits	19.1	337,947,183	271,901,209	250,522,455
Commissions	16.3, 21.7(a)	181,059,197	120,613,948	123,429,286
Depreciation and amortization	10, 11, 12, 21.2	124,257,764	127,909,533	146,306,315
Professional fees and outside services		48,580,952	32,185,799	24,451,212
Taxes and licenses		45,677,687	27,312,160	49,610,920
Utilities		33,545,533	15,828,242	17,202,438
Transportation and travel		27,061,708	12,052,382	7,283,483
Subscriptions and membership dues		24,666,550	12,616,276	18,047,387
Rentals	11.3,	17,724,270	18,252,203	14,657,762
Representation and entertainment		13,179,625	1,811,846	3,865,850
Management fees	21.6	12,171,429	10,939,232	9,386,708
Repairs and maintenance	12	10,574,748	7,144,221	5,178,704
Advertising and promotions		5,154,016	3,765,256	2,512,914
Registration and other fees		3,810,976	1,186,226	702,527
Insurance		1,500,512	1,594,476	1,075,814
Agency fees		1,292,485	1,662,688	1,183,215
Directors' fees		450,000	350,000	450,000
Miscellaneous	11.1	28,211,671	7,948,982	10,793,514
		<u>P 2,058,770,133</u>	<u>P 1,607,360,760</u>	<u>P 1,626,024,853</u>

These expenses are classified in the statements of comprehensive income as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of real estate sales		P 1,141,903,827	P 932,286,081	P 939,364,349
Cost of rentals	12	45,972,955	47,108,997	46,708,989
Other operating expenses		870,893,351	627,965,682	639,951,515
		<u>P 2,058,770,133</u>	<u>P 1,607,360,760</u>	<u>P 1,626,024,853</u>

The cost of real estate sales is further broken down as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contracted services		P 968,249,562	P 869,425,151	P 896,385,982
Land cost		106,665,678	23,232,689	16,005,592
Borrowing cost	13	<u>66,988,587</u>	<u>39,628,241</u>	<u>26,972,775</u>
		<u>P 1,141,903,827</u>	<u>P 932,286,081</u>	<u>P 939,364,349</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>2022</u>	<u>2021</u>	<u>2020</u>
Interest income from:				
Real estate sales	5	P 64,639,351	P 56,567,959	P 53,314,132
Finance lease	5	38,419,379	42,130,827	45,517,732
Cash in banks and short-term placements	4	24,516,037	7,114,254	13,226,393
Advances to related parties	21.4	<u>12,265,193</u>	<u>4,755,788</u>	<u>4,095,893</u>
		139,839,960	110,568,828	116,154,150
Foreign exchange gains		<u>13,401,592</u>	<u>9,372,228</u>	<u>-</u>
		<u>P 153,241,552</u>	<u>P 119,941,056</u>	<u>P 116,154,150</u>

18.2 Finance Costs and Other Charges

Presented below are the details of this account.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest expense on:				
Lease liabilities	11, 21.2	P 36,035,225	P 38,068,805	P 37,308,456
Loans	13, 21.7	14,397,986	35,166,701	74,751,042
Advances from related parties	21.5	9,158,872	9,637,114	8,587,202
Retirement benefit obligation (RBO)	19.2	3,898,949	2,852,918	3,060,345
Others		<u>2,486,967</u>	<u>996,634</u>	<u>568,984</u>
		65,977,999	86,722,172	124,276,029
Loss on cancellation		149,827,672	52,236,255	37,287,647
Impairment loss	21.4	22,832,265	21,454,577	22,335,173
Loss on refund		1,290,225	161,958	1,895,180
Foreign exchange loss		<u>-</u>	<u>-</u>	<u>5,523,506</u>
		<u>P 239,928,161</u>	<u>P 160,574,962</u>	<u>P 191,317,535</u>

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Note	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits		P 326,851,727	P 258,601,260	P 238,249,565
Post-employment benefit	19.2	<u>11,095,456</u>	<u>13,299,949</u>	<u>12,272,890</u>
		<u>P 337,947,183</u>	<u>P 271,901,209</u>	<u>P 250,522,455</u>

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 2022 and 2021.

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 75,871,042	P 72,964,659
Current service cost	11,095,456	13,299,949
Interest expense	3,898,949	2,852,918
Benefits paid	(1,661,842)	(367,351)
Benefits shouldered by the Company	287,035	-
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(26,445,194)	(12,879,133)
Experience adjustments	<u>1,839,796</u>	<u>-</u>
Balance at end of year	<u>P 64,885,242</u>	<u>P 75,871,042</u>

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>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 11,095,456	P 13,299,949	P 12,272,890
Interest cost	<u>3,898,949</u>	<u>2,852,918</u>	<u>3,060,345</u>
	<u>P 14,994,405</u>	<u>P 16,152,867</u>	<u>P 15,333,235</u>
<i>Reported in other comprehensive income –</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 26,445,194)	(P 12,879,133)	P 2,259,734
Experience adjustments	<u>1,839,796</u>	<u>-</u>	<u>(5,349,447)</u>
	<u>(P 24,605,398)</u>	<u>(P 12,879,133)</u>	<u>(P 3,089,713)</u>

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>2022</u>	<u>2021</u>	<u>2020</u>
Discount rates	7.85%	5.12%	3.91%
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 32 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 Assumptions</u>	<u>Increase in Assumptions</u>	<u>Decrease in Assumptions</u>
<u>December 31, 2022</u>			
Discount rate	+/- 0.5%	(P 3,164,040)	P 3,553,699
Salary increase rate	+/- 1.0%	7,585,703	(6,099,954)
<u>December 31, 2021</u>			
Discount rate	+/- 0.5%	(P 5,803,559)	P 6,756,954
Salary increase rate	+/- 1.0%	14,376,244	(10,729,189)

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, 2022. 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>2022</u>	<u>2021</u>
Within one year	P 4,030,351	P 4,525,523
More than one year to five years	5,744,965	5,387,917
More than five years to 10 years	30,020,700	26,622,434
More than 10 years to 15 years	52,866,072	42,852,924
More than 15 years to 20 years	<u>229,879,196</u>	<u>197,530,683</u>
	<u>P 322,541,284</u>	<u>P 276,919,481</u>

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.

The components of tax expense as reported in the statements of comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% and 30%	P 48,170,145	P 106,353,705	P 23,341,286
Final tax at 20% and 15%	4,899,686	1,420,173	2,639,769
Effect of change in income tax rate	<u>-</u>	<u>(2,181,529)</u>	<u>-</u>
	<u>53,069,831</u>	<u>105,592,349</u>	<u>25,981,055</u>
Deferred tax expense relating to:			
Origination and reversal of temporary differences	413,241,422	211,069,271	312,695,525
Effect of change in income tax rate	<u>-</u>	<u>(209,239,777)</u>	<u>-</u>
	<u>413,241,422</u>	<u>1,829,494</u>	<u>312,695,525</u>
	<u>P 466,311,253</u>	<u>P 107,421,843</u>	<u>P 338,676,580</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense (income) relating to remeasurements of retirement benefit plan	P 6,151,350	P 3,219,783	P 926,914
Effect of change in income tax rate	-	(220,694)	-
	<u>P 6,151,350</u>	<u>P 2,999,089</u>	<u>P 926,914</u>

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to income tax expense reported in the statements of comprehensive income is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pre-tax profit at 25% in 2022 and 2021 and 30% in 2020	P 541,084,223	P 351,568,554	P 425,018,925
Adjustment for income subjected to lower income tax rates	(1,229,324)	(358,391)	(1,328,149)
Effect of change in income tax rate	-	(211,421,306)	-
Tax effects of:			
Non-taxable income	(129,603,038)	(52,517,117)	(98,697,931)
Non-deductible expenses	54,833,590	19,794,390	12,374,322
Non-deductible interest expense	<u>1,225,802</u>	<u>355,713</u>	<u>1,309,413</u>
	<u>P 466,311,253</u>	<u>P 107,421,843</u>	<u>P 338,676,580</u>

The net deferred tax liabilities as at December 31 relate to the following:

	<u>2022</u>	<u>2021</u>
Unrealized profit on real estate sale	(P 1,268,106,983)	(P 937,389,668)
Marketing fee receivable	(133,566,089)	(114,878,200)
Capitalized borrowing cost	(131,986,343)	(94,914,659)
Finance lease	(130,135,481)	(120,530,636)
Deferred commission	(80,769,792)	(59,423,539)
Share-based employee compensation	59,106,392	59,106,392
Rental income	(27,737,071)	(23,810,369)
Leases	23,630,064	15,933,230
Retirement benefit obligation	16,442,003	19,188,453
Unrealized foreign exchange gain – net	(3,350,398)	(2,343,057)
Refund liability	(3,186,318)	(1,205,191)
	<u>(P 1,679,660,016)</u>	<u>(P 1,260,267,244)</u>

The components of net deferred tax expense are as follows:

	Profit or Loss			Other Comprehensive Income		
	2022	2021	2020	2022	2021	2020
Unrealized profit on real estate sales	P 330,717,315	(P 37,806,818)	P187,707,109	P -	P -	P -
Marketing fee receivable	18,687,888	28,081,409	60,977,487	-	-	-
Capitalized borrowing cost	37,071,684	11,002,795	24,782,765	-	-	-
Finance lease	9,604,845	(11,466,879)	13,655,320	-	-	-
Refund liability	1,981,127	6,004,706	1,736,043	-	-	-
Deferred commission	21,346,254	(17,923,080)	41,045,036	-	-	-
Leases	(7,696,834)	8,509,947	(16,625,609)	-	-	-
Rental income	3,926,702	(50,032)	4,712,042	-	-	-
Unrealized foreign exchange gains (losses) – net	1,007,341	3,954,313	(694,696)	-	-	-
Retirement benefit obligation	(3,404,900)	(298,145)	(4,599,972)	6,151,350	2,999,089	926,914
Share-based employee compensation	-	11,821,278	-	-	-	-
Deferred tax expense	<u>P 413,241,422</u>	<u>P 1,829,494</u>	<u>P312,695,525</u>	<u>P 6,151,350</u>	<u>P 2,999,089</u>	<u>P 926,914</u>

The Company is subject to the MCIT which is computed at 1% to 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher.

No MCIT was reported in 2022, 2021 and 2020 since the RCIT was higher than MCIT in those years. In 2022, 2021 and 2020, the Company opted to continue claiming 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.

21.1 Summary of Related Party Transactions

The summary of the Company's transactions with its related parties for the years ended December 31, 2022, 2021 and 2020, and the related outstanding balances as of December 31, 2022 and 2021 is as follows:

Related Party Category	Note	Amount of Transactions			Outstanding Balances	
		2022	2021	2020	2022	2021
Parent company:						
Lease liability	21.2(b)	(P 27,117,614)	(P 25,130,147)	(P 53,831,702)	(P 94,524,744)	(P 122,896,541)
Right-of-use assets	21.2(b)	(34,374,866)	(31,653,608)	(49,486,367)	93,459,889	126,614,033
Availments of advances – including interest	21.5	(25,694,190)	(10,129,879)	(9,810,974)	(207,603,495)	(181,909,305)
Services	21.6	8,571,429	8,571,429	8,571,429	-	-
Commission expense	21.7(a)	5,009,794	3,609,256	6,119,167	-	-
Interest-bearing loans	21.7(c)	(1,000,000,000)	(1,000,000,000)	-	(2,000,000,000)	(1,000,000,000)
Subsidiaries:						
Net grants of cash advances	21.4	(3,318,815)	(32,609,044)	(202,385,823)	8,319,287,326	8,322,606,141
Commission income	21.7(b)	15,231,540	222,394,161	72,352,952	-	-
Commission expense	21.7(a)	119,171,887	109,383,745	63,848,380	(105,327,387)	(93,101,747)
Management and marketing income	21.3	133,222,680	59,999,202	47,899,157	160,453,674	86,035,738
Repayments (availments) of advances	21.5	(15,575,609)	43,006,656	(43,006,656)	(15,575,609)	-
Rental income	21.2(a)	30,128,123	30,026,439	26,717,709	119,556,691	97,759,377
Loans receivable	21.7(c)	-	134,217,245	-	134,217,245	134,217,245
Interest income	21.7(c)	7,999,716	671,086	-	671,767	671,086
Other investees of shareholders:						
Granting of cash advances – net of collections	21.4	(48,435,709)	40,777,917	73,226,768	1,686,221,287	1,734,656,996
Interest income	21.4	4,265,477	4,084,702	4,095,893	46,311,666	42,927,609
Rental income	21.2(a)	-	-	1,224,847	194,513	194,513
Net repayments (availments) of cash advances	21.5	(20,879,445)	(63,066)	(105,647)	(94,659,524)	(73,780,079)
Officers and employees –						
Granting of cash advances – net of collections	21.4	(8,236,017)	(50,935,905)	10,497,592	115,361,630	123,597,647
Key Management Personnel –						
Compensation	21.8	27,388,864	21,940,337	22,549,919	-	-

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, 2022 and 2021. 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. The Company recognized the related right-of-use asset and lease liability. 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 2020 statement 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 2020 statement of comprehensive income (see Note 18.2). No amount was recognized in the 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 and recognized related right-of-use asset and lease liability. In the same year, the Company derecognized the remaining carrying amount of the 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 11.1). 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 2022 and 2021 and are presented as part of Depreciation and amortization under Other Operating Expenses in the 2022 and 2021 statements of comprehensive income (see Note 17). Interest incurred on lease liability amounted to P4.9 million and P6.0 million and is presented as part of Interest expense under Finance Costs and Other Charges in the 2022 and 2021 statements of comprehensive income, respectively (see Note 18.2). As of December 31, 2022, the related carrying amounts of the right-of-use asset and lease liability amounted to P52.5 million and P53.8 million, respectively, while 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.

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 in 2022 and 2021 and is presented as part of the Operating Expenses in the 2022 and 2021 statements of comprehensive income (see Note 17). Interest expense incurred in relation to the lease liability amounted to P3.7 million and P4.5 million in 2022 and 2021, respectively and is part of the Interest Expense under the Finance Costs and Other Charges in the 2022 and 2021 statements of comprehensive income. As of December 31, 2022, the carrying value of right-of-use asset and lease liability amounted to P40.9 million and P40.8 million, respectively, while as of December 31, 2021, the carrying value of right-of-use asset 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 P160.5 million and P86.0 million as at December 31, 2022 and 2021, respectively, is presented as part of 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, net of the allowance for impairment, shown as Advances to Related Parties account in the statements of financial position, are as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries	P 8,319,287,326	P 8,322,606,141
Other investees of shareholders	<u>1,686,221,287</u>	<u>1,734,656,996</u>
	<u>P 10,005,508,613</u>	<u>P10,057,263,137</u>

A summary of transactions with these related parties are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Subsidiaries:			
Balance at beginning of year	P 8,322,606,141	P 8,355,215,185	P 8,557,601,008
Cash advance granted	195,699,544	-	-
Collections	(180,677,684)	(15,225,284)	(183,703,318)
Impairment loss	(18,340,675)	(17,383,760)	(18,682,505)
Balance at end of year	<u>P 8,319,287,326</u>	<u>P 8,322,606,141</u>	<u>P 8,355,215,185</u>
Other investees of shareholders:			
Balance at beginning of year	P 1,734,656,996	P 1,693,879,079	P 1,620,652,311
Collections	(75,149,896)	-	-
Cash advances granted	31,205,777	44,848,734	76,879,436
Impairment loss	(4,491,590)	(4,070,817)	(3,652,668)
Balance at end of year	<u>P 1,686,221,287</u>	<u>P 1,734,656,996</u>	<u>P 1,693,879,079</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 P46.5 million and P46.7 million as at December 31, 2022 and 2021, respectively, bear annual interest of 16% in both years. Interest earned from these advances amounted to P4.1 million in 2022, 2021 and 2020, 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 P47.0 million and P42.9 million as at December 31, 2022 and 2021, respectively, is shown as part of Interest receivable under the Trade and Other Receivables account in the statements of financial position (see Note 5).

In 2022 and 2021, 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>2022</u>	<u>2021</u>
Parent company	P 207,603,495	P 181,909,305
Subsidiary	15,575,609	-
Other investees of shareholders	<u>94,659,524</u>	<u>73,780,079</u>
	<u>P 317,838,628</u>	<u>P 255,689,384</u>

A summary of transactions with these related parties are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Parent company:			
Balance at beginning of year	P 181,909,305	P 171,779,426	P 161,968,452
Interest expense	9,158,872	9,637,114	8,587,202
Cash advances obtained	<u>16,535,318</u>	<u>492,765</u>	<u>1,223,772</u>
Balance at end of year	<u>P 207,603,495</u>	<u>P 181,909,305</u>	<u>P 171,779,426</u>
Subsidiary:			
Balance at beginning of year	P -	P 43,006,656	P -
Cash advances obtained	15,575,609	-	43,006,656
Repayments	<u>-</u>	<u>(43,006,656)</u>	<u>-</u>
Balance at end of year	<u>P 15,575,609</u>	<u>P -</u>	<u>P 43,006,656</u>
Other investees of shareholders:			
Balance at beginning of year	P 73,780,079	P 73,717,013	P 73,611,366
Cash advances obtained	21,188,056	140,116	179,747
Repayments	<u>(308,611)</u>	<u>(77,050)</u>	<u>(74,100)</u>
Balance at end of year	<u>P 94,659,524</u>	<u>P 73,780,079</u>	<u>P 73,717,013</u>

The advances from Megaworld bear annual interest of 6.0%. The interest expense incurred in 2022, 2021 and 2020 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 P75.0 million and P65.8 million as at December 31, 2022 and 2021, respectively, is included as part of the Advances from Related Parties account in the statements of financial position.

21.6 Services

In 2022 and 2021, 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 2022 and 2021 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 Commission Income under Revenues account in the statements of comprehensive income. There are no outstanding receivables related to this transaction as at December 31, 2022 and 2021.

(c) Loans Obtained and Granted

The Company granted an unsecured interest-bearing loan to TLC amounting to P134.2 million, payable quarterly for five years, inclusive of two years grace period on principal repayment, with an interest rate of 6%. The related outstanding loan receivables as of December 31, 2022 and 2021 amounted to P134.2 million and is presented as part of Trade and Other Receivables account in the statements of financial position (see Note 5).

The Company obtained unsecured, interest-bearing loans from Megaworld for its working capital requirements in 2022 and 2021. The outstanding balance of the loans amounted to P2.0 billion and P1.0 billion as of December 31, 2022 and 2021, respectively, and is presented as part of Interest-bearing Loans account in the statements of financial position (see Note 13). The related interest from these loans are presented as part of Finance Costs and Other Charges in the statements of comprehensive income (see Note 18.2).

(d) Others

The Company has control of funds amounting to P20.1 million and P24.2 million as at December 31, 2022 and 2021, 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>2022</u>		<u>2021</u>		<u>2020</u>
Short-term benefits	P 22,990,622	P	18,452,469	P	18,470,597
Post-employment defined benefit	<u>4,398,242</u>		<u>3,487,868</u>		<u>3,989,322</u>
	<u>P 27,388,864</u>	P	<u>21,940,337</u>	P	<u>22,459,919</u>

22. EQUITY

22.1 Capital Stock

Capital stock as of December 31, 2022 and 2021 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, 2022 and 2021, there are 4,164 and 4,183 holders of the listed shares, which closed at P0.93 per share and P1.01 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, 2022 and 2021, 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. All options have vested as at December 31, 2021, but none of these have been exercised yet by any of the option holders as at the end of the reporting periods. As at December 31, 2022, only 50.0 million options remain exercisable until 2023.

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.

23. EARNINGS PER SHARE

Earnings per share amounts were computed below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Basic:			
Net profit for the year	P 1,698,025,640	P 1,298,852,373	P 1,078,053,171
Divided by weighted number of outstanding common shares	<u>10,986,000,000</u>	<u>10,986,000,000</u>	<u>10,986,000,000</u>
	<u>P 0.155</u>	<u>P 0.118</u>	<u>P 0.098</u>
Diluted:			
Net profit for the year	P 1,698,025,640	P 1,298,852,373	P 1,078,053,171
Divided by weighted number of outstanding common shares	<u>11,036,000,001</u>	<u>11,086,000,002</u>	<u>11,186,000,001</u>
	<u>P 0.154</u>	<u>P 0.117</u>	<u>P 0.096</u>

In relation to the approved ESOP for key executive officers, the remaining 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>2022</u>	<u>2021</u>
Within one year	P 151,019,646	P 173,350,961
After one year but not more than two years	142,053,311	162,922,616
After two years but not more than three years	132,960,580	160,947,769
After three years but not more than four years	122,405,125	162,046,168
After four years but not more than five years	119,951,595	159,427,382
More than five years	<u>1,409,852,970</u>	<u>1,873,076,809</u>
	<u>P 2,078,243,227</u>	<u>P 2,691,771,705</u>

The undiscounted maturity analysis of finance lease receivable at December 31, 2022 and 2021 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, 2022							
Lease collection	P 146,533,703	P 89,346,871	P 90,014,054	P 26,281,499	P 24,301,659	P654,848,489	P1,031,326,275
Interest income	(34,355,508)	(29,909,018)	(25,047,216)	(24,407,402)	(24,373,209)	(344,409,554)	(482,501,907)
Net present value	<u>P 112,178,195</u>	<u>P 59,437,853</u>	<u>P 64,966,838</u>	<u>P 1,874,097</u>	<u>(P 71,550)</u>	<u>P310,438,935</u>	<u>P 548,824,368</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	P679,150,148	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>P 81,915,204</u>	<u>P 54,343,612</u>	<u>P 59,437,853</u>	<u>P 64,966,838</u>	<u>P 1,874,097</u>	<u>P310,367,385</u>	<u>P 572,904,989</u>

24.2 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 for the calendar year 2022. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Company has been lessened, and Company's operations are already nearing the pre-pandemic levels.

Management will continue to take actions to continually improve operations as the need arises. Based on the foregoing improvements, management expects that the Company will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Moreover, management is taking an optimistic stance in the Company's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

24.3 Legal Claims

As at December 31, 2022 and 2021, 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.

24.4 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 2022, 2021 and 2020, pertain to cash and cash equivalents amounting to P128.4 million, P75.9 million and P100.9 million, respectively. The Company has no U.S. dollar denominated financial liabilities in 2022, 2021 and 2020.

If the Philippine peso had strengthened against the U.S. dollar, profit before tax would have decreased by P24.2 million and P9.4 million in 2022 and 2021, respectively, and decreased by P5.3 million in 2020. If the Philippine peso had weakened against the U.S. dollar, then this would have increased profit before tax in 2022, 2021 and 2020 by the same amount. This sensitivity of the net result for the year assumes a +/- 18.88%, +/- 12.33% and +/- 5.2% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2022, 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 2022 and 2021 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, 2022 and 2021, 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 +/- 1.53%, +/- 1.26% and +/- 2.44% in 2022, 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 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 1.53%, 1.26% and 2.44% in 2022, 2021 and 2020, respectively, profit before tax would have decreased by P3.8 million, increased by P1.8 million and P2.5 million in 2022, 2021 and 2020, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2022, 2021 and 2020, 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 pages.

	Notes	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	4	P 1,187,741,758	P 2,324,849,090
Installment contracts receivable – net	5	5,011,747,871	3,825,554,149
Finance lease receivable	5	548,824,368	572,904,989
Rental receivables	5	348,989,593	281,266,715
Other receivables	5	763,626,099	656,095,445
Contract assets	16.2	2,702,692,763	2,112,841,135
Advances to related parties	21.4	10,005,508,613	10,057,263,137
Advances to joint ventures	8	220,137,555	203,457,118
Refundable deposits	7	64,911,308	64,008,617
		<u>P20,854,179,928</u>	<u>P 20,098,240,395</u>

(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, 2022 and 2021, 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>
<u>2022</u>			
Installment contracts			
receivable – net	P 5,011,747,871	P 9,204,797,337	P -
Contract assets	2,702,692,763	4,506,955,362	-
Rent receivables	<u>348,989,593</u>	<u>78,035,913</u>	<u>270,953,680</u>
	<u>P 8,063,430,227</u>	<u>P 13,789,788,612</u>	<u>P 270,953,680</u>
<u>2021</u>			
Installment contracts			
receivable – net	P 3,825,554,149	P 6,130,280,993	P -
Contract assets	2,112,841,135	4,548,203,492	-
Rent receivables	<u>281,266,715</u>	<u>67,675,748</u>	<u>213,590,967</u>
	<u>P 6,219,661,999</u>	<u>P 10,746,160,233</u>	<u>P 213,590,967</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>2022</u>	<u>2021</u>
Current (not past due)	P6,345,184,633	P4,890,226,908
Past due but not impaired:		
More than one month but not more than three months	53,904,149	63,529,346
More than three months but not more than six months	38,030,868	109,131,154
More than six months but not more than one year	<u>236,068,279</u>	<u>272,933,890</u>
	<u>P6,673,187,929</u>	<u>P5,335,821,298</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, 2022 and 2021 are not recoverable since these related parties have no capacity to pay the advances upon demand. Accordingly, impairment loss amounting to P22.8 million and P21.5 million for the years ended December 31, 2022 and 2021, 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, 2022, 2021 and 2020 amounted to P96.2 million, P73.4 million and P52.0 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, 2022 and 2021, 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
2022 :					
Interest-bearing loans	13	P 798,619,501	P 788,087,009	P 3,950,869,697	P 679,854,167
Trade and other payables	14	802,687,256	-	-	-
Advances from related parties	21.4	-	317,838,628	-	-
Lease liabilities	11	74,171,368	74,171,367	184,941,059	691,250,294
Retention payable	14, 15	-	71,608,559	-	279,513,399
		<u>P1,675,478,125</u>	<u>P 1,251,705,563</u>	<u>P 4,135,810,756</u>	<u>P1,650,617,860</u>
2021 :					
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	21.4	-	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
		<u>P1,484,172,258</u>	<u>P 1,132,650,270</u>	<u>P4,425,844,565</u>	<u>P1,991,545,143</u>

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.

	2022		2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents	P 1,187,741,758	P 1,187,741,758	P 2,324,849,090	P 2,324,849,090
Trade and other receivables – net	6,673,187,931	6,673,187,931	5,335,821,298	5,335,821,298
Advances to related parties	10,005,508,613	10,005,508,613	10,057,263,137	10,057,263,137
Advances to joint ventures	220,137,555	220,137,555	203,457,118	203,457,118
Refundable deposits	64,911,308	64,911,308	64,008,617	64,008,617
	<u>P 18,151,487,165</u>	<u>P 18,151,487,165</u>	<u>P17,985,399,260</u>	<u>P17,985,399,260</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Trade and other payables	P 802,687,256	P 802,687,256	P 798,271,412	P 798,271,412
Interest-bearing loans	5,539,215,676	4,754,954,078	5,676,470,580	5,694,463,775
Advances from related parties	317,838,628	317,838,628	255,689,384	255,689,384
Lease liabilities	523,324,635	523,324,635	526,912,165	526,912,165
Retention payable	351,121,958	351,121,958	391,805,293	391,805,293
	<u>P 7,534,188,153</u>	<u>P 6,749,926,555</u>	<u>P 7,649,148,834</u>	<u>P 7,667,142,029</u>

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 2022 and 2021 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 P10,005.5 million and P10,057.3 million can be offset by the amount of outstanding advances from related parties amounting to P317.8 million and P255.7 million as at December 31, 2022 and 2021, respectively (see Note 21).

The Company has cash in a certain local bank to which it has an outstanding loan (see Note 13). In case of the Company's default on loan amortization, cash in bank amounting to P0.9 billion and P2.2 billion as of December 31, 2022 and 2021, respectively, can be applied against its outstanding loan amounting to P5,535.2 million and P5,676.5 million as of December 31, 2022 and 2021, 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 below.

- 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 2022 and 2021 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>
2022:				
<i>Financial Assets:</i>				
Cash and cash equivalents	P 1,187,741,758	P -	P -	P 1,187,741,758
Trade and other receivables – net	-	-	6,673,187,931	6,673,187,931
Advances to related parties	-	-	10,005,508,613	10,005,508,613
Advances to joint ventures	-	-	220,137,555	220,137,555
Refundable deposits	-	-	64,911,308	64,911,308
	<u>P1,187,741,758</u>	<u>P -</u>	<u>P16,963,745,407</u>	<u>P 18,151,487,165</u>
<i>Financial Liabilities:</i>				
Trade and other payables	P -	P -	P 802,687,256	P 802,687,256
Interest-bearing loans	-	-	4,754,954,078	4,754,954,078
Advances from related parties	-	-	317,838,628	317,838,628
Lease liabilities	-	-	523,324,635	523,324,635
Retention payable	-	-	351,121,958	351,121,958
	<u>P -</u>	<u>P -</u>	<u>P 6,749,926,555</u>	<u>P 6,749,926,555</u>
2021:				
<i>Financial Assets:</i>				
Cash and cash equivalents	P 2,324,849,090	P -	P -	P 2,324,849,090
Trade and other receivables – net	-	-	5,335,821,298	5,335,821,298
Advances to related parties	-	-	10,057,263,137	10,057,263,137
Advances to joint ventures	-	-	203,457,118	203,457,118
Refundable deposits	-	-	64,008,617	64,008,617
	<u>P2,324,849,090</u>	<u>P -</u>	<u>P15,660,550,170</u>	<u>P 17,985,399,260</u>
<i>Financial Liabilities:</i>				
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>P -</u>	<u>P -</u>	<u>P 7,667,142,029</u>	<u>P 7,667,142,029</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 Properties at its fair market value are as follows:

	<u>2022</u>	<u>2021</u>
Building and improvements	P 3,276,262,490	P 4,678,667,114
Land and land improvement	<u>7,376,863,959</u>	<u>7,419,189,764</u>
	<u>P 10,653,126,449</u>	<u>P 12,097,856,878</u>

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>2022</u>	<u>2021</u>
Total liabilities	P 11,215,301,165	P 10,482,139,071
Total equity	<u>32,676,117,602</u>	<u>30,952,434,609</u>
Debt-to-equity ratio	<u>0.34:1.00</u>	<u>0.34:1.00</u>

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, 2022	P 5,676,470,580	P 255,689,384	P 526,912,165	P 6,459,072,129
Cash flows from financing activities:				
Additional borrowings	1,000,000,000	53,298,983	-	1,053,298,983
Repayments of borrowings	(1,137,254,904)	(308,611)	(28,609,565)	(1,166,173,080)
Interest paid	-	-	(11,013,190)	(11,013,190)
Non-cash financing activities:				
Interest expense	-	9,158,872	-	9,158,872
Interest amortization on lease liabilities	-	-	36,035,225	36,035,225
Balance as of December 31, 2022	<u>P 5,539,215,676</u>	<u>P 317,838,628</u>	<u>P 523,324,635</u>	<u>P 6,380,378,939</u>
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	<u>P 5,676,470,580</u>	<u>P 255,689,384</u>	<u>P 526,912,165</u>	<u>P 6,459,072,129</u>
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	<u>P 4,397,058,820</u>	<u>P 288,503,095</u>	<u>P 464,453,385</u>	<u>P 5,150,015,300</u>

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 2022 required under RR No. 15-2010 is as follows:

(a) *Output VAT*

In 2022, the Company declared output VAT as follows:

	<u>Tax base</u>	<u>Output VAT</u>
Real estate sales:		
Taxable sales	P 1,724,675,418	P 206,961,050
Exempt sales	14,262,288	-
Rental income and management and marketing income	<u>396,103,182</u>	<u>47,532,382</u>
	<u>P 2,135,040,888</u>	<u>P 254,493,432</u>

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, 2022 and are based on the Company's gross receipts for the year; hence, may not be the same with the amounts accrued in the 2022 statement of comprehensive income.

The outstanding output VAT payable amounting to P2,174,736 as of December 31, 2022 is presented as part of Others under Trade and Other Payables account in the 2022 statement of financial position.

(b) *Input VAT*

The movement in input VAT for year ended December 31, 2022 is summarized below.

Balance at beginning of year	P -
Services lodged under other accounts	168,306,615
Goods other than for resale or manufacture	34,527,916
Capital goods subject to amortization	1,530,280
Capital goods not subject to amortization	142,920
Deferred input VAT on capital goods subject to amortization	909,092
Applied against exempt sales	(1,340,966)
Applied against output VAT	<u>(204,075,857)</u>
Balance at end of year	<u>P -</u>

Unamortized input VAT amounted to P36.1 million as of December 31, 2022 and is presented under Prepayments and Other Current Assets account in the 2022 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any importations for the year ended December 31, 2022; hence, there was no payment of customs duties and tariff fees.

(d) *Excise Tax*

The Company did not have any transactions in 2022, which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

DST paid and accrued in 2022 is presented below.

Loan instruments	P	15,000,000
Others		<u>6,476</u>
	P	<u>15,006,476</u>

(f) *Taxes and Licenses*

The details of Taxes and licenses in 2022 are as follows:

Real property taxes	P	16,016,914
DST		15,006,476
Business and local taxes		10,375,644
Capital gains taxes		339,312
Community tax certificate		25,020
Others		<u>3,914,321</u>
	P	<u>45,677,687</u>

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P	66,503,392
Compensation and employee benefits		<u>27,768,598</u>
	P	<u>94,271,990</u>

The Company has no income payment subject to final withholding tax in 2022.

(h) *Deficiency Tax Assessments and Tax Cases*

In 2022, the Company has paid deficiency taxes on VAT totalling to P14,186,919, inclusive of P2,486,966 interest, relating to the taxable years 2018, 2019 and 2021. As of December 31, 2022, 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.

SEC Form 17-A: Global-Estate Resorts, Inc.

Contextual Information

Company Details	
Name of Organization	Global-Estate Resorts Inc.
Location of Headquarters	9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City
Location of Operations	GERI operates in the Philippines, with key developments in Las Piñas City, Boracay Island, Batangas, Cavite, Rizal, Laguna, Iloilo, and Pasig City.
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"> • Twin Lakes Corporation (TLC), incorporated on March 2, 2011 to develop Twin Lakes in Laurel, Batangas • Oceanfront Properties, Inc. (OPI), incorporated on October 12, 2010 to develop parts of Boracay Newcoast • Southwoods Mall, Inc. (SMI), incorporated on July 18, 2013 to develop the Southwoods Mall and Office Towers in Southwoods City <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"> • Twin Lakes Hotel, Inc. (incorporated on September 28, 2018) • Savoy Hotel Boracay, Inc. (incorporated on January 24, 2017) • Belmont Hotel Boracay, Inc. (incorporated on March 18, 2019) • Fil-Estate Urban Development Corporation (incorporated on March 6, 2000)
Business Model, including Primary Activities, Brands, Products, and Services	<p>GERI develops integrated tourism estates and integrated lifestyle communities with residential, retail, hotel and/or leisure components and with nature as an amenity. It has a broad market base comprising end-users and investors, both from the local and foreign markets.</p> <p>The Company targets the A and B markets with special niche products like integrated tourism estates and integrated lifestyle</p>

	<p>communities with residential, commercial, and leisure components. These include residential communities integrated with golf, resort, leisure and commercial complexes, mixed-use condominium developments, and a business park.</p> <p>Its key developments are the following:</p> <ul style="list-style-type: none"> ● Boracay Newcoast in Malay, Aklan ● Twin Lakes in Laurel, Batangas ● Fairways & Bluewater in Boracay ● 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 <p>The Fifth in Pasig City, Metro Manila</p>
Reporting Period	January 1, 2022 - December 31, 2022
Highest Ranking Person responsible for this report	Michael R. Roxas (Chief Audit Executive and Chief Risk Officer)/ Cyril D. Camarines (Environmental Health & Safety Head)

Materiality Process

<p>Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.</p>
<p>GERI's list of material topics was based on a review of its references containing information on certain positive and negative impacts that could directly affect the economy, environment, or society. These impacts were further classified into actual impacts, which pertain to those that have already occurred, and potential impacts, which may occur in the future. The material topics are as follows:</p> <ol style="list-style-type: none"> 1. Economic Performance 2. Indirect Economic Impact 3. Market Presence 4. Supply Chain and Regulatory Compliance 5. Energy, Water, Waste 6. Biodiversity 7. Employees and Customers 8. Occupational Health and Safety 9. Digitalization 10. Local Communities 11. Training and Education 12. Customer Health and Safety 13. Pandemic Response <p>The list of material topics shows the far-reaching economic, environmental, and social impacts of the Company. Given that it is engaged in an industry with a broad supply chain. It is notable that the topic "Supply Chain and Regulatory Compliance" is included. It also shows that while the pandemic has been</p>

subsiding, there is still a need to continue with public health standards and augment digitalization efforts.

Based on the assessment of material impacts, most positive impacts were actual and were likely experienced by the organization before. Negative impacts, on the other hand, were usually potential.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Quantity	Units
Direct economic value generated (revenue)	7,330,290,215	PhP
Direct economic value distributed:	5,243,729,964	
a. Operating costs	2,581,603,378	PhP
b. Employee wages and benefits	521,887,145	PhP
c. Payments to suppliers, other operating costs	1,415,334,174	PhP
d. Dividends given to stockholders and interest payments to loan providers	22,101,652	PhP
e. Taxes given to government	702,803,615	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP
Economic Value Retained	2,086,560,251	

GERI's Management Approach on Economic Performance

As a trailblazer in integrated tourism estates, Global-Estate Resorts, Inc. (GERI) is positioned to be the Philippines' powerhouse in master-planned, fully integrated tourism development. Committed to providing a revenue flow to its stakeholders, GERI thoroughly evaluates the operational and financial performance each year.

In 2022, GERI gradually progressed toward reaching its target revenue two years after the pandemic. With the government's easing of restrictions on operations, more operational activities began

to build Company’s real estate projects after at least two years of restricted operations. The Company has been converting its townships into an eco-friendly environment aligned with the sustainability agenda of Alliance Group Inc. (AGI). The Company aspires to be a leader in tourism real estate with properties designed to safeguard the environment while achieving revenue targets for 2022. GERI also targets in place to craft environmental policies in the future.

GERI has a vendor code of conduct and considers suppliers, communities, and customers as its primary stakeholders, and addresses issues raised by customers through its Accounts Management Group.

Climate-related risks and opportunities

GERI, being a developer of tourism estates, is affected by climate-related risks such as typhoons, floods, and the like. These effects of climate change will affect tourism and the real estate industry in general. GERI Group's revenue is increasing compared to its performance during the pandemic. Hotel revenues recovered from the previous year but are still far behind, due to the recent typhoons that affected Visayas and Mindanao. Rental of office space and mall stores is slowly increasing due to the lifting of government restrictions brought on by the pandemic. Moreover, typhoons and floods can also cause work stoppage, which will cause delays in project completion.

The action taken by GERI Group is to maximize the selling of horizontal projects outside Metro Manila through digital platforms of selling activity. The market demand for horizontal projects outside Metro Manila increased during the pandemic. Contactless transactions in hotels have also become the norm. The group provides rent concessions to help the lessees to continue to operate. Cost reduction schemes were implemented by the management. The Group secured loans from banks and the Parent Company to ensure the continuity of the development of various projects and took the opportunity to expand the horizontal project outside Metro Manila. These actions that were taken incurred additional expenditures to have digital platforms on different segments of the Group, additional interest expenses due to new loans, and a decrease in rental income.

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 continues to contribute to local development by procuring supplies from local businesses in the community. The Company supports local suppliers/contractors where there is an in-place procurement standard, such as the bidding process, to ensure that local suppliers/contractors have proper sourcing and manufacturing practices that do not cause harm to the environment and people. The Company makes sure that local suppliers/contractors comply with ethical and regulated procurement practices as well. Such regulations and policies in procurement are thoroughly reviewed annually and communicated every time there is a renewal of contracts.

GERI ensures through regular monitoring of payments that suppliers are paid on time. The Company believes that any delayed payment may cause disruption in the cash flow process and may result in a negative impact. GERI limits late payments and duly notified the departments in charge to settle any outstanding balance to the suppliers/contractors. The Company believes to maintain good procurement relationships, timely payment of supplies/services is necessary.

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	0	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

Note: There was no anti-corruption training conducted during the reporting period.

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

GERI has a Vendor Code of Conduct that maintains its suppliers/contractors to not be involved in any form of illegal/corrupt activities to gain any illicit advantage in its projects. The Company ensures that the policy is well-communicated and that relevant stakeholders are properly trained to prevent any incident of corruption in the organization. GERI believes that corruption may influence policymakers and affect the profit of the companies due to changes in government regulations.

The Human Resources and Corporate Administration Division's (HRCAD) Policy Management Team ensures that the policies are well disseminated to its employees and handles any incident of corruption. As part of the standard procedure, GERI's Legal Division assists the Policy Management Team in the review and due process, making sure that no step will be overseen or missed out.

The Company continuously reviews and implements its anti-corruption policies and principles regularly before the renewal of contracts with its suppliers/contractors to ensure that the supplies and materials comply with regulatory standards. GERI maintains that all of its projects are up to the standard of local and national government zoning and ordinances to avoid any citations that may trigger a need to settle issues that may result in unlawful practices.

The Company has high regard for practicing honesty and integrity in maintaining good business relations and has incentivized programs in the renewal policy of its suppliers/contractors.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Data Unavailable	GJ
Energy consumption (gasoline)	3,456.14	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	5,200.88	GJ
Energy consumption (electricity)	30,737,940.50	kWh
Energy consumption (GenSet)	12,890.22	GJ

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	GJ
Energy reduction (gasoline)	0	kWh

GERI's Management Approach on Energy Consumption

GERI has increased operations and resumed its building projects for 2022 and thus no energy reduction has been made for the reporting year. The Company also observed that the rise in energy use is caused by a variety of factors, such as an increase in visitors and customers as a result of travel restrictions being lifted. This also makes it easier for foreign tourists to visit, especially hotels. This was also observed in the malls and shopping centers that also have more tenants and kiosks due to an increase in business activity and other events. Given the increased business operations and resumption of project builds, no energy reduction was made for 2022.

GERI observes and implements its commitment to EHS Policy, to prevent and lessen its impacts on project operations, the people, and the environment. The core of the Company's EHS Policy is to promote a culture of environment, health, and safety responsibility among employees, suppliers, contractors, clients, and the community. The Company is committed to the protection, preservation, and targeting of a sustainable environment.

The Company will also start educating the project managers and property managers on sustainability awareness by providing training and audits per site. Encouraging the employees to do carpooling in business travels to maximize the service vehicle and minimize the carbon footprint is also one of the initiatives the Company would like to implement. This is in line with the Company's energy reduction by 5% target for 2023.

Regular monitoring and reporting of achievements and goals to the top management are among GERI's best practices to determine whether the Company's programs and targets are achieved. This is to see whether the Company is making progress toward energy reduction. The report is part of the quarterly and annual meetings of top management.

Water consumption within the organization

Disclosure	Quantity	Units
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Water withdrawal	341,540.71	Cubic meters
Water consumption	200,484.87	Cubic meters
Water recycled and reused	None	Cubic meters

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	141,055.84	Cubic meters
Percent of wastewater recycled	None	Cubic meters

GERI's Management Approach on Water and Effluents

The Company uses water in its offices, construction sites, and project development supplied from deep wells and third-party concessionaires, such as Maynilad, BIWC & BTSI, Laguna Management Service Corp., Metro Naga Water District, and Plaridel Water District. All water usage passed through potability tests as part of the Company's commitment to compliance with the EHS Policy.

GERI assures that all regulations and requirements of the Department of Environment and Natural Resources (DENR) are met and monitored by concerned departments. The Company is committed to preventing and lessening any impact on the environment and communities near its construction sites and areas of operations, such as the treatment of wastewater before releasing it back into the environment. Specifically, the Company complies with the Clean Water Act by managing wastewater effluent. GERI-managed properties have Sewerage Treatment Plants (STPs) placed and designed for high-risk developments such as high-rise and mid-rise condominiums, businesses, and shopping centers.

The Company also adheres to the new and updated laws and regulations pertaining to wastewater effluent parameters for STPs. GERI has a comprehensive action for the improvement and rehabilitation of the STPs with its regular monitoring practices to prevent any major financial constraints. Seeking for new technology to update and improve the STPs is also GERI's commitment to adhere to the wastewater treatment industry standards.

It is essential for the Company that the commitment to its EHS Policy is well observed and assess whether it is well-implemented. The wastewater self-monitoring reports are also conducted quarterly and submitted to DENR for regulatory compliance and can be a basis for future development.

Moreover, GERI is committed to reducing its water usage by 5% and to having zero (0) failed water effluent testing. All the results are also reported to the Green Council and are reflected in the key result areas for further planning and updating.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	10,074,284.00	kg
Renewable	23,491.00	kg
Non-renewable	10,050,793.00	kg
Percentage of recycled input materials used to manufacture the organization’s primary products and services	0.0	%

GERI’s Management Approach on Materials

As a real estate company, GERI recognizes that the materials output has increased for 2022 through necessary purchasing. The Company is committed to sourcing materials that are environmentally friendly and with energy-saving machinery that have less impact on the environment.

Recycling initiatives such as partnerships and programs with qualified vendors/recycling organizations to recycle and reuse waste are underway. This is aligned with the top management’s priorities, which is to recycle construction waste into something useful or advantageous for the Company, the environment, and society as a whole.

GERI targets for a 5% solid waste reduction for 2023 as part of the EHS Policy. Moreover, to monitor the progress of the materials recovery the Company has an in-place monitoring system to review and assess the progress of the current programs that could be a basis for future planning and improvement of materials used by the company.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
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Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable no data reported on the degradation of the flora and fauna	-
Habitats protected or restored	Not applicable projects are not under the NIPAS ACT	-
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	Not applicable no species identified under IUCN Red List	-

GERI's Management Approach on Biodiversity

Biodiversity protection is part of GERI's real estate programs, aligned with the EHS Policy to lessen its negative impacts on the environment where the projects are built and maintained. Prior to any project development of the Company, the Environmental Impact Assessment team identifies all the physical and biological impacts of the project with the mitigation and control measures for the issues identified in the survey. After a careful review of the study, it will be then submitted to the DENR for final acceptance and evaluation to determine any revisions needed or if approved for the project's continuation.

Adhering to the National Integrated Protected Areas System Act of 1992, as the leader in the development of integrated tourism estates, GERI highly considers nature and biodiversity as part of our project's sustainability program. Flagship developments in Boracay, Iloilo, Caliraya, and Tagaytay project sites are designed to have a lesser impact on the flora and fauna. These impacts are identified in the environmental impact studies of the specific developments, with proper controls and recommendations for the protection and preservation of the environment.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	1,302.79	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	15,949.13	Tonnes CO2e

Other Indirect (Scope 3) GHG Emissions	198.37	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Data unavailable	Tonnes

Air pollutants

Disclosure	Quantity	Units
NOx	235.03	mg/Nm3
SOx	0	None
Persistent organic pollutants (POPs)	0	None
Volatile organic compounds (VOCs)	0	None
Hazardous air pollutants (HAPs)	0	None
Particulate matter (PM)	0	None
Carbon Monoxide	0.3	mg/Nm3

GERI's Management Approach on Emissions

True to its commitment to comply and achieve the target of a 5% reduction in carbon dioxide emissions by 2023, GERI ensures that the Company complies with all government regulations. Particularly, RA 8749, or known as the Clean Air Act aligns with the Company's Environment Health and Safety Policy.

As GERI's activities in land development and property management increase, the Company has the responsibility to constantly check all properties and projects' compliance with the law. The Company recognizes that there are legal challenges to improving the current processes to be more efficient, but the EHS group assures that the Company is able to adjust to the new system considering the modifications.

Through constant updating and attending to summits and national forums, the Company keeps abreast of the trends and developments in carbon reduction measures.

In 2022, Oceanway Residences 1 has already completed its Emission Stack Testing. Only NOX and carbon monoxide were measured during testing. The test's findings are as follows: NOX = 235.03 /L and CO = 0.3 /L. The said property met the requirements of the Clean Air Act.

GERI has a monitoring system and creates quarterly and yearly reports that are submitted to the top management. The reports will be included in the continuous improvement of processes and programs for the carbon reduction commitment of the Company.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	959,840.53	kg
Reusable	0	kg
Recyclable	266,223.48	kg
Composted	501,301.30	kg
Incinerated	0	kg
Residuals/Landfilled	190,803.07	kg

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	1,512.83	kg
Total weight of hazardous waste transported	0	kg

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	141,055.84	Cubic meters
Percent of wastewater recycled	None	%

GERI's Management Approach on Waste Management

GERI properly manages and disposes of all waste generated. Waste has been an unavoidable part of the operations of a property development company, especially considering the increased operations for 2022. The Company abides with RA 9003 Solid Waste Management Act, in which waste is separated based on its classification, hauled away by a licensed solid waste hauler, and dumped in a sanitary landfill.

Waste generated for 2022 by GERI consists mainly of construction materials, office supplies, operations waste, bulbs, paints, containers, batteries, service vehicles, and wastewater. No hazardous waste was disposed of for the reporting year.

The Company prevents any uncontrolled management of solid waste as it may affect communities, the environment, and the Company’s brand and finances. Early mitigation and prevention are one of the Company's commitments to sustainable development. GERI prioritizes the health and safety of its employees and surrounding communities as well as environmental health. It is crucial to identify the waste generated and accurate disposal inventory. The Company makes sure that the departments responsible for waste management have proper training and continuous reskilling to keep updated on current and future trends regarding future technology and targets. GERI’s target to waste reduction is at 5% for 2023 which is included in the Emergency Health and Safety Policy of the Company.

When it comes to wastewater, GERI manages to recycle its treated water, and can be used by the operations for cleaning and gardening activities. For construction and operation waste, construction sites, residential, commercial, hotels & malls, waste is collected by an accredited hauler and goes to recycling facilities and landfill.

Regular inspections and audits of all properties and accredited haulers are regularly conducted by GERI to monitor and assess waste management. This includes, but is not limited to, auditing of contract agreements, certifications, statutory requirements, environmental and safety compliance, and site visits of the accredited haulers. The Company also conducts a semi-annual audit in compliance with its internal procedures. Quarterly and yearly reports are generated and submitted to the top management facilitated by the EHS group of the Company.

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	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

GERI's Management Approach on Environmental Compliance

Environmental laws and regulations should be duly followed, implemented and monitored by companies and GERI ensures that the adherence of such laws and regulations in the interest and protection of the environment is complied with.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees	845	
a. Number of female employees	501	#
b. Number of male employees	344	#
Attrition rate ¹⁹	-	rate
Ratio of lowest paid employee against minimum wage	Not Applicable	ratio

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	59.24%	40.76%
PhilHealth	Y	59.24%	40.76%
Pag-ibig	Y	59.24%	40.76%
Parental leaves	Y	77.14%	22.86%
Vacation leaves	Y	59.96%	40.04%
Sick leaves	Y	59.96%	40.04%

Medical benefits (aside from PhilHealth))	Y	56.45%	43.55%
Housing assistance (aside from Pag ibig)	N	0	0
Retirement fund (aside from SSS)	Y	100.00%	0
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
Life Insurance	Y	60.11%	39.89%
Disability and invalidity coverage	N	Not Applicable	Not Applicable

GERI's Management Approach on Employment

GERI believes that assisting employees in achieving personal objectives will also help the Company's business achieve its own objectives. The Company takes a high regard for taking good care of its employees, which is why the Company provides support services, workplace amenities, and increased employee engagement initiatives. Regular performance feedback is essential for the management to improve organizational growth and in turn yield a good working environment for its employees and stakeholders.

Additional incentive programs apart from the government-mandated benefits are also offered, such as but not limited to solo parent leave, a housing program aside from Pag-IBIG Fund, medical benefits apart from Philhealth coverage, and a retirement account separate from the SSS benefits. GERI believes that highly motivated employees will result in higher productivity and revenue for the company.

The Company complies with the regulatory and labor standards set by the Department of Labor and Employment (DOLE) and makes sure of an equitable workload distribution in the manpower among the departments.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	1,698	hours
Female employees	849	hours

Male employees	849	hours
Average training hours provided to employees	201.18	hours/employee
Female employees	2	hours/employee
Male employees	2	hours/employee

GERI's Management Approach on Training & Development

The Company continuously offers employees training opportunities and determines the competencies they need to develop in order to increase their competitiveness and productivity. Competency or skill-based training programs are being offered to employees together with behavioral training programs. Orientation and continuous training are given to newly hired employees to be familiar with the Company's goals and objectives. The training and development are carried out by HRCAD's Center of Excellence, which assists the staff members in developing a range of skills. The Learning Academy of the Company enables it to thoroughly assess the needs of its employees and set directions and targets that will gain more assets for the Company and its employees. The training is as follows but not limited to; customer service, technical workshops, operations, process training, quality assurance, and health and safety topics, which have been covered in previous training programs and on other specific programs. An employee may ask for assistance to be trained on a set of skills as new processes are introduced or improved, empowering them to be at par with others amid the ever-changing trends in project development and business operations.

Training programs are either conducted in-house or through partner service providers and attending industry seminars and mentoring programs. GERI has a holistic approach to training all of the divisions and departments in line with the Company's set of targets for employee management. GERI also provides training evaluations to check on the effectiveness of the program and the speaker through feedback from the participants. Furthermore, a performance review and evaluation are regularly conducted to assess the capacity of the manpower so as to provide feedback and appraisal for the career growth and promotion system.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	None	#

GERI's Management Approach on Labor Management Relations

HR commits to promoting an environment of collaboration, understanding, and mutual trust among the labor and management.

The key to preventing labor disputes is having good labor-management relations because they encourage workers to further the objectives of the Company. The Company complies with all labor and employment laws in order to achieve positive labor-management relations and commitment policies. Employees can get in touch with HR if they want to share their thoughts or address any issues. through their channels of communication.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	59.31%	%
% of male workers in the workforce	40.69%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**The number of employees from indigenous communities and/or vulnerable sectors is currently not monitored.*

GERI's Management Approach on Diversity and Equal Opportunity

The business works to give all of its employees equal opportunities and uphold avoiding discrimination at work. Promoting equality of opportunity enables businesses to create a more diverse workforce, which promotes social harmony.

The company strives to provide equal opportunities for all of its employees and uphold preventing discrimination in the workplace. Businesses can create a more diverse workforce that benefits social stability by promoting equal opportunities.

The management team of the company regularly provides feedback on whether it promotes both equality and diversity. To promote workplace diversity and create a more welcoming environment, employees and employers should understand the laws to make it possible in promoting equality and diversity that can increase employee satisfaction in the workplace

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	11,644,182	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	1	#

** Workers from third-party contractors and service providers are monitored by their respective employers*

GERI’s Management Approach on Occupational Health and Safety

GERI had a number of programs in place to ensure a healthier workforce. The EHS Group serves as the gatekeeper in identifying the potential environmental impact and safety risks to the surroundings and recommends effective control measures. As a commitment to the safety and protection of all the employees, GERI already has an Environmental Health and Safety Policy and Procedure approved by the President. In line with this, the company is compliant with all the Occupational Safety and Health (OSH) reportorial requirements as required by the OSH Standards and implements the monitoring of the Safe-Man hours of all employees across all GERI projects to continuously check the safety performance of the company with no lost time injury. GERI has Safety Practitioners accredited by the DOLE which provides technical advice and leadership in promoting the safety culture of the company.

The cascading and implementation of new policies, programs, laws, and regulations on occupational, safety, and health externally, is a challenge as we have multiple sites with multiple contractors and subcontractors. This challenge leads to a different interpretation of the new policy or regulations implemented per site. The alignment of the information released should be up-to-date, applicable, and properly cascaded to all employees, contractors, and sub-contractors.

The Organization through the Environmental Health and Safety (EHS) Group needs to be the driving force in the proper engagement of all the site safety officers and practitioners. The EHS Group will create an engagement with the proponent of the contractor safety group committee for the proper cascading of policy and programs applicable to all site safety. There will be a centralized medium of information dissemination and talks for all the site safety officers and corporate safety officers.

[Laws and Human Rights Labor](#)

Disclosure	Quantity	Units
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No. of legal actions or employee grievances involving forced or child labor	Not Applicable	#
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**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 the 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

The key to preventing labor disputes is having good labor-management relations because they encourage workers to further the objectives of the Company. The Company complies with all labor and employment laws in order to achieve positive labor-management relations and commitment policies. Employees can get in touch with HR if they want to share their thoughts or address any issues. through their channels of communication.

The Company has to make sure that it complies with the regulatory and labor standards and it closely monitors or collaborates with Legal regarding the issues involved in labor and management relations. Process owners should make sure that the Company is compliant with the requirements that and no anti-labor practices are being implemented.

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://geri.com.ph/investor-relations/corporate-governance/code-of-business-conduct-and-ethics/>

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	No	
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

GERI has an existing accreditation policy under the Vendor Code of Conduct (VCC) which the suppliers undergoes reassessment to ensure that the contractors comply with the local and national government policies before the renewal of contracts and agreements. The Company ensures that the partner contractors have proper documentation to monitor the processes being carried out by the contractors which may affect the business operations of GERI. This is to improve the selection process of the Company and be able to contribute to achieving the Company's positive impact environmentally and socially and lessen any possible negative impact. The Company involved its stakeholders in the assessment of contractors before the renewal of contracts.

For 2022, no potential negative social impacts were identified as the Company strictly observes its VCC and OSH Policies routinely.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable) *	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
No negative impacts identified	--	--	--	--	--

Certificates	Quantity	Units
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FPIC process is still undergoing	Not Applicable	#
CP secured	Not Applicable	#

GERI's Management Approach on Local Communities

Promote the environment

Global Estate Resorts Inc. participated in many various activities in protecting the environment. Since we are into ecotourism development across all our projects and managed properties, therefore, we care for the environment. As the organization joined Earth Hour 2022 By bringing attention to the problems with biodiversity conservation and climate change and raising these issues with the utmost concern, the Earth Hour 2022 movement uses this opportunity to educate and inspire GERI employees to fight climate change. We also carry out tree planting at the Pahara Project in GMA Cavite, where the program's beneficiary is the Pahara subdivision. Trees can absorb carbon dioxide, release oxygen, and help prevent soil erosion by engaging in this activity. Trees also help keep our surroundings cooler by providing shade from the intense summer sun.

Promote the Education

The GOLFORCE Donated Garbage Bins (Minions Design) at Carmona Elementary School in Carmona Cavite served as the organization's driving force to promote education. Tire scraps and used tires from various project sites were used to make the bins. This encourages recycling methods that turn waste materials into usable materials. The Minion character served as the inspiration for the program's theme, which was designed to persuade kids to properly dispose of their trash.

Promote the Community

The Golforce also did the Clean Up Drive in Calayo Beach Nasugbu Batangas. This program provides and creates awareness among the residents of the importance of maintaining Cleanliness in the area (segregation of waste materials). It was joined by the Communities around Calayo Nasugbu Batangas and nearby Barangay residents. Also, GERI conducted the coastal clean-up drive in Boracay which is to get people involved in cleaning up litter from beaches, waterways, and other water bodies, to find out where the litter comes from, to change the habits that lead to pollution, and to spread awareness of the severity of the marine debris problem.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study
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		(Y/N)?
Customer satisfaction	38%	No

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	1,986	#
No. of complaints addressed	1,241	#

GERI's Management Approach on Customer Health and Safety Satisfaction

GERI is dedicated to promoting the health, safety, and welfare of its clients as part of its corporate policy. Businesses and organizations must adhere to customer health and safety laws to ensure their welfare and earn their trust. The EHS Group assists the Company in identifying potential environmental impacts and safety risks to its clients and the communities surrounding its project sites, in addition to GERI's due diligence, project management, and property operations processes.

GERI has systems in place for gauging customer satisfaction in addition to customer safety. Customers are one of its main stakeholders, so it is crucial to address their concerns and enhance the company's current services. The Accounts Management Department manages a customer feedback system that makes use of emails, manual survey forms, and Google forms. Additionally, GERI has a digitalized client management portal where clients can address issues with payments, paperwork and contracts, properties, turnover and move-in, employee feedback, and more. Additionally, customers have the option of taking part in a virtual turnover of properties.

Marketing and labelling

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 Health and Safety Satisfaction

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.

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
Digitalization/ Paperless	GERI increased its digital capabilities and adapted its processes to the needs of its customers and employees through increased digitization since 2021. This is especially important for selected properties, as the	Without a well-developed OHS system in place, work-related accidents take place and could result in injury, illness, or death. Mismatch of software and	Training of employees in the proper usage of computers is regularly conducted. Any unserviceable computers or equipment is surrendered to accredited

	<p>Company positions its products and services as a “workcation” properties or destinations</p> <p>GERI is maximizing digital platforms such as Cloud Migration, Client Management Portal, paperless transactions, and virtual turnover for its customers.</p>	<p>digital literacy of employees may pose a disadvantage in maximizing the full capacity of purchased digital platforms. Continuous training is important.</p>	<p>processing units for proper disposal.</p> <p>Monitoring and reassessment of the implementation of the OHS Policy of the Company is being conducted regularly.</p>
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