COVER SHEET

A	S	0	9	5	4	6	1	6

SEC Registration Number

PHILTOWN PROPERTIES INCORPORATED
AND SUBSIDIARIES

(Company's Full Name)

3RD FLR. BJS BUILDING, 1869 P.
DOMINGO STREET, MAKATI CITY

(Business Address: No. Street City/Town/Province)

JOSE ALBERTO D. MANINGAT
(Contact Person)

0632-8800-6694
(Company Telephone Number)

1 2 **3 1**
Month Day
(Calendar Year)

1 7 – A
(Form Type)

Month Day
(Annual Meeting)

NOT APPLICABLE
(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

NOT APPLICABLE
Amended Articles Number/Section

Total Amount of Borrowings

4030
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **DECEMBER 31, 2021**

2. Commission Identification Number: AS095-4616 3. BIR Tax Identification Number: **004-624-281-000**

4. Exact name of Registrant as specified in its charter: **PHILTOWN PROPERTIES, INC.**

5. **Philippines**
Province, country or other jurisdiction of incorporation or organization

6. ____________ (SEC Use Only)
Industry Classification Code

7. **3rd Flr, BJS Building, 1869 P. Domingo Street, Makati City** — Address of Registrant's principal office
1206 — Postal Code

8. **0632-8800-6694**
Registrant'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 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Issued and Outstanding
Common Stock, ₱1.00 par value	**218,350,005**

11. Are any or all of these securities listed in the Philippine Stock Exchange?
Yes [ ] No [✓]

12. Indicate by check mark whether the Registrant:

a. has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines (CCP) during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports): [Note: Sec. 26 of the CCP deals with reporting of election of directors or officers to the SEC; Sec. 141 with the submission of financial statements to the SEC.]
Yes [✓] No [ ]

b. has been subject to such filing requirements for the past 90 days.
Yes [✓] No [ ]

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

14. Documents incorporated by reference. **None**

PART 1 – BUSINESS

Item 1. Business

Background

RFM Properties Holdings, Inc. was established in 1995 to gain experience build assets of their own. It was then renamed as Philippine Townships, Inc. to expand their portfolio in industrial estates. In 1997, a financial crisis hits Asia and greatly affected many companies including the Parent Company of Philtown causing them to balance its real estate development. Year 2008, another crisis from the US took a big toll on the financial condition and liquidity of the Corporation. Philtown had to sell raw lands, enter a joint venture, and focus on horizontal development to enhance value of the remaining assets and go back on top. The Corporation was then given its present name, Philtown Properties, Inc. (PPI or the Corporation) later that same year.

Among the projects of PPI were mid-income residential subdivisions in Calamba, Laguna, such as Glenwood Park, Ridgemont South, Makiling Hills and Woodlands. The Corporation then began their approach to more upscale projects that started with Tagaytay Heights in Tagaytay City.

By the late 1990s, the Corporation expanded their projects into industrial estates development that opened doors for Manggahan Light Industrial Park in Pasig City, Philtown Technology Park (PTP) in Tanauan, Batangas, and a joint industrial estate project located also in Batangas called Light Industry & Science Park 3 (LISP) to flourish.

It was also in the late 1990s when it began venturing into high-rise condominiums such as One McKinley Place located at Bonifacio Global City (BGC) in Taguig, City. To start the century, PPI developed more condominiums such as Fairways Tower (FWT), also located in BGC, the Metropolitan in Makati City and the WH Taft Residences in Manila.

One McKinley Place and Fairways Tower has been completed and turned over to buyers in this present-day. However, WH Taft Residences is now under another property developer, Double Dragon Properties Corp. (DDC) since 2012, meanwhile, the Metropolitan was put on-hold.

In 2008, RFM Corporation, PPI's parent company, declared 81% of shares as property dividends to their 3,000 shareholders, making PPI a publicly owned company. By 2012, RFM Corporation declared all of its remaining PPI shares as property dividends to its shareholders.

In 2011, PPI entered into a joint venture with Filinvest Land, Inc. (FLI) for the construction of a condominium building on PPI's 1,147 sqm lot in Loyola Heights, Quezon City. For this venture, PPI is the landowner and FLI is the developer. The condominium is called Studio A Condominium. Construction was completed in the last quarter of 2017.

As of 2021, PPI's ongoing projects are: Plantacion Del Sol (PDS) and Hacienda Del Sol, which are both located in Batangas and is under joint venture with Holiday Homes, Inc. (HHI). The Mango Grove (TMG), a 28-hectare subdivision in Batangas partnered with C-Belle Development Corporation (C-Belle), Studio A Condominium in Loyola Heights, Quezon City, is the remaining high-rise project of the Corporation.

These projects are all close to completion and are already being marketed through PPI's accredited real estate brokers, while the marketing of Studio A is being handled by FLI.

Products / Business Lines

The Corporation's core/primary business is residential development for the socialized and mid-income market. With the exception of Studio A, all of the Corporation's projects are located in the Batangas area.

PPI also derives income from interest on bank placements, installment sales and from sales of non-core assets.

Products / Business Lines (with 10% or more contribution to 2021 consolidated total revenue):

Product / Business Lines	%
Residential Development / Sales	100.0
Service Income	0.0

Distribution Methods of Products

The Corporation's residential projects are marketed to a wide range of clients through groups of accredited real estate brokers.

Development of the business of the registrant and its key operating subsidiaries/affiliates during the past three years

Vertical projects undertaken during the last three years is the Studio A condominium in Loyola Heights, Quezon City.

Horizontal projects undertaken during the last 3 years include various phases of Plantacion Del Sol, TMG and Hacienda Del Sol. All projects are located in Batangas.

Subsidiaries / Associates

a) *Subsidiaries*

First San Rafael Realty Corporation (FSRRC) – FSRRC is a wholly-owned subsidiary incorporated in 2002. FSRRC is operational.

One McKinley Place, Inc. (OMPI) – OMPI was a joint venture company between PPI and Urban Bank (now Export & Industry Bank or EIB) established to develop the OMP condominium which was completed in 2005. OMPI was fully acquired by PPI in 2007. OMPI is operational.

Philtown Utilities Corporation (PUC) – PUC is a wholly-owned subsidiary that was incorporated in 2001. PUC is now dormant.

Philtown Property Management, Inc. (PPMI) – PPMI is a wholly-owned subsidiary established to provide property and facilities management services for some of PPI's completed projects. PPMI is now dormant.

First Tanauan Realty Corporation (FTRC) – FTRC is a wholly-owned subsidiary that was incorporated in 1998. FTRC is now dormant.

RFM Realty Marketing Corporation (RFM Realty) – RFM Realty is a wholly-owned subsidiary that was incorporated in 1996. RFM Realty is now dormant.

Metropolitan Tower Corporation (MTC) – MTC is a wholly-owned subsidiary incorporated in 2004 for the Metropolitan project. MTC is now dormant.

Bankruptcy, Receivership or Similar Proceedings

Due to losses incurred over the years that resulted to capital deficiencies of Php347.8 million and Php264.2 million in 2021 and 2020, the Corporation's management decided to submit to the court a petition for corporate rehabilitation which aim:

a) To put the respective businesses of the Corporation in "custodia legis" in order to protect the interests of, not just the Corporation, but all the participants in the rehabilitation;

b) To establish a planned, systematic settlement of the Corporation's obligations following a specific plan and schedule, considering all other factors that have effect on the Corporation's rehabilitation, such as:

- Continuation of existing contracts;
- Extinguishment of liabilities to trade creditors and suppliers that are already beyond the 10-year prescriptive period;
- Waiver of taxes already due to the national and local governments at the time of the issuance of the Commencement Order as provided by the FRIA and supported by the BIR Ruling;
- Resolution of specific claims for payment being contested by the Corporation;
- Fulfillment of remaining project development commitments;
- Condonation of creditors related to the Corporation of interest after a specific cut-off date; and

c) To carry on the going concern attributes of the respective business of the Corporation; and

d) To set up a business environment that will allow the Corporation to adapt to its current state of affairs and eventually rise from its present financial condition.

The Corporation included wholly-owned subsidiary, OMPI, which is also in a capital deficiency position, in the petition for corporate rehabilitation.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

On December 18, 2019, PPI and Metropolitan Club, Inc. (Metroclub) entered into a Memorandum of Agreement (MOA), whereby both parties agreed to terminate the joint venture agreement (JVA) the parties executed for the Metropolitan within the Metroclub property in Makati City. Hence, the construction and development of the Metropolitan will no longer be pursued by PPI and Metroclub will transfer and convey the title over the land contributed to the JVA and the unfinished structure to PPI's designated transferee. The MOA also requires PPI to fully settle all condominium unit buyers, contractors, service providers, suppliers, and consultants of the project.

As of December 31, 2021, Metroclub has transferred and conveyed the title over the land it contributed to the JVA and the unfinished structure to PPI's designated transferee. Moreover, almost all condominium unit buyers have been settled, while all contractors, service providers, suppliers and consultants of the project have been settled.

Various Diversification/New Product Lines Introduced by the Company during the Last Three Years

No diversification or new product lines were introduced during the past 3 years.

Competition

The Corporation's primary business is geared towards the development of residential projects, mostly horizontal. In this regard, PPI competes with numerous property developers offering the same products including the likes of Ayala Land, SMDC, Avida Land, FLI, DECA Homes, Axeia, among others.

Companies normally compete in the industry by acquiring properties in strategic locations and developing these into projects that will cater to the market in the area. These projects are then marketed by a potent sales force of either in-house sales agents or independent property brokers. Companies have also invested in very appealing showrooms and sales offices that have visuals of their projects.

Price is a factor in the socialized, low-income and middle-income segment of the industry. Companies continue to look for ways to create products that are cost efficient yet attractive for their target market. In recent years, companies have started to offer longer amortization payment schemes, either internally or in conjunction with banks to make their products more affordable to a wider market.

As mentioned, PPI competes with major industry players that are usually engaged in all product segments of the industry such as residential development, commercial leasing, property management and township projects. Needless to say, these major players are much bigger than PPI in terms of earnings and assets. However, Management believes that the Corporation can be competitive as long as it focuses on a selected niche of the industry.

Suppliers

The Corporation has limited suppliers as most of its requirements come from its hired contractors or joint venture partners.

Customers

PPI has a broad customer base. Most of its customers are based in the country. The Corporation is not dependent on any single or group of customers.

Transactions with Related Parties

Please refer to Item 16 "Related Party Transactions" of this report.

Patents, Trademarks, Licenses, Franchise

The names and logos of PPI's various real estate projects are under trademark. The Corporation, as well as its operations, is not in any way dependent on these trademarks. It is common for several projects in the same area to have similar names. The crucial distinguishing factor is the reputation of the developer, as customers generally base their buying decisions on the developer's reputations and financial stability.

Government and Environmental Regulations

The real estate industry is subject to significant government regulation in respect of land acquisition, development planning, project design, construction, sales and financing.

After the planning process, the Corporation normally applies for a development permit with the local government. For subdivision projects where the land to be developed is still classified for agricultural use, the Corporation then applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or exemption, as may be proper, prior to the start of development. Some of the Corporation's landbank in Southern Luzon requires undergoing the DAR conversion process.

On the other hand, the approval of a project's development plan is conditioned on the completion of the acquisition of the project site, as well as the developer's financial, technical and administrative capabilities. Approvals need to be obtained at the local and national level. Necessarily, the operations of the Corporation are affected by the nature and extent of the regulation of its business. Moreover, the time and cost to secure these approvals vary from project to project.

On the matter of sales, the Corporation is subject to the Maceda Law, which gives buyers of real property purchased on installment basis certain rights regarding the cancellation of their sales transactions and obtaining refunds from the developer.

The Corporation believes that it has complied with all applicable Philippine environmental laws and regulations. Management is of the opinion that compliance with such laws will not have a material effect on capital expenditures and earnings.

Amount Spent on Development Activities and Percentage to Revenues in the Last Three Years

For development activities, PPI spent approximately Php116.3 million in 2019, Php117.4 million in 2020 and Php138.1 million in 2021. The amount spent on development activities was 68.6% of total revenues in 2019, 41.8% of total revenues in 2020 and 40.8% of total revenues in 2021.

Employees

As of December 31, 2021, the Corporation had a total manpower complement of 24 employees. The Corporation expects to increase its employee base in the next 12 months.

The breakdown of the Corporation's employees according to employee type is as follows:

Employee Type	**No.**
Executives	2
Managerial	2
Rank & File	20
Total	**24**

The Corporation's officers and staff are provided medical insurance with leading health care providers. Also, some of the officers of the Corporation are provided with company cars with monthly gasoline allowance. Mobile phone allowances are also provided to some officers and key personnel.

The Corporation has and never had any Collective Bargaining Agreements with any of its employees or group of employees.

Business Risks

The Corporation is subject to various business risks including changes in Philippine economic and political conditions, interest rates, value of the local currency, fluctuations in the price of construction materials and labor, changes in laws and regulations that apply to the industry, and strategic moves by competitors that may alter industry dynamics.

To mitigate the above-mentioned risks, PPI continues to adopt appropriate risk management tools, as well as conservative financial and operational controls and policies.

Working Capital

The Corporation finances its working capital requirements through a combination of internally-generated cash, JVAs, loans and proceeds from sale of non-core assets.

Domestic and Export Sales

Amounts of revenue, profits and assets attributable to domestic and foreign operations for 2021, 2020 and 2019:

In Php Millions	2021	2020	2019
Consolidated Total income			
Domestic	338.4	280.9	169.6
Foreign	0.0	0.0	0.0
Consolidated Net Income (Loss)			
Domestic	(83.6)	(29.7)	34.3
Foreign	0.0	0.0	0.0
Consolidated Total Assets			
Domestic	1,088.6	1,196.8	1,635.4
Foreign	0.0	0.0	0.0

Item 2. Properties

Landbank/Properties with Mortgages or Lien

The Corporation has the following properties:

Location/Project	Size	Primary land use	Ownership
Metro Manila:			
Loyola Heights, Quezon city / Studio A /1	1,147.2 sq.m.	Residential	Corporation

Calabarzon:			
Tanauan, Batangas / Hacienda Del Sol /2	193,776.0 sq.m.	Residential	Corporation
Tanauan, Batangas / SPPI Rear Lots	377,019.5 sq.m.	Residential	Corporation
Sto. Tomas, Batangas / The Mango Grove /3	199,680.0 sq.m.	Residential	Corporation
Tanauan, Batangas / Plantacion Del Sol /4	51,920.0 sq.m.	Residential	Corporation
Calamba, Laguna / Makiling Hills Expansion	69,224.0 sq.m.	Residential	Corporation

/1 Studio A is a joint venture with Filinvest Land, Inc. Project was completed in 2017.

/2 Hacienda Del Sol is mortgaged and being developed through a joint venture arrangement.

/3 The Mango Grove is being developed through a joint venture arrangement.

/4 Plantacion Del Sol 1 and 2 are fully developed.

Rental Properties

PPI has no rental properties.

Leased Properties

The Corporation leases its office at the 3rd Floor of BJS building in Makati City and PPI Site Office at PDS at a monthly lease amount of Php42,940.80 and P2,240.00 inclusive of VAT, respectively. The lease term is for 1 year, renewable thereafter for a minimum period of 1 year.

Property Acquisitions

PPI purchased a 15,642 sq.m. property in Calamba, Laguna. Down payment was made in November 2021. Full payment in January 2022. This property will be developed into an additional phase of PPI's Makiling Hills subdivision.

Item 3. Legal Proceedings

Lawsuits and legal actions are in the ordinary course of the Corporation's business. However, the Corporation does not believe that any of these lawsuits or legal actions to which it is a party will have a significant impact on its financial position or results of operations.

Following are cases involving the Corporation that may have some but not a significant impact on its financial position:

1) Puyat Floorings Products, Inc. vs Philtown, R-MKT-16-03352-CV. This is a Civil Case for collection of sum of money. Decision rendered in favor of Plaintiff but PPI filed timely Motion for Reconsideration and subsequently for appeal to the Court of Appeals.

2) Sps. Glorino & Marilyn Fularon vs Philtown, O.P. Case No. 12-B-043 (HLURB Case No. REM A-111024-01558). Awaiting the requested certification from the Supreme Court and Court of Appeals that there are no pending appeals from Sps Fularon.

3) Petition for Issuance of New Title No. 35766- RTC Br. 70-Taguig City – from the title of the case itself, this is a simple case which is jurisdictional in character. Decision is rendered in our favor granting the Petition on May 17, 2022.

4) Petition for Correction of Entries in TCT Nos. 122674, 122746, 122507- RTC Br 6-Tanauan City – from the title of the case itself, this is a simple case of correction of clerical errors in the titles which are jurisdictional in character. Submitted for resolution. Decision was rendered in our favor granting the Petition dated May 25, 2022.

5) Criminal Cases vs Spouses Erano and Josephine Esteban – for Qualified Theft and/or Extortion- Pending for resolution before the office of City Prosecutor of Santo Tomas, Batangas. Submitted for Resolution.

6) Labor Case for Illegal Dismissal-Josephine D. Esteban vs Philtown- Pending Trial at NLRC –RAB-IVA – Calamba City.

7) New Case- Petition for Correction of Entries- Philtown vs RD of Calamba City-RTC- Calamba City

8) New Case for Ejectment Unlawful Detainer-Philtown vs Riviero Emeterio- MTC Calamba City

9) New Case for Ejectment Unlawful Detainer-Philtown vs Josephine D. Esteban-MTC Tanauan City

10) One McKinley Place Condominium Corp. vs OMPI-Civil Case No. 846 RTC TGG for specific performance to pay RPT tax with Taguig Treasurer office with Php5M damages PPI included as a defendant.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of this calendar year covered by this report.

PART II – SECURITIES OF THE REGISTRANT

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The Corporation's common shares are not publicly traded in any local or foreign stock exchange.

Stockholders

There are 4,030 holders of common equity security of the Corporation as of December 31, 2021 (based on the number of accounts registered with the stock transfer agent). The following are the top 20 holders of the common equity securities of the Corporation.

	Stockholders	Shares Subscribed	% to Total Outstanding
1.	Triple Eight Holdings, Inc.	46,529,300	21.31%
2.	Horizons Realty, Inc.	44,760,903	20.50%
3.	BJS Development Corporation	21,463,503	9.83%
4.	PCD Nominee Corp. (Filipino)	18,852,092	8.63%
5.	Renaissance Property Management Corp.	13,930,334	6.38%
6.	FEATI University	7,725,183	3.54%
7.	Chilco Holdings, Inc.	5,017,339	2.30%
8.	Concepcion Industries, Inc.	4,923,230	2.25%
9.	S & A Industrial Corporation	4,101,798	1.88%
10.	Sahara Management & Development Corp.	3,968,398	1.82%
11.	Select Two Inc.	3,413,882	1.56%
12.	FEBTC A/C No. 216-00145	3,215,430	1.47%
13.	Republic Commodities Corporation	2,283,912	1.05%
14.	PCD Nominee Corp. (Non-Filipino)	1,726,396	0.79%
15.	Sole Luna Inc.	1,650,137	0.76%
16.	Macric Inc.	1,607,116	0.74%
17.	Young Concepts, Inc.	1,605,489	0.74%
18.	Lace Express, Inc.	1,605,482	0.74%
19.	Monaco Express Corporation	1,605,471	0.74%
20.	Foresight Realty Development Corp.	1,325,229	0.61%
21.	Others	27,039,381	12.38%
	TOTAL	**218,350,005**	**100.00%**

Dividends

The Corporation has not declared any cash dividends during the last three years. There are no provisions in the Corporation's By-Laws that limit its ability to pay dividends on common equity or that are likely to do so in the future.

Pursuant to SEC Memorandum Circular No. 11 series of 2008, PPI is required to provide a schedule of Reconciliation of Retained Earnings for Dividend Declaration. However, since the Corporation has incurred losses and has negative retained earnings or deficit, the said schedule is not applicable to PPI.

Dividend Policy

Dividends declared by the Corporation on its shares of stocks are payable in cash, property, or in additional shares of stock. The payment of dividends in the future depends on the earnings, cash flow and financial condition of the Corporation as well as other factors.

Cash dividends are subject to the approval of the Board of Directors but the approval of stockholders is not required.

Property dividends, which may come in the form of additional shares of stock or other assets (i.e., real estate), are subject to the approval of the Board of Directors and stockholders. Moreover, the payment of stock dividends is subject to the approval of the SEC.

Recent Sale of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Corporation has not sold or issued any securities that constitute an exempt transaction during the past three years.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operation for the Year 2021.

Introduction

This discussion summarizes the significant factors affecting the operating results and financial condition of the Corporation for the period December 31, 2021. The following discussion should be read in conjunction with the attached audited financial statements of the Corporation as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in capital deficiency and cash flows for each of the two years in the period ended December 31, 2021. All the necessary adjustments to present the Corporation's consolidated financial position as of December 31, 2021 and 2020 and the results of operations and cash flow for the year ended have been made.

Year ended December 31, 2021 versus 2020

Management Report on Operation

Revenues grew by 20.5%, from Php280.87 million in 2020 to Php338.36 million in 2021. However, this was offset by significant increases in direct costs and operating expenses that resulted to lower operating profit in 2021. PPI also incurred other expense of Php110.96 million, this was primarily from provisions for possible decline in value of real estate, that resulted to a net loss of Php83.64 million in 2021 as compared with a net loss of Php29.7 million in 2020.

Financial Position

The Corporation's total assets declined from Php1.196 billion in 2020 to Php1.088 billion in 2021. The reduction was primarily from the provision for possible decline in value of real estate and collections of contract receivables. Total liabilities also decreased from Php1.460 billion in 2020 to Php1.436 billion in 2021, primarily on account of loans payable becoming due for the coming year.

c) Key Financial Performance Indicators

	For the period ended	
(Amount in Thousands) *	**December 31, 2021**	**December 31, 2020**
1. Net Revenues	338,361	280,874
2. Net Income (Loss)	(83,642)	(29,713)
3. Current Ratio	0.76	0.89

** Except Current Ratio*

1. Net Revenues
   This is the barometer of the general demand for the Company's products reflecting the market acceptability vis-à-vis competition particularly in terms of quality, pricing, locations and image and perceptions. This is of primary importance and regularly monitored for appropriate action and/or improvement.

2. Net Income (Loss)
   This shows the over-all financial profitability of the Company, including the sale of primary and non-primary products and all other assets, after deducting all costs and expenses, interest expenses on debts and taxes.

3. Current Ratio
   This determines the Company's ability to meet its current maturing obligations using its current resources.

To date, there are no known events that may trigger direct or contingent financial obligations that are material to the Corporation, including any default or acceleration of an obligation.

There are also no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons created in 2021.

For 2021, the Corporation earmarked about Php138.1 million for capital and project expenditures for residential development. During the course of the year, PPI will examine the appropriate timing and allocated amounts for these projects and adjusts the budget accordingly to reflect any changes if necessary. These projects will be funded through its regular cash flow or from borrowings.

Year ended December 31, 2020 versus 2019

Management Report on Operation

Revenues grew by 65.6%, from Php169.63 million in 2019 to Php280.87 million in 2021. The increase resulted to a corresponding increase in gross profit from the previous year. However, due to a steep increase in operating expenses which went up to Php121.8 million due to realty taxes from OMPI, the Corporation incurred a net loss of Php29.7 million in 2020 vis-à-vis a net income of Php34.34 million in 2019.

Financial Position

The Corporation's total assets slightly declined from Php1.196 billion in 2019 to Php1.088 billion in 2020 primarily due to a reduction in real estate inventories in relation to the termination of the JVA with Metropolitan Club, Inc, and transfer of the JVA's subject lot and unfinished structure to the Corporation's assignee. Total liabilities likewise declined due to settlement of contract liabilities and tenant's deposit in relation to the transaction with Metropolitan Club, Inc.

c) Key Financial Performance Indicators

	For the period ended	
(Amount in Thousands) *	**December 31, 2020**	**December 31, 2019**
1. Net Revenues	280,874	169,635
2. Net Income (Loss)	(29,713)	34,340
3. Current Ratio	0.89	0.98

** Except Current Ratio*

4. Net Revenues
   This is the barometer of the general demand for the Company's products reflecting the market acceptability vis-à-vis competition particularly in terms of quality, pricing, locations and image and perceptions. This is of primary importance and regularly monitored for appropriate action and/or improvement.

5. Net Income (Loss)
   This shows the over-all financial profitability of the Company, including the sale of primary and non-primary products and all other assets, after deducting all costs and expenses, interest expenses on debts and taxes.

6. Current Ratio
   This determines the Company's ability to meet its current maturing obligations using its current resources.

Status of Operations

Sales of the Corporation's main projects, TMG and Hacienda Del Sol, are ongoing. Each of the lots in these projects are sold with a housing unit. Buyers in both projects are mostly members of the Pag-Ibig Fund and prefer to pay for their units by securing a housing loan from the Pag-Ibig Fund.

The Corporation and HHI have fully sold the first phase of Hacienda Del Sol and are now selling the second phase. Development of the second phase is close to completion. PPI's share of lots in this project is mostly located in the first phase with a few lots in the second phase.

PPI has also started sales of house and lot packages in 2 of its previous subdivisions, Makiling Hills and Woodlands, both in Calamba, Laguna. All of PPI's available inventories in these subdivisions are sold. The Corporation, however, continues to look for lots that are for sale.

For the next 12 months, the Corporation will focus on sales and construction efforts in TMG, Hacienda Del Sol and the 2 subdivisions, Makiling Hills and Woodlands. PPI also hopes to fully sell all of its share of units in Studio A Condominium. For new projects, the Corporation will soon start development of Makiling Hills expansion project, a small size subdivision, and hopefully start development of Woodlands expansion.

Liquidity and Capital Resources

PPI sourced its capital requirements through a combination of internally generated cash, joint ventures, borrowings and sale of non-core assets.

Cash flows from existing operations and borrowings were used for project development aggregating to Php138.1 million. The ending cash level stood at Php67.1 million while Current Ratio and Debt-Equity Ratio stood at 0.76:1 and -4.13:1.

Factors which may have material impact in the Company's operations

Economic Factors

The country's economic situation has a significant effect on business performance. Level of employment (or unemployment), changes in inflation and interest rates all play a crucial role on sales and profits. A high level of unemployment reduces sales in residential products geared for the middle-income market. On the other hand, an inflationary environment adversely affects the real estate industry as it increases the cost of labor, materials, as well as acquisition costs of land. Lower interest rates tend to encourage potential buyers as it makes mortgages more affordable.

Competition

Please refer to "Competition" section in Item 1.

Project and Capital Expenditures

The Corporation's project and capital expenditures for 2021 amounted to Php138.1 million, mostly spent for construction of housing units in TMG, Hacienda Del Sol and selected housing units in the 2 subdivisions, Makiling Hills and Woodlands.

Item 7. Financial Statements

The 2021 consolidated financial statements of the Corporation are incorporated herein in the accompanying Index and Exhibits.

Receivables

Trade receivables totaling Php274.3 million, net of expected credit losses, as of December 31, 2021, primarily consists of receivables from the buyers of PPI's various projects.

Item 8: Information on Independent Accountant and Other Related Matters

Independent Public Accountants

In 2021, PPI's principal accountant and external auditor is R.S.Bernaldo & Associates (RSBA).

Pursuant to the general requirements of SRC Rule 68, Par.3 (Qualifications and Reports of Independent Auditors), Mr. Rean Abalos is RSBA's partner in-charge for audit year 2021.

External Audit Fees and Services

Audit and Audit-Related Fees

For 2021, the Corporation paid RSBA Php515,200.00, excluding out of pocket expenses. The fees paid to RSBA are for the audit of PPI and its subsidiary, First San Rafael Realty, Inc. The engagement is not limited to the examination of the group's financial statements in accordance with Philippine Standards on Auditing but includes, on a test basis, the review and evaluation of systems, documentation and procedures to ascertain that adequate internal controls are in place.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There is no event in the past 5 years where PPI had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

PPI regularly adopts New Statement of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS) where applicable.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant (as of December 31, 2021)

Write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

List of Directors, Including Independent Directors

Name of Director/ Executive Officer	Position	Age	Term as Director
Alfredo B. Parungao	Chairman / Independent	84	2008– 2021
Ernest Fritz D. Server	Vice Chairman	79	1995 – 2021
Francisco A. Segovia	Treasurer	68	1995 – 2021
Florencio B. Orendain	Member / Independent	88	2008 – 2021
Lauro B. Ramos	Member	71	2012 – 2021
Ariel A. De Guzman	Member	58	2014 – 2021

None of the Directors and members of the Corporation's Management owns 2.0% or more of the outstanding capital stock of the Corporation.

Board of Directors

Alfredo B. Parungao
84 years old
Filipino

Born on 24 January 1938, he has a Bachelor of Science degree in Commerce (Summa Cum Laude) from Far Eastern University and is a Certified Public Accountant. Mr. Parungao has a vast wealth of knowledge in property development as former CFO of the Metro Pacific group's Fort Bonifacio Development Corporation. He is currently the President of Ligaya Management Corporation, Vice President and member of the Board of Trustees of the P&Gers Fund, Inc. and Chairman of CIBI Foundation, Inc. In addition, he is a Director of Philippine Rating Services, Inc., CIBI Information, Inc., and DS Realty, Inc.

Ernest Fritz D. Server
79 years old
Filipino

Born on 08 July 1943, has a Bachelor of Arts degree in Economics from the Ateneo de Manila and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. Mr. Server is President of Superior Las Pinas, Inc., Vicinetum Holdings, Inc. and Cornerstone Energy Devt., Inc. He is also Chairman of Westview Properties, Inc. and Arrakis Holdings, Inc. He is the Vice Chairman of RFM Corporation and a Director of RFM Foundation, ABS-CBN Convergence, Inc., Cirtex Holdings Philippines Corp., A1 Move Logistics, Inc., Phil Stratbase Consultancy, Inc., Seacage Industries, Inc. and 818 Aqua Farms, Inc.

Francisco A. Segovia
68 years old
Filipino

Born on 17 January 1954, has a Bachelor of Science degree in Business Management from the Ateneo De Manila. He is Chairman and CEO of Segovia & Co., Inc. and FEATI Aviation, Inc. He likewise serves as Vice Chairman and

CEO of FEATI University, RPMC Resources, Inc., IT Resources Corporation and Swifts Foods, Inc. Mr. Segovia is also a director of Wide Wide World Express Corporation and RFM Corporation.

Florencio B. Orendain
88 years old
Filipino

Born on 28 March 1934, holds a Law degree and a Masters degree in Industrial Management from the University of the Philippines. During his stint with government, Mr. Orendain founded, developed and managed two of the country's most prestigious financial institutions, the National Home Mortgage Finance Corporation and the Pag-Ibig Fund. He also founded the Guaranty Fund for Small and Medium Enterprise and the Philippine Retirement Authority. After leaving government, he led the rehabilitation of BF Homes, Inc. and succeeded in fully paying all of the company's third-party liabilities. He is now engaged in financial consultancy, specializing in the fields of securitization, corporate rehabilitation and enterprise planning. His current business affiliation includes being the chairman of FBO Management Network, Inc.

Director Orendain passed away on April 2, 2021. The Corporation will nominate another independent director on its next Annual Stockholders' Meeting.

Lauro B. Ramos
71 years old
Filipino

Born on 03 February 1951, holds a degree in Accountancy from the University of the East and is a Certified Public Accountant. Mr. Ramos had a long career with the RFM group and served as RFM Corporation's Chief Finance Officer up to his retirement. He previously served as a director in various RFM subsidiaries such as RFM Insurance Brokerage, Inc., Interbake Commissary Corp. and RFM Equities, Inc.

Ariel A. De Guzman
58 years old
Filipino

Born on 05 March 1964, holds a degree in Accountancy and is a Certified Public Accountant and a Licensed Real Estate Broker. Prior to joining PPI's Board in 2014, Mr. De Guzman had a long career with the RFM Group and from 2007 to 2010, then was head of PPI's Accounting Department holding the position of Asst. Vice President/Controller. As part of the RFM Group, he held various positions the last was as Vice President – Head of Internal Audit. He presently serves as consultant in various companies. Also, he serves as Treasurer and Director of Reliable Insurance Brokers Inc., Conglomerate Savings & Financing Corporation and USSR Holdings Inc.

Appointment / Resignation of Directors

There were no new directors elected during 2021.

Management Committee Members / Key Officers

Name	Position
Alfredo B. Parungao	Chairman
Ernest Fritz Server	Vice Chairman
Francisco A. Segovia	Treasurer
Mayda B. Castano	Head – Sales Documentation
Atty. Robinson C. Vinas	Corporate Secretary & Compliance Officer

Mayda B. Castano
63 years old
Filipino

Born on 07 July 1959, holds a degree in business administration from the University of the East. Started with PPI as an in-house broker in 2003. Became Head of the Corporation's Sales Documentation Department in 2010. Prior to joining PPI, Ms. Castano held various jobs with other property companies as a real estate broker and in sales documentation.

Atty. Robinson C. Vinas
51 years old
Filipino

Born on 24 October 1970, was admitted to the Bar on May 2006 and completed his bachelor of law degree from the University of Caceres in Naga City. Prior to joining PPI in July 2018, Atty. Vinas held various legal positions with the Commission on Human Rights as well as private companies such as Hanjin Heavy Industries, Inc., Specified Contractors Devt., Inc., Woodhaven Corporation and Marvi Hills Realty Corporation.

Significant Employees

The Corporation considers its entire work force as significant employees. To date, its key employees are as follows:

a. Mayda B. Castano, 63 years old, Head of PPI's Sales Documentation Department. Has been the Head of this group since 2010 and was previously connected with Megaworld-Eastwood City and C.M. Iligan development Corp.

b. Atty. Robinson C. Vinas, 51 years old, is a lawyer and is PPI's Corporate Secretary & Compliance Officer. Prior to joining PPI in 2018, Atty. Vinas held various legal positions with both government and private institutions.

c. Renato C. Pastrana, 61 years old, a licensed civil engineer and is Manager of PPI's Operations Department. Joined the Corporation in 2007 and was previously connected with ASB Development Corporation, J.A. Rementina Engineering Services and Amalgamated Project Management Services, Inc.

d. Esmegardo Reyes, 69 years old, is a certified public accountant. He joined PPI in May 2018 and is presently the Supervisor of the Accounting Department. Prior to joining the Corporation, Mr. Reyes was with the Financial Accounting Department, Disbursement Division of the Bangko Sentral ng Pilipinas.

Family Relationships

There are no familial relationships within the Corporation's Board of Directors as well as Key Officers.

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

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, 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

Executive Officers

Information as to the aggregate compensation paid or accrued during the last two fiscal years, and the estimated amount to be paid in the ensuing fiscal year to the Corporation's Chief Executive Officer and other most highly compensated executive officers are as follows:

Name	Position	Year	Salary (Php in Millions)	Bonus	Other Annual Compensation
Mayda B. Castano Atty. Robinson C. Vinas Ricardo S. Dela Pena Renato C. Pastrana Esmegardo S. Reyes	Head – Sales Documentation Corporate Secretary Property Manager Manager – Operations Supervisor – Accounting	2020	2.39	0.00	0.00
Mayda B. Castano Atty. Robinson C. Vinas Renato C. Pastrana Esmegardo S. Reyes	Head – Sales Documentation Corporate Secretary Manager – Operations Supervisor – Accounting	2021	2.31	0.00	0.00
Mayda B. Castano Atty. Robinson C. Vinas Renato C. Pastrana Esmegardo S. Reyes	Head – Sales Documentation Corporate Secretary Manager – Operations Supervisor – Accounting	2022 Est.	2.83		
All other officers and directors as a group		2020	0.58		
All other officers and directors as a group		2021	4.09		
All other officers and directors as a group		2022 Est.	3.59		

Directors

a) Standard Arrangement.

The Corporation holds a regular meeting of the Board of Directors once a month. Each Director is provided a per diem of Php5,000 per Board meeting. Independent Directors, however, receives a transportation allowance of Php5,000 per Board meeting on top of the per diem. Moreover, the Chairman of the Board receives a monthly allowance of Php35,000.

b) Other Arrangement

There is no Director providing any service or other arrangements for a fee, to the Corporation.

Warrants and Options Outstanding

As of December 31, 2021, the Corporation had no outstanding shares with attached options or warrants.

Item 11: Security Ownership of Certain Record and Beneficial Owners and Management

a) Security ownership of Certain Record and Beneficial Owners (of more than 5%) as of December 31, 2021

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount and nature of record /beneficial ownership (shares)	Percent of Outstanding Common and Preferred Shares
Preferred	RFM Corporation RFM Corporate Center, Pioneer St., Mandaluyong City	RFM Corporation/ Stockholder	Filipino	218,349,995 "r"	100.00%
Common	Triple Eight Holdings, Inc. No. 18 Gen. Capinpin St., San Antonio Village, Pasig City	Triple Eight Holdings, Inc./ Stockholder	Filipino	46,529,300 "r"	21.31%
Common	Horizons Realty, Inc. 11 Kawayan Road, North Forbes Park, Makati City	Horizons Realty, Inc./ Stockholder	Filipino	44,760,903 "r'	20.50%
Common	BJS Development Corporation 1869 P. Domingo St., Makati City	BJS Development Corporation/ Stockholder	Filipino	21,463,503 "r"	9.83%
Common	PCD Nominee Corp. (Filipino) 37/F Enterprise Bldg, Ayala Ave., Makati City	PCD Participants/ Stockholder	Filipino	18,852,092 "r"	8.63%
Common	Renaissance Property Management Corp. FEATI University C. Palanca St., Sta. Cruz, Manila	Renaissance Property Management Corporation/ Stockholder	Filipino	13,930,334 "r"	6.38%

Based on the records of the Corporation, Jose A. Concepcion, III is authorized to vote for RFM Corporation, Triple Eight Holdings, Inc. and Horizons Realty, Inc., Ernest Fritz D. Server and Joseph D. Server are authorized to vote on behalf of BJS Development Corp., while Francisco A. Segovia is authorized to vote for Renaissance Property Management Corp.

b) Security ownership of Directors and Management (Executive Officers) as of December 31, 2021

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent class**
Directors				
Common	Alfredo B. Parungao	1 “D”	Filipino	0.00%
Common	Francisco A. Segovia	1 “D”	Filipino	0.00%
Common	Ernest Fritz D. Server	38,951 “D”	Filipino	0.02%
Common	Florencio B. Orendain	1 “D”	Filipino	0.00%
Common	Lauro B. Ramos	1,378 “D”	Filipino	0.00%
Common	Ariel A. De Guzman	583 “D”	Filipino	0.00%

Most Highly Compensated Executive				
Common	Mayda Castano	0	Filipino	0.00%
Common	Robinson C. Vinas	0	Filipino	0.00%
Common	Renato C. Pastrana	0	Filipino	0.00%
Common	Esmegardo S. Reyes	0	Filipino	0.00%

No member of the Corporation’s Board of Directors and management team owns 2.0% or more of the outstanding capital stock of the Corporation.

c) Voting Trust Holders of 5% or more

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

d) Changes in Control

No change in control in the Corporation has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

The Corporation, in its regular course of business, enters into transactions with subsidiaries and affiliates principally consisting of advances and reimbursement of expenses, purchase and sale of land and other assets.

There were no transactions with promoters in the past five years.

Please refer to Note 16 "Related Party Transactions" of the Notes to Consolidated Financial Statements of the 2021 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Parent Company / Major Holders

As of December 31, 2021, Triple Eight Holdings, Inc., Horizons Realty, Inc., BJS Development Corporation, PCD Nominee Corporation, and Renaissance Property Management Corp. owned 21.31%, 20.50%, 9.83%, 8.63% and 6.38% of PPI's total outstanding common shares of 218.35 million. On the other hand, RFM Corporation held all of the Corporation's outstanding preferred shares of 218.35 million.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

To comply with the requirements of good corporate governance, the Corporation undertakes initiatives to promote ethical standards, strengthen internal controls, and develop compliance culture and programs.

The Corporate Governance Framework of the Corporation will identify the key players involved in ensuring the application of good governance practices and polices within the Corporation. The shareholders nominate and appoint Directors to the Board who meet the qualifications prescribed by the Corporation, the Corporation Code and SEC. The Board ensures that there is effective oversight of the Corporation's activities. The Board also ensures the Corporation's long - term success by securing its sustained competitiveness in a manner consistent with its fiduciary responsibility. Management formulates and implements policies and directions governing the management and operation of the Corporation and its subsidiaries. Management is responsible for the Corporation's organizational and procedural controls.

The External Auditor is selected and appointed by the shareholders and provides objective assurance on the way the financial statements are prepared and presented. The Internal Auditor performs its independent audit function within the organization and provides reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and followed. The Compliance Officer reports directly to the Board and is tasked to monitor compliance with the provisions and requirements of the Manual on Corporate Governance, the Code and such other laws, circulars, rules and regulations issued in relation to corporate governance, and report any violations to the Board.

To date, there had been no observed or reported deviations or violations of the Corporation's Manual of Corporate Governance.

PART VI – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

<u>2021 Audited Financial Statements</u>

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

June 24, 2021 – Submission of official email addresses and telephone numbers for the purpose of complying with the notice requirement to administrative due process.

(c) Reports under SEC Form 17-C, as amended (during the last 6 months)

None

SIGNATURES

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

PHILTOWN PROPERTIES, INC.
Registrant

By:

ERNEST FRITZ SERVER
President

JOSE ALBERTO D. MANINGAT
Vice President - Finance

ATTY. ROBINSON C. VINAS
Corporate Secretary

Makati City JAN 12 2023

SUBSCRIBED AND SWORN to before me this ____ day of ______________, 2023 affiants exhibiting to their proof of identification as follows:

Name	Tax Identification No.
ERNEST FRITZ SERVER	115-593-099
JOSE ALBERTO D. MANINGAT	164-368-124
ATTY. ROBINSON C. VINAS	915-784-309

Doc No. 266
Page No. 74
Book No. 866
Series of 2023.

DAISY R. ROLDAN
Notary Public
Until December 31, 2024
PTR No. 18456032 - Makati
IBP No. 248855-Roll No. 25068

NOTARY PUBLIC
ROLL NO. 25068
MAKATI CITY, PHILIPPINES

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	-	4	6	1	6

Company Name

PHILTOWN PROPERTIES
INCORPORATED AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

3F BJS BUILDING, BJS COMPOUND
1869 P. DOMINGO STREET BRGY.,
KASILWAN MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
philtownpropertiesin2021@gmail.com	8800-6694	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
4,028	Last Wednesday of June	31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Ma. Alberto D. Maningat	j_maningat@yahoo.com	8800-6694	09178077600

Contact Person's Address

3F BJS BUILDING, BJS COMPOUND, 1869 P. DOMINGO ST., MAKATI CITY

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

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

PHILTOWN
Philtown Properties, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, in accordance with the Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERNEST FRITZ D. SERVER
President

JOSE MA. ALBERTO D. MANINGAT
Vice-President Finance

Makati City JAN 12 2023

SUBSCRIBED AND SWORN to before me this __ day of __________ affiants exhibiting to me their respective Tax Identification Numbers (TINs) (TINs), as follows:

Name	TIN No.
ERNEST FRITZ SERVER	115-593-099
JOSE MA. ALBERTO D. MANINGAT	164-368-124

Doc. No. 062;
Page No. 73;
Book No. 366;
Series of 2023

DAISY R. ROLDAN
Notary Public
Until December 31, 2024
PTR No. 18456032 - Makati
IBP No. 248855-Roll No. 25068

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
3rd Floor, BJS Building, BJS Compound
1869 P. Domingo Street, Makati

Opinion

We have audited the consolidated financial statements of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES** ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three (3) years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three (3) years in period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs), as described in Note 3.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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 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 3 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs in the 2021 consolidated financial statements are discussed in Note 3. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. 0300-IC
Valid until 2026 audit period

REAN G. ABALOS
Partner
CPA Certificate No. 126203
SEC Group A Accredited
Accreditation No. 126203-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 126203-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-002-2020
Valid from October 20, 2020 until October 19, 2023
Tax Identification No. 271-226-260
PTR No. 9567812
Issued on January 4, 2023 at Makati City

January 16, 2023

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	NOTES	2021	2020 *(As Restated)*	2019 *(As Restated)*
A S S E T S				
Current Assets				
Cash	6	**67,116,566**	19,180,696	32,619,231
Contracts and other receivables – net	7	**274,273,447**	302,822,251	80,777,234
Real estate inventories – net	8	**508,326,942**	608,133,535	1,229,221,254
Due from related parties	16	**8,935,883**	26,940,766	28,885,853
Prepayments and other current assets – net	9	**209,085,731**	218,973,318	243,294,153
		1,067,738,569	1,176,050,566	1,614,797,725
Non-current Assets				
Property and equipment – net	10	**355,929**	281,847	158,147
Investment properties	11	**20,479,596**	20,479,596	20,479,596
		20,835,525	20,761,443	20,637,743
TOTAL ASSETS		**1,088,574,094**	1,196,812,009	1,635,435,468
LIABILITIES AND STOCKHOLDERS' EQUITY				
L I A B I L I T I E S				
Current Liabilities				
Trade and other payables	13	**909,777,075**	931,396,894	888,217,547
Contract liabilities and tenants' deposit	15	**57,551,139**	67,372,424	485,583,962
Due to related parties	16	**379,677,068**	328,458,126	349,665,945
Loans payable	14	**60,765,417**	-	4,295,502
		1,407,770,699	1,327,227,444	1,727,762,956
Non-current Liabilities				
Loans payable – net of current portion	14	**-**	105,139,150	112,763,842
Retirement benefits obligation	24	**1,872,413**	1,872,413	2,622,413
Project development commitment	17	**26,751,896**	26,751,896	26,751,896
		28,624,309	133,763,459	142,138,151
TOTAL LIABILITIES		**1,436,395,008**	1,460,990,903	1,869,901,107
S T O C K H O L D E R S ' E Q U I T Y				
Capital Stock	18	**436,700,000**	436,700,000	436,700,000
Additional Paid-In Capital	18	**1,089,000,000**	1,089,000,000	1,089,000,000
Deficit		**(1,873,520,914)**	(1,789,878,894)	(1,760,165,640)
TOTAL STOCKHOLDERS' EQUITY		**(347,820,914)**	(264,178,894)	(234,465,640)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**1,088,574,094**	1,196,812,009	1,635,435,468

(See Notes to Consolidated Financial Statements)

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021, 2020 and 2019

(In Philippine Peso)

	NOTES	**2021**	2020	2019
REVENUES	19	**338,360,725**	280,873,910	169,635,311
DIRECT COSTS	20	**237,927,250**	180,424,776	99,935,960
GROSS PROFIT		**100,433,475**	100,449,134	69,699,351
OTHER INCOME	21	**3,521,156**	8,194,598	422,546
		103,954,631	108,643,732	70,121,897
OPERATING EXPENSES	22	**68,622,793**	121,799,183	33,377,294
OTHER EXPENSES	23	**110,964,017**	-	-
FINANCE COSTS	14,16	**-**	49,667	1,002,207
PROFIT (LOSS) BEFORE TAX		**(75,632,179)**	(13,205,118)	35,742,396
INCOME TAX	26	**8,009,841**	16,508,136	1,401,707
PROFIT (LOSS)		**(83,642,020)**	(29,713,254)	34,340,689
EARNINGS (LOSS) PER SHARE				
Basic Earnings (Loss) per Share	28	**(0.35)**	(0.06)	0.16

(See Notes to Consolidated Financial Statements)

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021, 2020 and 2019
(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balance at January 1, 2019, *as previously stated*		436,700,000	1,089,000,000	(1,691,241,235)	**(165,541,235)**
Correction of prior period errors	32			(103,265,094)	**(103,265,094)**
Balance at January 1, 2019, *as restated*		**436,700,000**	**1,089,000,000**	**(1,794,506,329)**	**(268,806,329)**
Profit				34,340,689	**34,340,689**
Balance at December 31, 2019		**436,700,000**	**1,089,000,000**	**(1,760,165,640)**	**(234,465,640)**
Loss				(29,713,254)	**(29,713,254)**
Balance at December 31, 2020	18	**436,700,000**	**1,089,000,000**	**(1,789,878,894)**	**(264,178,894)**
Loss				(83,642,020)	**(83,642,020)**
Balance at December 31, 2021	18	**436,700,000**	**1,089,000,000**	**(1,873,520,914)**	**(347,820,914)**

(See Notes to Consolidated Financial Statements)

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021, 2020 and 2019
(In Philippine Peso)

	NOTES	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (Loss) before tax		**(75,632,179)**	(13,205,118)	35,742,396
Adjustments for:				
Provision for decline in value	8,23	**99,745,850**	-	-
Provision for expected credit losses	16,23	**9,861,417**	-	-
Provision for probable losses	9,23	**1,356,750**		
Retirement benefits	24	**198,800**	800,000	234,834
Depreciation	10,22	**98,014**	214,495	46,939
Gain on assignment	12,21	**-**	(6,556,080)	-
Finance costs	14,16	**-**	49,667	1,002,207
Impairment loss	9,22	**-**	-	734,863
Finance income from banks	6,21	**(39,808)**	(21,458)	(36,553)
Reversal of allowance for expected credit losses	7,21	**(3,028,314)**	-	-
Operating cash flows before changes in working capital		**32,560,530**	(18,718,494)	37,724,686
Decrease (Increase) in operating assets:				
Contracts and other receivables – net		**31,577,118**	(222,045,017)	(13,395,952)
Real estate inventories – net		**60,743**	616,697,869	(16,350,234)
Prepayments and other current assets		**520,996**	7,812,699	(5,053,630)
Increase (Decrease) in operating liabilities:				
Trade and other payables		**12,782,512**	68,401,795	(266,249,964)
Contract liabilities and tenants' deposit		**(9,821,285)**	(418,211,538)	410,700,819
Cash generated from operations		**67,680,614**	33,937,314	147,375,725
Retirement benefits paid	24	**(198,800)**	(1,550,000)	(234,834)
Net cash from operating activities		**67,481,814**	32,387,314	147,140,891
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances collected from related parties	16	**8,143,466**	1,945,087	3,518,654
Finance income received from banks	6,21	**39,808**	21,458	36,553
Proceeds from sale of equipment	10	**-**	-	176,738
Advances given to related parties	16	**-**	-	(13,696,134)
Additions to property and equipment	10	**(172,096)**	(338,195)	-
Net cash from (used in) investing activities		**8,011,178**	1,628,350	(9,964,189)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances received from related parties	16	**96,543,254**	32,568,572	8,260,735
Proceeds from availment of loan	14	**-**	-	40,329,935
Finance costs paid	14,16	**(34,402,331)**	(25,272,116)	(93,423,284)
Payments of loan	14	**(44,373,733)**	(974,264)	(4,411,419)
Advances paid to related parties	16	**(45,324,312)**	(53,776,391)	(64,319,512)
Net cash used in financing activities		**(27,557,122)**	(47,454,199)	(113,563,545)
NET INCREASE (DECREASE) IN CASH		**47,935,870**	(13,438,535)	23,613,157
CASH AT BEGINNING OF YEAR		**19,180,696**	32,619,231	9,006,074
CASH AT END OF YEAR		**67,116,566**	19,180,696	32,619,231

(See Notes to Consolidated Financial Statements)

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Philtown Properties Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 12, 1995. The Parent Company's primary purpose is to acquire by purchase, lease or any other lawful transactions or means, real estate, other properties, as well as interest or rights in such real estate and properties, for investment, development, improvement, subdivision, sale, lease or other disposition, and to plan, construct, operate, maintain, equip, furnish, administer, sell, lease or otherwise, dispose of industrial, commercial, residential hotel and any other buildings, facilities, establishments and projects of every kind, nature and description, and complexes, communities, and other combinations of such buildings, facilities, establishments and projects, whether as principal agent or broker or in any other capacity, to acquire, by any lawful transactions or means, enterprises and businesses organized for the same related purposes, or engaged or about to engage in business activities necessary, convenient or incidental to the purpose of the corporation, or situated at any of the real properties in which the corporation has an interest, to acquire, by any lawful transactions or means, enterprises and businesses organized for the same related purposes, or engaged transactions or means, enterprises and businesses organized for the same related purposes, or engaged or about to engaged in business activities necessary, convenient or incidental to the purpose of the corporation, or situated at any of the real properties in which the corporation has an interest, to acquire any interest in such businesses and enterprises, or other assets, including goodwill, thereof, as well as to hold, operate, manage, use, sell and otherwise dispose of the whole or part of such businesses, enterprises, interests and assets, and to do any and everything necessary or proper, to the extent permitted by law, with the above described real estate, other real properties, rights and interests, buildings, facilities, establishments and projects, and the above described businesses, enterprises, and any interests in any assets of such businesses, enterprises, and any interests in any assets of such businesses and enterprises.

The Parent Company is 97.43% owned by domestic corporations and 2.57% by Filipino individuals.

The Group has deficit of ₱1,873,520,914 and ₱1,789,878,894 as of December 31, 2021 and 2020, respectively, resulting to capital deficiency of ₱347,820,914 and ₱264,178,894 as of December 31, 2021 and 2020, respectively. These conditions indicate the existence of uncertainties, which may affect the Parent's Company ability to continue as a going concern. The Management decided to submit to the Court petition for corporate rehabilitation which aims:

a. To put the respective businesses of the Parent Company in "custodia legis" in order to protect the interests of, not just the Parent Company but all the participants in the rehabilitation;

b. To establish a planned, systematic settlement of the Parent Company's obligations following a specific plan and schedule considering all other factors that have effect on the Parent Company's rehabilitation, such as:

   - Continuation of existing contracts;
   - Extinguishment of liabilities to trade creditors and suppliers that are already beyond the 10-year prescriptive period;
   - Waiver of taxes already due to the national and local governments at the time of the issuance of the Commencement Order as provided by the FRIA and supported by BIR Ruling;
   - Resolution of specific claims for payment being contested by the Parent Company;
   - Fulfillment of remaining project development commitments;
   - Condonation of creditors related to the Parent Company of interest after a specified cut-off date; and

c. To carry on the going concern attributes of the respective business of the Parent Company; and

d. To set up a business environment that will allow the Parent Company to adapt to its current state of affairs and eventually rise from its present financial condition.

Name of Subsidiaries	Principal Activity	Place of Incorporation and Operation
Philtown Utilities Corporation (PUC)	*Utility Distribution*	Makati City
First San Rafael Realty Corporation (FSRRC)	*Real Estate*	Makati City
One McKinley Place, Inc. (OMPI)	*Real Estate*	Makati City
First Tanauan Realty Corporation (FTRC)	*Real Estate*	Makati City
RFM Realty Marketing Corporation (RRMC)	*Real Estate*	Makati City
Metropolitan Tower Corporation (MTC)	*Real Estate*	Makati City
Philtown Property Management Inc. (PPMI)	*Property Management*	Makati City

As at December 31, 2021 and 2020, all of the subsidiaries except FSRRC and OMPI, have ceased operations.

The Parent Company's registered office address is at 3rd floor, BJS Building, BJS Compound, 1869 P. Domingo Street, Makati.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Consolidated Financial Statements

The following new and revised PFRSs have been adopted in these consolidated financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16*, COVID-19 - related Rent Concessions*

  The following are the amendments to PFRS 16:

  - provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification;
  - require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications;
  - require lessees that apply the exemption to disclose that fact; and
  - require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, to have significant impact on the consolidated financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*

  The following are the amendments to PFRS 16:

  - permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
  - require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
  - specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

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

  The following are the amendments in reference to the conceptual framework:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

  The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments.

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

  The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

  Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to PFRSs.

  Amendments to PFRS 9, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

  Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

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

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

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

  The definition of accounting estimates has been amended as follows: accounting estimates are “monetary amounts in consolidated financial statements that are subject to measurement uncertainty”.

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in consolidated financial statements to be measured in a way that involves measurement uncertainty.
  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
  - A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - accounting policy information is material if users of an entity's consolidated financial statements would need it to understand other material information in the consolidated financial statements; and
  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held—onerous underlying insurance contracts;
  - Reinsurance contracts held—underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9— Comparative Information*

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of consolidated financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its consolidated financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e., up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.01 Statement of Compliance

The consolidated financial statements have been prepared on a historical basis, except for certain financial instruments that are carried at amortized cost, and real estate inventories carried at lower of cost or net realizable value.

The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRSs), except for the departure from the provisions of paragraph 67 of PAS 19 wherein the present value of the defined benefit obligation should be determined using the Projected Unit Credit Method (PUCM), and as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic:

- *Deferral of the provisions of Philippines Interpretations Committee (PIC) Q&A 2018-12, PFRS 15, Revenue from Contracts with Customers affecting the real estate industry*
    a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E.
    b. Accounting for significant financing component discussed in PIC Q&A No 2018-12-D.
    c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A 2018-12-H.
    d. Adoption of PIC Q&A 2018-14: PFRS 15, *Accounting for cancellation of Real Estate*.

3.02 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its consolidated financial statements using its functional currency.

3.03 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent Company has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

At acquisition, the assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e., discount on acquisition) is credited to the profit and loss in the period of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

Upon the loss of control, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Group recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

3.04 Current and Non-current Presentation

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or

- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Group considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g., equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group shall measure a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group shall measure receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

➢ Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortized cost include cash in banks, contracts and other receivables, due from related parties and deposits presented under 'prepayments and other current assets'.

a) Cash in Banks

Cash in banks pertains to cash deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Contracts and Other Receivables

Contracts and other receivables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

c) Due from Related Parties

Due from related parties are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

d) Deposits

Deposits are recognized initially at the amount given to service provider and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group has no financial asset at fair value either through other comprehensive income or through profit or loss in both years.

4.02.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Finance income is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Group measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted the general approach in accounting for impairment.

➢ General Approach

The Group applies general approach to cash in banks, contracts and other receivables, due from related parties and deposits. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

The Group compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP rate, interest rate, and inflation rate; the status of counterparties' industry; and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Group did not apply the 30 days past due rebuttable presumption because the Group determines that there have been no significant increases in credit risk even when contractual payments are more than 30 days past due.

The Group did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not.

If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e., there is no longer a significant increase in credit risk since initial recognition), then the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Group performs the assessment of significant increases in credit risk on a collective basis by considering information that is indicative of significant increases in credit risk. The Group groups financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The shared credit risk characteristics may include, but are not limited to, the:

- *Instrument type;*
- *Credit risk ratings;*
- *Collateral type;*
- *Date of initial recognition;*
- *Remaining term to maturity;*
- *Industry;*

- *Geographical location of the borrower; and*

The value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (for example, non-recourse loans in some jurisdictions or loan-to-value ratios).

The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- Simplified Approach

  The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for contract receivables. The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

  Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty;
  - A breach of contract, such as a default or past due event;
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Real Estate Inventories

Real estate inventories are stated at the lower of cost or net realizable value. Costs are determined using the specific-identification method. Net realizable value represents the estimated selling price for real estate inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the real estate inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income.

The amount of any reversal of any write-down of real estate inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate inventories recognized as an expense in the period in which the reversal occurs.

When real estate inventories are sold, the carrying amount of those real estate inventories is recognized as an expense in the period in which the related revenue is recognized.

When real estate inventories are repossessed, any difference between the recoverable amount and unrecovered cost shall be recognized as gain or loss on repossession in profit or loss. Recoverable amount shall be the fair value less cost to sell of the condominium units at the date of repossession.

4.04 Prepayments and other current assets

4.04.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one year or the Group’s normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.04.02 Excess Tax Credits

Excess tax credit is recognized when the Group paid income tax more than the actual amount of payable and/or unused creditable withholding tax carried over for the next period. This is classified as asset and measured in the excess of cash paid and income tax incurred. This will be applied to future income tax payable in the next period.

4.04.03 Input VAT

Input VAT is recognized when the Group pays for a VATable transaction. This is initially recorded as an asset and measured at the amount of cash paid. Subsequently, this will be offset to by output VAT.

4.04.04 Advances to Officers and Employees

Advances to officers and employees pertain to cash advances granted to officers and employees which are subject to liquidation immediately after the commencement of business activity to which the advances were issued. These are carried at face amount in the consolidated statements of financial position and are recognized to appropriate asset account or in profit or loss when these advances are subsequently liquidated.

4.04.05 Advances to Contractors and Suppliers

Advances to contractors and suppliers are initially recognized at the amount of cash paid and subsequently reclassified to expense upon receipt of the items and services which the advances are intended for.

4.05 Interests in Joint Arrangement

A joint arrangement is a contractual arrangement whereby the Group and other parties have agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require the unanimous consent of the parties sharing.
The sharing of control is also known as joint control. A joint arrangement can either be a joint venture or a joint operation.

4.05.01 Joint Operation

A joint operation is a joint arrangement, whereby the Group and other parties that have joint control of the arrangement have rights to the assets and obligation for the liabilities, relating to the arrangement.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other operators are recognized in the consolidated financial statements of the Group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint operation expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Gains and losses from sale or contribution of asset transaction with joint operation wherein the Group is a joint operator is recognized to the extent of the other parties' interest in the joint operation and is limited solely to the transaction. The Group fully recognizes impairment losses when the transaction provides evidence that the asset sold or contributed are impaired in accordance with Note 4.09.

4.06 Business Combination

Business combination is a transaction or event in which an acquirer obtains control of one or more businesses. The Company accounts for each business combination by applying the acquisition method in accordance with PFRS 3.

The Company recognizes goodwill as of the acquisition date as the excess of (a) and over (b) below:

a) The aggregate of:
   i. The consideration transferred, which is generally measured at acquisition-date fair value;
   ii. The amount of any non-controlling interest in the acquiree; and
   iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

Common control combination is a business combination wherein the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

The Company applied acquisition method accounting for common control business combinations.

4.07 Property and Equipment

Property and equipment are stated initially at historical cost including expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Group adds to the carrying amount of a property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	3 years
Transportation equipment	5 years

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Property and equipment are derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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, as discussed in Note 4.09.

4.08 Investment Properties

Investment properties, which are properties held to earn rentals is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment loss.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Investment property is derecognized by the Group upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.09 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than real estate inventories, and financial assets within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.10 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.11 Financial Liabilities

4.11.01 Initial Recognition and Measurement

The Group recognizes a financial liability in its consolidated statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability at its fair value minus, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.11.02 Classification

The Group classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liability measured at amortized cost pertains to trade and other payables (except due to government agencies), due to related parties and loans payable.

4.11.03 Derecognition

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e., when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.12 Contract Liability

The Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. This is initially recognized at the amount of cash received. Subsequently, this is reclassified to revenue upon meeting the criteria of revenue recognition in set forth in Note 4.15.

4.13 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.14 Employee Benefits

4.14.01 Short-term Employee Benefits

The Group recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term employee benefits given by the Group to its employees include salaries and wages, SSS, PhilHealth and HDMF contributions and other employee benefits.

4.14.02. Post-employment Benefits

The Group has no formal retirement plan for its qualified employees. The retirement obligations recognized are computed on the basis of the provisions of R.A. 7641. The minimum retirement pay due to covered employees is equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year.

"One-half (1/2) month salary" includes all of the following:

a. Fifteen (15) days salary based on the latest salary rate;

b. Cash equivalent of five (5) days or service incentive leave (or vacation leave); and

c. One-twelfth (1/12) of the 13th month pay (where the 13th month pay is the total basic salary for the last twelve months of service divided by twelve (12).

In measuring its defined benefit obligation, the Group includes both vested and unvested benefits. Also, the following bases were used:

- estimated future salary increases are ignored;
- future service of current employees is not considered; and
- possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits are ignored, except for mortality after service.

In the periods between comprehensive actuarial valuations, if the principal actuarial assumptions have not changed significantly the defined benefit obligation is measured by adjusting the prior period measurement for changes in employee demographics such as number of employees and salary levels.

4.15 Provisions and Contingent Liabilities

4.15.01 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15.02 Contingent Liabilities

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.16 Revenue Recognition

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e., asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group derives its revenues from sale of property under pre-completion contracts.

4.16.01 Performance Obligations Satisfied Over Time

The Group transfers control of goods over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the Group's performance creates an asset and the Group has an enforceable right to payment for performance completed to date.

The Group generates revenue from real estate sales. Revenue from the sale of real estate projects under pre-completion stage is recognized over time during the construction period or its percentage of completion, since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation.

Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the costs accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance of transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of collections over the recognized revenues is included in the "Contract liabilities and tenant's deposit" account in the consolidated statements of financial position. If any other criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as a liability in the consolidated statement of financial position.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

4.16.02 Principal versus Agent Considerations

The Group should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e., the Group is a principal) or to arrange for the other party to provide those services (i.e., the Group is an agent).

The Group is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

An entity is an agent if the entity's performance obligation is to arrange for the provision of goods or services by another party. When an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

4.16.03 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.16.04 Rental Income

The Group's policy for recognition of revenue from operating leases is disclosed in Note 4.18.

4.17 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.18 Leases

4.18.01 The Group as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.18.02 The Group as a 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 a 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.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

4.19 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its consolidated financial statements. A person or a close member of that person's family is related to the Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

4.20 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.20.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.20.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.20.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.20.04 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year consolidated financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account as provided for in PAS 12.61A.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

4.21 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments,
non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

4.22 Prior Period Errors

The Group corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

4.23 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *"Accounting Policies, Changes in Accounting Estimates and Errors".*

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

5.01.01 Critical Judgment on Revenue Recognition

Revenue recognition on sale of condominium units under pre-completion contract on the basis of Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts*, the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing revenue under the POC method upon commencement of the Contract to Sell. Contract to Sell shall commence when substantial evidence is obtained to support good credit standing of the buyer.

Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If the criteria of POC method is not satisfied, any cash received by the Group is recorded as part of "customers' deposits" account which is included under "contract liabilities and tenants' deposit" in the consolidated statements of financial position until all the conditions for recognizing the sale are met.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property. The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC.

The Group opted to adopt the relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials, benefits given to sales agents and incremental cost of obtaining the contract and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years starting January 1, 2021.

5.01.02 Assessment of Control

The Parent Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Parent Company controls an entity when it has the three (3) elements of control as disclosed in Note 4.06. In making its judgments, the Parent Company considers all facts and circumstances when assessing control over an investee.

A reassessment of control is conducted when there are changes to one (1) or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Parent Company, having 100% ownership and voting interest, assessed that it has control over its subsidiaries since it has power over the subsidiaries, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns.

5.01.03 Assessment of Going Concern Issue

When preparing consolidated financial statements, Management makes an assessment of the Group's ability to continue as a going concern. The Group prepares consolidated financial statements on a going concern basis unless Management either intends to liquidate the Group or to cease leasing or has no realistic alternative but to do so.

When Management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Group discloses those uncertainties. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve (12) months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

The Group has deficit of ₱1,873,520,914 and ₱1,789,878,894 as of December 31, 2021 and 2020, respectively, resulting to capital deficiency of ₱347,820,914 and ₱264,178,894 as of December 31, 2021 and 2020, respectively. These conditions indicate the existence of uncertainties, which may affect the Group's ability to continue as a going concern. The Management decided to submit to the Court a petition for corporate rehabilitation to set up a business environment that will allow the Group to adapt to its current state of affairs and eventually rise from its present financial condition, as disclosed in Note 1.

5.01.04 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2021 and 2020, the carrying amounts of the Group's financial assets at amortized cost are ₱356,091,543 and ₱354,757,487, respectively, as disclosed in Note 30.02.

5.01.05 Non-application of Projected Unit Credit Method

Under PAS 19, the present value of the defined benefit obligation should be determined using the Projected Unit Credit Method (PUCM). Valuation should be carried out with sufficient regularity such that the amounts recognized in the consolidated financial statements do not differ materially from those that would be determined at the statement of condition date.

In applying the above guidelines, the Group considered to fully adopt the requirements. The Group believes that the assumptions used in its retirement benefit plan are reasonable and appropriate and the impact of difference in assumption is minimal. These assumptions are described in Note 24. Retirement benefits obligation as of December 31, 2021 and 2020 amounted to ₱1,872,413, as disclosed in Note 24.

5.01.06 Assessment of Principal-Agency Arrangement

When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the entity is a principal) or to arrange for the other party to provide those goods or services (i.e., the entity is an agent).

In 2021, 2020 and 2019, the Group assessed that it is acting as a principal and recognized sales commission from principal relationship amounting to ₱13,023,540, ₱5,530,552 and ₱7,424,015, respectively, as disclosed in Note 22.

5.01.07 Assessment of Joint Control

An entity that is a party to an arrangement shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the returns of the arrangement (i.e., the relevant activities).

Management assessed that the parties have joint control over the arrangement since both parties promulgate its own rules and procedures in the early resolution of concerns and issues affecting the Joint Venture, as disclosed in Note 12. The Group is also responsible with the relevant activities of the arrangement being the agent of the Joint Venture but still subject for approval and consent of the parties. Thus, unanimous consent is still required.

5.01.08 Assessment of Classification of Joint Arrangement

An entity applies judgement when assessing whether a joint arrangement is a joint operation or a joint venture. An entity shall determine the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Management assessed that the joint arrangement is a joint operation. A joint operation involves the use of assets and other resources of the Group and other venturers rather than establishment of a corporation, partnership or other entity. The Group accounts for the assets it controls, and the liabilities and expenses it incurs, and the share of the income that it earns from the sale of goods, properties or services by the joint operation. The assets contributed by the Group to the joint operation are measured at the lower of cost or net realizable value.

The Group's several outstanding joint arrangements are disclosed in Note 12.

5.01.09 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that performance obligation is satisfied over time for its sale of real estate inventories, that is when the Group's performance creates an asset and the Group has an enforceable right to payment for performance completed to date.

In 2021, 2020 and 2019, revenue from sale of real estate inventories amounted to ₱338,360,725, ₱280,873,910 and ₱169,635,311, respectively, as disclosed in Note 19.

5.01.10 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price to performance obligation is not applicable because there is only one performance obligation in each of the contract to sell which is the obligation to deliver the unit duly constructed in a specific lot and fully integrated into the land in accordance with the approved plan.

5.01.11 Assessment of 30 Days Rebuttable Presumption

An entity determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 30 days rebuttable presumption on determining whether financial assets has significant increase in credit risk is not applicable because based on Group's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.12 Assessment of 90 Days Rebuttable Presumption

An entity determines when a default occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable since based on the Group's historical experience past due amounts even over 90 days are still collectible.

5.01.13 Determining whether or not a Contract Contains a Lease

Lease arrangement entered for the use of office space contain lease because the asset is identified. The Group has the right to obtain substantially all of the economic benefits from use of the identified asset and has the right to direct the use of the identified asset.

5.01.14 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option.

The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease of office space, Management assessed that the extension option is not enforceable since the Group cannot enforce the extension of the lease without the agreement of the lessor.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Revenue Recognition and Measure of Progress

The Group concluded that revenue for real estate sales is to be recognized over time because the Group's performance does not create an asset with an alternative use; and the Group has an enforceable right for the performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to the contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the redeveloper up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

In 2021, 2020 and 2019, revenue recognized from sale of real estates amounted ₱338,360,725, ₱280,873,910 and ₱169,635,311, respectively, as disclosed in Note 19.

5.02.02 Estimating Allowance for Expected Credit Losses

The Group evaluates the expected credit losses based on an individual assessment.

The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Group assessed the expected credit losses on its cash in banks by considering the credit ratings of banks, performance of banking industry, macro-economic and financial highlights. In view of the foregoing factors, Management believes that the allowance for expected credit losses is nil as of December 31, 2021 and 2020, as disclosed in Note 30.02.

After considering the macro-economic factors such as GDP, interest rate, inflation rates including the industry and financial information of the Group's debtors, the Management assessed that there is no significant increase in credit risk in its contracts and other receivables. As such, allowance for expected credit losses amounted to ₱33,786,548 and ₱36,814,862 as of December 31, 2021 and 2020, respectively, as disclosed in Notes 7 and 30.02. During the year, the reversal of allowance for expected credit losses amounted to ₱3,028,314, as disclosed in Note 7.

As of December 31, 2021 and 2020, the carrying amounts of the financial assets measured at amortized cost amounted to ₱356,091,543 and ₱354,757,487, respectively, as disclosed in Note 30.02.

5.02.03 Estimating Real Estate Inventories at Net Realizable Value

Net realizable values of real estate inventories are assessed regularly based on the prevailing selling prices of real estate inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of real estate inventories whenever net realizable value of real estate inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written-off and charged against allowance account. Increase in the net realizable values will increase the carrying amount of real estate inventories but only to the extent of their original acquisition costs.

In both years, Management believes that the net realizable values of the Group's real estate inventories do not approximate to their cost; hence, allowance for decline in value is recognized. The allowance for impairment losses pertaining to raw and subdivided land that are no longer usable in the development of real estates amounted to ₱166,278,310 and ₱66,532,460, as of December 31, 2021 and 2020, respectively, as disclosed in Note 8. As of December 31, 2021, 2020 and 2019, the Group recognized provision for decline in value amounting to ₱99,745,850, nil and nil, as disclosed in Note 23. As of December 31, 2021 and 2020, the carrying amounts of real estate inventories amounted to ₱508,326,942 and ₱608,133,535, respectively, as disclosed in Note 8.

5.02.04 Reviewing Residual Value, Useful Lives and Depreciation Method of Property and Equipment

The residual value, useful lives and depreciation method of the Group's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use.

In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recognized operating expenses and decrease non-current assets. The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Group expects to consume the asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there were no changes from the previous estimates since the most recent annual reporting period. As of December 31, 2021 and 2020, the carrying amounts of property and equipment amounted to ₱355,929 and ₱281,847, respectively, as disclosed in Note 10.

5.02.05 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other current assets (except deposits), and property and equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The Group has recognized an allowance for impairment losses against its advances to officers and employees and others account presented in 'prepayments and other current assets' because historical experience shows that their collectability is uncertain

In both years, aside from advances to officers and employees and others account presented in 'prepayments and other current assets' Management believes that there are no impairment indicators that exist on prepayment and other current assets (except deposits) and property and equipment. During the year, the provision for probable losses on prepayments and other current assets amounted to ₱1,356,750, as disclosed in Notes 9 and 23.

As of December 31, 2021 and 2020, the aggregate carrying amount of the aforementioned asset amounted to ₱203,218,905 and ₱213,078,692, respectively, as disclosed in Notes 9 and 10.

5.02.06 Deferred Tax Assets

The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets 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 assets to be utilized.

In both years, the Group did not recognize the deferred tax assets because of the uncertainty that the future deductible expenses such as allowance for expected credit losses, impairment loss and retirement benefit obligation will meet the requirements to be deductible in the future and MCIT will be utilized prior to expiration. As of December 31, 2021 and 2020, unrecognized deferred tax assets amounted to ₱57,629,083 and ₱36,672,481, respectively, as disclosed in Note 27.

5.02.07 Estimating Provisions and Evaluating Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling these matters and is based upon an analysis of potential results. The Parent Company is a party to the following claims arising from the ordinary course of business.

- *Puyat Floorings Products Inc. Versus the Company*. The collection of settlement from RTC Branch 59, Makati City is still pending until court's decision.
  The estimated financial settlement is around ₱2,703,715. Decision rendered is in favor of the Plaintiff but the Company filed its timely Motion for Reconsideration and subsequently for appeal to Court of Appeals.
- *Petition for Issuance of New Title No. 33766*. Decision was rendered in favor of the Company granting the Petition on May 17, 2022.
- *Petition for Correction of Entries in TCT Nos. 122674, 122746, 122507- RTC Br 6-Tanauan City*. The case pertains to correction of clerical errors in the titles which are jurisdictional in character. Decision was rendered in favor of the Company granting the Petition dated May 25, 2022.
- *Criminal Cases versus Spouses Erano and Josephine Esteban*. This is a case involving qualified theft and/or extortion which is pending for resolution before the office of City Prosecutor of Santo Tomas, Batangas.
- *Labor Case for illegal Dismissal-Josephine D. Esteban Vs Philtown.* Status is pending trial at NLRC –RAB-IVA – Calamba City.

However, the Group's Management and legal counsel believe that the eventual liabilities under these claims if any, will not have a material effect on the consolidated financial statements.

Project development commitment which pertains to the agreed development commitment on Tagaytay Heights and Woodlands amounting to ₱26,751,896. The amount is recognized because Management believes that the project will be fulfilled.

6. CASH

For the purpose of the consolidated statements of cash flows, cash includes cash on hand and in banks.

Cash at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related item in the consolidated statements of financial position as follows:

		2021		2020
Cash on hand	₱	**457,108**	₱	362,699
Cash in banks		**66,659,458**		18,817,997
	₱	**67,116,566**	₱	19,180,696

Cash in banks earn interest at floating interest rates based on the daily bank deposit rates. Finance income from banks amounted to ₱39,808, ₱21,458 and ₱36,553 in 2021, 2020 and 2019, respectively, as disclosed in Note 21.

7. CONTRACTS AND OTHER RECEIVABLE – net

The Group's contracts and other receivable consist of:

		2021		2020
Contracts receivable	₱	**294,311,480**	₱	330,466,067
Less: Allowance for expected credit losses (Note 30.02)		**33,786,548**		36,814,862
		260,524,932		293,651,205
Others		**13,748,515**		9,171,046
	₱	**274,273,447**	₱	302,822,251

Contracts receivable represent amounts collectible from various customers on the sale of condominium units, subdivided land, raw land, property under development and parking lot. These are generally collectible in monthly installments over a period of one (1) to three (3) years.

In 2021, 2020 and 2019, the Group earned finance income from installment on its contracts receivable amounting to ₱1,968, ₱217,355 and ₱98,787, respectively, as disclosed in Note 21.

Movement of allowance for expected credit losses is as follows:

		2021		2020
Balance at January 1	₱	**36,814,862**	₱	36,814,862
Reversal of allowance for expected credit losses (Note 21)		**(3,028,314)**		-
Balance at December 31	₱	**33,786,548**	₱	36,814,862

In determining the recoverability of contracts and other receivables, the Group considers any change in the credit quality of the accounts and other receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Others pertain to commissions fees, claims, other condominium charges for buyers and retention agreement with HDMF.

The titles over the Condominium units are held as collateral by the Group until the contract receivable is fully paid.

In both years, Management believes that recoverability of some of its receivables is uncertain. Thus, allowance for expected credit losses was recognized.

8. REAL ESTATE INVENTORIES – net

Details of the Group's real estate inventories are as follows:

		2021		2020
Real estate for sale				
Condominium and residential units	₱	**52,522,122**	₱	57,215,833
Subdivided land		**421,062,299**		393,365,910
Raw land		**201,020,831**		224,084,252
		674,605,252		674,665,995
Less: Allowance for impairment losses		**166,278,310**		66,532,460
	₱	**508,326,942**	₱	608,133,535

Condominium and residential units include completed units which are located in Pasig City, Quezon City and unfinished structure located in Makati City.

Subdivided land and raw land pertain to parcels of land located in Tanauan City and Sto. Tomas, Batangas and are readily available for sale.

As of December 31, 2021 and 2020, the outstanding balance for the purchase of raw land amounted to ₱18,889,799 and ₱18,695,643, respectively as disclosed in Note 13.

The subdivided land with aggregate carrying amount of ₱65,165,602 and ₱148,966,129 as of December 31, 2021 and 2020, respectively, were used as collateral to secure the loans payable, as disclosed in Note 14.

In 2020, in relation to the termination of the Group's joint venture agreement (JVA) with The Metropolitan Club Inc., the Group transferred the unfinished structure of the JVA amounting to ₱558,029,964 to its assignee, as disclosed in Note 12.

The cost of real estate inventories recognized as expense amounted to ₱237,927,250, ₱180,424,776 and ₱99,935,960, in 2021, 2020 and 2019, respectively, as disclosed in Note 20.

In both years, Management believes that the net realizable values of the Group's real estate inventories do not approximate to their cost; hence, allowance for decline in value is recognized. The allowance for impairment losses pertains to raw and subdivided land that are no longer usable in the development of real estates.

Movement of allowance for impairment losses on real estate inventories is as follows:

		2021		2020
Balance at January 1	₱	**66,532,460**	₱	66,532,460
Provision for decline in value (Note 23)		**99,745,850**		-
Balance at December 31	₱	**166,278,310**	₱	66,532,460

During the year, the Group recognized provision for decline in value due to raw and subdivided land that are no longer usable in the development of real estates.

The details of allowance for impairment losses on real estate inventories are as follows:

		2021		2020
Subdivided land	₱	**41,940,561**	₱	1,506,223
Raw land		**117,445,616**		65,026,237
Condominium unit		**6,892,133**		-
	₱	**166,278,310**	₱	66,532,460

Inventories are expected to be recovered within the normal operating cycle. The net realizable value of inventories approximates its carrying amount.

9. PREPAYMENTS AND OTHER CURRENT ASSETS – net

The details of the Group's prepayments and other current assets are shown below:

		2021		2020
Prepaid expenses	₱	**-**	₱	46,282
Excess tax credits		**201,011,943**		200,065,639
Advances to officers and employees		**12,815,918**		9,037,280
Deposits		**6,222,755**		6,176,473
Input VAT – net		**5,355,181**		11,099,732
Advances to contractors and suppliers		**672,829**		6,835,517
Others		**635,723**		1,984,263
		226,714,349		235,245,186
Less: Allowance for impairment losses		**17,628,618**		16,271,868
	₱	**209,085,731**	₱	218,973,318

Prepaid expenses pertain to prepayment on taxes, permits, licenses and insurance.

Excess tax credits pertain to creditable withholding tax certificates obtained from the Group's customers and overpayment of income taxes in prior years.

Advances to officers and employees pertains to advances made by the employees and are generally liquidated within a year.

Advances to contractors and supplier pertains to advance payment made by the Group to its the developer and supplier for a related project.

Others pertain to other deferred charges.

In 2019, the Group has written-off impaired other current assets amounting to ₱734,863, as disclosed in Note 22.

Movement of allowance for impairment losses is as follows:

		2021		2020
Balance at January 1	₱	**16,271,868**	₱	16,271,868
Provision for impairment losses (Note 23)		**1,356,750**		-
Balance at December 31	₱	**17,628,618**	₱	16,271,868

The Group recognized allowance for impairment losses against the following accounts because historical experience shows that their recoverability is uncertain:

		2021		2020
Advances to officers and employees	₱	**12,815,918**		9,037,280
Others		**4,812,700**		7,234,588
	₱	**17,628,618**	₱	16,271,868

10. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Group's property and equipment are as follows:

		Furniture, Fixtures and Office Equipment		Transportation Equipment		Total
January 1, 2020						
Cost	₱	1,463,005	₱	1,157,101	₱	**2,620,106**
Accumulated depreciation		(1,304,858)		(1,157,101)		**(2,461,959)**
Carrying amount		**158,147**		-		**158,147**
Movements during 2020						
Balance at January 1, 2020		158,147		-		**158,147**
Additions		338,195		-		**338,195**
Depreciation (Note 21)		(214,495)		-		**(214,495)**
Carrying amount		**281,847**		-		**281,847**
December 31, 2020						
Cost		1,801,200		1,157,101		**2,958,301**
Accumulated depreciation		(1,519,353)		(1,157,101)		**(2,676,454)**
Carrying amount		**281,847**		-		**281,847**
Movements during 2021						
Balance, January 1, 2021		281,847		-		**281,847**
Additions		172,096		-		**172,096**
Depreciation (Note 21)		(98,014)		-		**(98,014)**
Carrying amount		**355,929**		-		**355,929**
December 31, 2021						
Cost		1,973,296		1,157,101		**3,130,397**
Accumulated depreciation		(1,617,367)		(1,157,101)		**(2,774,468)**
Carrying amount	₱	**355,929**	₱	-	₱	**355,929**

Proceeds from sale of property and equipment amounted to nil, nil and ₱176,738 in 2021, 2020 and 2019, respectively. No sale of property and equipment was made in 2021 and 2020.

Additions in both years were all paid in cash.

Transportation equipment that is fully depreciated is still being used by the Group in both years.

Management assessed that there were no indications of impairment have existed on its property and equipment.

11. INVESTMENT PROPERTIES

The carrying amounts of the investment properties pertaining to parcels of land located in Tanauan, Batangas, amounted to ₱20,479,596 as of December 31, 2021 and 2020.

The aggregate fair value of investment properties amounted to ₱25.8 million as at December 31, 2021 and 2020.

The fair value of the Group's investment properties has been arrived on the basis of a valuation carried out on March 10, 2016. The valuation was arrived at by reference to sales comparison approach valuation model. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. The fair value measurement of investment properties for disclosure properties has been categorized as Level 2.

12. JOINT OPERATION AGREEMENT

12.01 Holiday Homes, Inc. (HHI)

On June 2, 2014, the Group entered into a Joint Venture Agreement (JVA) with HHI whereby the Group contributed three (3) parcels of land situated in Tanauan City, Batangas with an aggregate area of 193,776 square meters to be developed by HHI into residential subdivisions. The net saleable area is allocated between the parties on a 60/40 basis in favor of HHI.

The property is mortgaged to United Coconut Planters Life Assurance Corporation ("COCOLIFE") through a Mortgage Trust Indenture (MTI) with Banco De Oro (BDO), as disclosed in Notes 8 and 14.

The construction of the project is on-going. As of December 31, 2021 and 2020, the carrying value of the project under this agreement amounted to ₱80,831,185 and ₱180,646,762, respectively.

12.02 C – Belle Property Development (C – Belle)

On May 14, 2008, the Group entered into a JVA with C – Belle whereby the Group contributed its land in Sto. Tomas, Batangas to be developed by C – Belle into a residential subdivision. The net saleable area is allocated between the parties on a 72/28 basis in favor of C – Belle.

The construction of the project is on-going. As of December 31, 2021 and 2020, the carrying value of the project under this agreement amounted to ₱148,941,091 and ₱128,495,241, respectively.

12.03 Filinvest Land Corporation (Filinvest)

The Group has an existing JVA with Filinvest whereby the Group contributed its land in Loyola Heights, Quezon City and Filinvest developed a condominium building on such land. Filinvest is responsible for planning, construction, financing, and marketing.
The net saleable units are allocated between the parties in a 11/89 basis in favor of Filinvest.

The condominium building was completed in 2016. The carrying amount of the contributed land amounted to ₱55,123,515. The Group's saleable unit amounted to ₱23,298,583 and ₱26,028,811 as of December 31, 2021 and 2020, respectively.

12.04 The Metropolitan Club, Inc. (Metroclub)

In 2005, the Group entered into a JVA with Metroclub whereby the Group would develop and construct a high-rise building "The Metropolitan Tower", on the land contributed by Metroclub. However, in 2008, the construction of the Project was suspended due to liquidity concern.

On December 18, 2019, the Group and Metroclub entered into a Memorandum of Agreement (MOA), whereby both parties agreed to terminate the JVA. The development of the project will no longer be pursued and Metroclub will transfer and convey the title over the land contributed and the unfinished structure to the designated transferee of the Group. The MOA also provides for the Group to fully pay the unit buyers and its contractors, service provider, suppliers, professionals and consultant engaged related to the project.

The consideration received from the designated transferee was used to pay off the Group's liabilities related to the Project.

In 2020, the Group transferred the unfinished structure amounting to ₱558,029,964 to its assignee as disclosed in Note 8. Below are the details of the gain on assignment recognized as disclosed in Note 21:

Consideration received	₱	600,000,000
Less:		
Book value of the transferred property (Note 8)		558,029,964
Accrued expenses transferred		35,413,956
Gain on assignment	**₱**	**6,556,080**

13. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2021		2020 (*As Restated*)
Trade	₱	**120,386,806**	₱	139,695,833
Accrued interest (Note 16)		**332,622,650**		367,024,981
Titling fees payable		**199,054,976**		179,709,390
Accrued expenses		**120,361,164**		117,554,890
Refund payable (Note 15)		**66,846,888**		68,063,784
Payable for the purchase of land (Note 8)		**18,889,799**		18,695,643
Due to government agencies		**4,835,882**		2,369,504
Retention payable		**-**		8,036,750
Others		**46,778,910**		30,246,119
	₱	**909,777,075**	₱	931,396,894

Trade payables arise from normal operating expenses incurred by the Group which mainly consist of payables to contractors for the construction of houses and service providers. The average credit period on purchases of certain goods from suppliers is thirty (30) days.

Titling fees payable pertains to accruals of cost incurred for the transfer of title of land.

Accrued expenses mainly consist of accruals for advertising, personnel cost and other operating expenses which are normally settled in the following year.

Refund payable pertains to claims for refund of customer's deposits from the cancelled contracts which are due and demandable.

Payable for the purchase of land pertains to outstanding balance to sellers of raw land which are noninterest-bearing and payable in cash upon demand.

Retention payable pertains to amounts retained by the Group from the contractors' progress billing for the projects, which will be released after the completion and satisfaction of the terms and conditions of the construction contract. Since the related terms and conditions pertaining to the construction contract was already fulfilled, retention payable becomes due as of December 31, 2021 and 2020.

14. LOANS PAYABLE

Movements of this account are as follows:

Cocolife		2021		2020
Balance, January 1	₱	**105,139,150**	₱	112,763,842
Payment		**(44,373,733)**		(7,624,692)
Balance, December 31		**60,765,417**		105,139,150
Current		**60,765,417**		-
Non-current	₱	**-**	₱	105,139,150

Aggregate finance cost incurred and paid amounted to nil, ₱49,667 and ₱331,537 in 2021, 2020 and 2019, respectively.

14.01 United Coconut Planters Life Assurance Corporation

In 2006 to 2009, the Group obtained a several loans aggregating to ₱336,300,000 from United Coconut Planters Life Assurance Corporation ("Cocolife") with twelve percent (12%) annual interest to finance the construction of its condominium units and subdivision slots in Tanauan, Batangas.

On September 16, 2015, the Group acknowledged obligation to Cocolife amounting to ₱129,371,631 and offered to settle its obligation from the share of the proceeds of its Joint Venture Agreement (JVA) with Holiday Homes, Inc. (HHI) dated June 2, 2014. The restructured loan shall be settled by 2022 and in case of a shortfall, the balance shall earn interest at six percent (6%) per annum. The Group paid the loan through share in the proceeds of JVA amounting to ₱44,373,333, ₱7,624,692 and ₱17,579,961 in 2021, 2020 and 2019, respectively.

The subdivided land with aggregate carrying amount of ₱65,165,602 and ₱148,966,129 as of December 31, 2021 and 2020, respectively, were used as collateral to secure the loans payable, as disclosed in Note 8.

The terms of the loans with Cocolife also provide for certain covenants which include, among others, restriction on sale, transfer, assign, mortgage, lease or otherwise encumber or dispose its rights and interest over its JVA with HHI; purchase its issued and outstanding shares of stocks; sell its major assets or transfer, assign, mortgage, lend or otherwise encumber its major asset or properties; material change in the business, ownership control.

The Group is compliant with the terms and conditions of the borrowing agreements.

14.02 BDO Unibank, Inc.- Trust and Investments Group

On July 2, 2010, the Group entered into a Loan Agreement with loan facility in the aggregate principal amount of ₱20,384,400, in order to finance the construction of houses and site development of Plantacion del Sol 1-1A (PDS 1-1A) subdivision in Tanuan, Batangas.

In 2018, the loan term and repayment date were extended until December 31, 2019. From January 1, 2019 until full payment of the loan, the interest shall be 9.576% per annum. The Group paid loan amounting to ₱974,264 and ₱4,411,419 in 2020 and 2019, respectively. The loan was fully paid in 2020.

The Group is compliant with the terms and conditions of the borrowing agreements.

14.03 Holiday Homes, Inc.

Holiday Homes, Inc. availed loan from Pag-ibig Fund through House Construction Financing Line Program for the Plantacion Del Sol Project 1B on June 20, 2018 with six percent (6%) per annum interest per annum. The maturity date is on February 20, 2020. The proceeds were transferred to the Group in 2019 amounting to ₱11,988,000.

The Group fully paid the loan through buyers' takeout from PDS Sophia amounting to ₱3,321,238 and ₱8,666,762 in 2020 and 2019, respectively. The loan was fully paid in 2020.

The Group is compliant with the terms and conditions of the borrowing agreements.

15. CONTRACT LIABILITIES AND TENANTS' DEPOSITS

The Group's contract liabilities and tenants' deposits amounted to ₱57,551,139 and ₱67,372,424 as of December 31, 2021 and 2020, respectively.

Contract liabilities pertain to advances from customers paid to the Group by prospective buyers. The Group requires buyers to pay a minimum percentage of the total selling price before they enter into a sale transaction. Payments from buyers which have not reached the minimum required percentage are treated as contract liabilities. When the level of required payment is reached by the buyer, deposits and down payments are applied against the related accounts receivable.

Contract liabilities include the consideration received from the designated transferee of The Metropolitan Club, Inc. (Metroclub) Project which was used to pay off the Group's liabilities related to the Project, as disclosed in Note 13.

The contract liabilities from cancelled contracts amounted to ₱66,846,888 and ₱68,063,784 as of December 31, 2021 and 2020, as disclosed in Note 13 under refund payable.

16. RELATED PARTY TRANSACTIONS

Nature of relationship of the Group and its related parties are disclosed below:

Related Parties	Nature of Relationship
Affiliates	Under common control
Stockholders	Member of key management personnel

Balances and transactions between the Group and its related parties are disclosed below:

16.01 Due from Related Parties

Balances of due from related parties as shown in the consolidated statements of financial position are summarized per category as follows:

		2021		2020
Under common control	₱	**18,797,300**	₱	26,940,766
Allowance for expected credit losses		**(9,861,417)**		-
	₱	**8,935,883**	₱	26,940,766

Movement of allowance for expected credit losses is as follows:

		2021		2020
Balance at January 1	₱	**-**	₱	-
Provision for expected credit losses (Note 23)		**9,861,417**		-
Balance at December 31	₱	**9,861,417**	₱	-

16.01.01 Under Common Control

Transactions with under common control are detailed as follows:

	December 31, 2021				December 31, 2020			
		Amount/ Volume		**Outstanding Balance**		Amount/ Volume		Outstanding Balance
Affiliates								
Advances	₱	**-**	₱	**18,797,300**	₱	-	₱	26,940,766

Advances collected from related parties amounted to ₱8,143,466, ₱1,945,087 and ₱3,518,654 in 2021, 2020 and 2019, respectively.

The advances are mainly to finance working capital requirements of the related party. The amount outstanding is non-interest bearing, unsecured and will be settled in cash and collectible on demand. Provisions have been made for expected credit losses in respect of the amounts owed by the related parties.

16.02 Due to Related Parties

Balances of due to related parties as shown in the consolidated statements of financial position are summarized per category as follows:

		2021		2020 (*As Restated*)
Under common control	₱	**267,590,846**	₱	171,047,592
Stockholders		**112,086,222**		157,410,534
	₱	**379,677,068**	₱	328,458,126

16.02.01 Under Common Control

Transactions with entities under common control are detailed as follows:

	December 31, 2021				December 31, 2020			
		Amount/ Volume		**Outstanding Balance**		Amount/ Volume		Outstanding Balance
Affiliates								
Advances	₱	**96,543,254**	₱	**267,590,846**	₱	32,568,572	₱	171,047,592

Cash advances due to related parties are for working capital requirement. The amount outstanding due to bears an annual interest of four percent (4%) to eighteen percent (18%). No interest was recognized in both years. The Management and the related parties agreed not to recognize interest during the year as part of the rehabilitation of the Group. No guarantees have been given in respect of the amounts owed to related parties. The amount outstanding is non-interest bearing, unsecured and will be settled in cash and payable on demand.

16.02.02 Member of Key Management Personnel

Transactions with member of key management personnel are detailed as follows:

	December 31, 2021		December 31, 2020	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**₱ -**	**₱ 112,086,222**	₱ -	₱ 157,410,534

Payment to related parties in relation to the advances amounted to ₱45,324,312, ₱53,776,391 and ₱64,319,512 in 2021, 2020 and 2019, respectively.

The amount bears an annual interest of four percent (4%) to eighteen percent (18%). No guarantees have been given in respect of the amounts owed to related parties. The amount outstanding is non-interest bearing, unsecured and will be settled in cash and payable on demand.

Movements of accrued finance cost are as follows:

	2021	2020	2019
Balance, January 1	**₱ 367,024,981**	₱ 392,247,430	₱ 484,668,507
Finance cost	**-**	-	670,670
Payment	**(34,402,331)**	(25,222,449)	(93,091,747)
Balance, December 31	**₱ 332,622,650**	₱ 367,024,981	₱ 392,247,430

17. PROJECT DEVELOPMENT COMMITMENT

This pertains to development commitment on Tagaytay Heights and Woodlands project which will be fulfilled during the rehabilitation period. As of December 31, 2021 and 2020, project development commitment amounted to ₱26,751,896.

18. CAPITAL STOCK

The capital stock of the Group are as follows:

	2021	2020
Capital stock	**₱ 436,700,000**	₱ 436,700,000
Additional paid-in capital	**1,089,000,000**	1,089,000,000
	₱ 1,525,700,000	₱ 1,525,700,000

Components of capital stock are as follows:

		2021		2020
Preference shares – Class B	₱	**218,349,995**	₱	218,349,995
Ordinary shares		**218,350,005**		218,350,005
	₱	**436,700,000**	₱	436,700,000

The Group's additional paid-in capital pertains to the excess of capital contribution over the par value of share capital.

18.01 Preference Shares

Movements in the carrying amount of the Group's preference shares are shown below:

	Shares		Amount
Authorized			
Class A - ₱1 par value	**1,000,000**	₱	**1,000,000**
Class B - ₱1 par value	**218,349,995**		**218,349,995**
	219,349,995	₱	**219,349,995**
Issued and fully paid			
Class B - ₱1 par value	**218,349,995**	₱	**218,349,995**

Preference shares are entitled to dividends before any dividends are declared to ordinary shares. Preference shares are non-cumulative and non-voting.

Class A preferred share are non-voting and redeemable by the Group on the fifth year from the date of issue at the full price. As of December 31, 2021 and 2020, the Group has not issued Class A preferred shares.

Class B preferred shares are non-voting and redeemable by the Group at the discretion of the Group's board of directors at ₱3.50 a share but not less than its par value. The Group has one (1) preferred stockholder as of December 31, 2021 and 2020.

18.02 Ordinary Shares

Shown below are the details of ordinary shares:

	Shares		Amount
Authorized			
₱1 par value	**780,150,005**	₱	**780,150,005**
Issued and outstanding	**218,350,005**	₱	**218,350,005**

Ordinary shares carry one (1) vote per share and carry a right to dividends.

19. REVENUES

Composition of the Group's revenues are as follows:

		2021		2020		2019
Sale of real estate inventories						
House and lot	₱	**327,697,092**	₱	209,878,510	₱	154,251,059
Condominium units and parking lots		**9,502,919**		70,995,400		14,621,891
Raw land		**1,160,714**		-		762,361
	₱	**338,360,725**	₱	280,873,910	₱	169,635,311

20. DIRECT COSTS

The following is an analysis of the Group's direct costs:

		2021		2020		2019
Inventories, January 1	₱	**608,133,535**	₱	1,229,221,254	₱	1,212,871,020
Additions		**138,120,657**		117,367,021		116,286,194
Assignment of inventories (Note 12)		**-**		(558,029,964)		-
Cost of goods available for		**746,254,192**		788,558,311		1,329,157,214
Inventories, December31 (Note 8)		**(508,326,942)**		(608,133,535)		(1,229,221,254)
	₱	**237,927,250**	₱	180,424,776	₱	99,935,960

Additions pertain to the costs attributed for the construction costs and land acquisitions.

21. OTHER INCOME

Components of other income are as follows:

		2021		2020		2019
Reversal of allowance for doubtful accounts (Note 7)	₱	**3,028,314**	₱	-	₱	-
Finance income on cash in banks (Note 6)		**39,808**		21,458		36,553
Rental income		**19,500**		107,500		17,000
Finance income on contracts receivable (Note 7)		**1,968**		217,355		98,787
Gain on assignment of project (Note 12)		**-**		6,556,080		-
Finance income on advances		**-**		817,013		-
Others		**431,566**		475,192		270,206
	₱	**3,521,156**	₱	8,194,598	₱	422,546

Others pertain to the incidental income from real estate business such as document processing and marketing charges.

22. OPERATING EXPENSES

The account is composed of the following expenses:

		2021		2020		2019
Employee benefits (Note 24)	₱	**23,827,866**	₱	8,408,732	₱	7,693,595
Taxes and licenses		**14,956,940**		87,383,764		2,623,716
Sales commission		**13,023,540**		5,530,552		7,424,015
Professional fees		**4,647,546**		7,279,574		4,610,211
Transportation and travel		**2,105,454**		1,366,114		1,826,684
Outside services		**1,858,002**		1,111,660		1,004,537
Repairs and maintenance		**1,237,277**		1,481,368		1,623,854
Representation		**1,111,883**		3,591,076		3,119,417
Utilities		**841,915**		383,613		623,255
Rental (Note 25)		**706,543**		1,588,439		458,850
Association dues		**299,394**		2,074,965		71,383
Supplies		**222,829**		145,550		224,929
Advertising expense		**191,869**		46,367		29,497
Depreciation (Note 10)		**98,014**		214,495		46,939
Donation		**70,215**		62,896		34,502
Penalties		**24,085**		22,943		70,974
Insurance		**12,798**		35,854		25,016
Others		**3,386,623**		1,071,221		1,865,920
	₱	**68,622,793**	₱	121,799,183	₱	33,377,294

Taxes and licenses include permits, licenses, fees and real property tax.

Others include miscellaneous expenses, bank charges and impairment loss on other current assets.

23. OTHER EXPENSES

The Group's other expenses comprised of the following:

		2021		2020		2019
Provision for decline in value (Note 8)	₱	**99,745,850**	₱	-	₱	-
Provision for expected credit losses (Note 16)		**9,861,417**		-		-
Provision for probable losses (Note 9)		**1,356,750**		-		-
	₱	**110,964,017**	₱	-	₱	-

24. EMPLOYEE BENEFITS

Aggregate employee benefits expense is comprised of:

		2021		2020		2019
Short-term employee benefits (Note 24.01)	₱	**23,629,066**	₱	7,608,732	₱	7,458,761
Post-employment benefits (Note 24.02)		**198,800**		800,000		234,834
	₱	**23,827,866**	₱	8,408,732	₱	7,693,595

24.01 Short-term Employee Benefits

An analysis of the Group's short-term employee benefits is as follows:

		2021		2020		2019
Salaries and wages	₱	**16,861,286**	₱	5,254,449	₱	5,106,519
SSS, PhilHealth and HDMF contributions		**430,267**		414,605		387,135
Other employee benefits		**6,337,513**		1,939,678		1,965,107
	₱	**23,629,066**	₱	7,608,732	₱	7,458,761

24.02 Post-employment Benefits

The Group has retirement benefit plan for qualifying employees under the provision of R.A. No. 7641, as disclosed in Note 5.01.05. This stated that an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Retirement benefits expense amounted to ₱198,800, ₱800,000 and ₱234,834 in 2021, 2020 and 2019, respectively. The Group paid retirement benefit amounting to ₱198,800, ₱1,550,000 and ₱234,834 in 2021, 2020 and 2019, respectively. Carrying amounts of the retirement benefit obligation amounted to ₱1,872,413 in both years.

25. LEASE AGREEMENTS

25.01 The Group as a Lessee

Lease contracts entered into by the Group pertains to office space with lease term of one (1) year and renewable under such terms and conditions mutually agreed upon by both parties. On August 1, 2019, the Group renewed its leased contract and will expire on July 31, 2022.

In 2021, 2020 and 2019, rent expense from lease contract amounted to ₱706,543, ₱1,588,439 and ₱458,850, respectively, as disclosed in Note 22.

26. INCOME TAXES

26.01 Income Tax Recognized in Profit or Loss

The Group's income tax expense amounted to ₱8,009,841, ₱16,508,136 and ₱1,401,707 in 2021, 2020 and 2019, respectively.

A numerical reconciliation between tax expense and the product of accounting profit (loss) multiplied by the tax rate in 2021, 2020 and 2019 are as follows:

		2021		2020		2019
Accounting profit (loss)	₱	**(75,632,179)**	₱	13,205,118	₱	35,742,396
Tax expense (benefit) at 25%, 30% and 30%, respectively		**(18,908,045)**		(3,961,535)		10,722,719
Tax effects of:						
Non-deductible expense on provision for decline in value		**24,936,462**		-		-
Non-deductible expense on provision for expected credit losses		**2,465,354**		-		-
Non recognition of DTA		**828,062**		24,518,257		29,986
Non-deductible expense on provision for probable losses		**339,188**		-		-
Penalties		**6,021**		6,884		21,293
Non-deductible representation expense		**-**		655,690		680,214
Non-deductible interest expense		**-**		1,630		2,993
Impairment loss		**-**		-		220,459
Application of previously unrecognized NOLCO		**-**		(1,451,038)		(11,666,698)
Non-recognition of MCIT		**-**		(3,255,315)		1,401,707
Finance income subject to final tax		**(9,952)**		(6,437)		(10,966)
Effect of change in tax rate		**(1,647,249)**		-		-
	₱	**8,009,841**	₱	16,508,136	₱	1,401,707

27. DEFERRED TAX ASSETS

27.01 Deferred Tax Assets

The Group did not recognize the following deferred tax assets because of the uncertainty that the future deductible expenses such as allowance for expected credit losses, impairment loss and retirement benefits obligation will meet the requirements to be deductible in the future and MCIT will be utilized prior to expiration:

		2021		2020
Allowance for expected credit losses on:				
Contracts and other receivables	₱	**8,466,637**	₱	11,044,459
Due from related parties		**2,465,354**		-
Allowance for impairment loss on:				
Real estate inventories		**41,569,577**		19,959,738
Prepayments and other current assets		**4,407,155**		4,881,560
Retirement benefits obligation		**468,103**		786,724
Minimum Corporate Income Tax (MCIT)		**252,257**		-
	₱	**57,629,083**	₱	36,672,481

Details of Group's MCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2018	₱	1,022,789	₱	1,022,789	₱	-	₱	-	₱	-	2021
2019		1,401,707		1,401,707		-		-		-	2022
2021		1,039,148		-		-		-		1,039,148	2024
	₱	**3,463,644**	₱	**2,424,496**	₱	**-**	₱	-	₱	1,039,148	

28. EARNINGS (LOSS) PER SHARE

The Group's earnings (loss) per share are ₱(0.35), ₱(0.06) and ₱0.16 in 2021, 2020 and 2019, respectively.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

		2021		2020		2019
Profit (Loss) used in the calculation of total basic earnings per share after preference dividends	₱	**(75,632,179)**	₱	(13,205,118)	₱	35,742,396
Weighted average number of ordinary shares for the purposes of basic earnings per share		**218,350,005**		218,350,005		218,350,005

29. FAIR VALUE MEASUREMENTS

29.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as of December 31, 2021 and 2020 are presented below:

	2021		2020	
	Carrying Amount	**Fair Values**	Carrying Amount	Fair Value
Financial Assets:				
Cash	**₱ 67,116,566**	**₱ 67,116,566**	₱ 19,180,696	₱ 19,180,696
Contracts and other receivables	**274,273,447**	**274,273,447**	302,822,251	302,822,251
Due from related parties	**8,935,883**	**8,935,883**	26,940,766	26,940,766
Security deposits	**6,222,755**	**6,222,755**	6,176,473	6,176,473
	₱ 356,548,651	**₱ 356,548,651**	₱ 355,120,186	₱ 355,120,186
Financial Liabilities:				
Trade and other payables	**₱ 904,941,193**	**₱ 904,941,193**	₱ 929,027,390	₱ 929,027,390
Due to related parties	**379,677,068**	**379,677,068**	328,458,126	328,458,126
Loans payable	**60,765,417**	**60,765,417**	105,139,150	105,139,150
	₱ 1,345,383,678	**₱ 1,345,383,678**	₱ 1,362,624,666	₱ 1,362,624,666

The fair values of financial assets and liabilities are determined as follows:

- Due to the demand feature or short-term nature of cash, contracts and other receivables, due to and from related parties, security deposits and trade and other payables (excluding payable to government agencies), Management estimates that the carrying amounts approximate the fair values of financial instruments, as of December 31, 2021 and 2020.
- Loans payable are bearing market interest rates. Hence, the fair value of these loans payable is equal to its carrying amount.

Management believes that the carrying amounts of rental deposits and miscellaneous advances approximate their fair values.

29.02 Fair Value Determinations of Asset

The following table provides an analysis of assets that are measured at fair value on a non-recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset.

29.02.01 Fair Value Hierarchy

Recurring Fair Value Measurement

In both years, the fair value of investment properties are based on the Level 2 fair value measurements. As of December 31, 2021 and 2019, the fair values of investment properties amounted to ₱25,800,000, as disclosed in Note 11.

There were no transfers between Level 2 and 3 in the period.

29.02.02 Valuation Techniques

The value of the investment properties were derived using the market data approach. Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Under market data approach, the value of the investment properties were based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison were situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the property, time element and others.

29.02.03 Highest and Best Use

The Group's non-financial asset which composed investment properties. As of December 31, 2021, the Group assessed the highest and best use of the investment properties from the perspective of market participants. As such, the Group determined that the current use of the investment properties is the assets' highest and best use.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including interest rate risk, credit risk and liquidity risk.

30.01 Market Risk Management

30.01.01 Interest Rate Risk Management

Fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises from its cash in banks, contracts receivable and loans subject to fixed interest rates which is immaterial.

The interest rate risk arising from cash in banks are managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

Profits and loss for the years ended December 31, 2021, 2020 and 2019 would have been unaffected since the Group's interest rate risk exposure for its cash in bank which is subject to variable interest rate is immaterial.

30.02 Credit Risk Management

The Group considers the following policies to manage its credit risk:

- Banks

  The Group transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Group uses other publicly available information such as annual report to monitor the financial status of the banks. The Group assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

- Contracts and other receivables

  The Group transacts only with customers which are all creditworthy. The Group assesses the current and forecast information of the clients' industry and the macro-economic factors such as GDP rate, inflation rate and foreign exchange rate to determine the possible impact to the Group's clients.

- Due from related parties

  The Group transacts only with related parties which are all creditworthy. The Group assesses the current and forecast information of the related parties' industry and the macro-economic factors such as GDP rate, inflation rate and foreign exchange rate to determine the possible impact to the Group's related parties.

- Deposits

  The Group transacts only with counterparties which are all creditworthy. The Group assesses the current and forecast information of the counterparties' industry and the macro-economic factors such as GDP rate, inflation rate and foreign exchange rate to determine the possible impact to the Group's counterparties.

Financial assets measured at amortized cost and contracts receivable are as follows:

		2021		2020
Cash in banks	₱	**66,659,458**	₱	18,817,997
Contracts and other receivables		**274,273,447**		302,822,251
Due from related parties		**8,935,883**		26,940,766
Deposits		**6,222,755**		6,176,473
	₱	**356,091,543**	₱	354,757,487

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a Group loses when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at Default (ED)

  ED is the total value a Group is exposed to when a loan defaults. It refers to the gross carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2021 and 2020:

Cash in Banks

	PD rate	LGD rate		ED		ECL
December 31, 2021	**a**	**b**		**c**		**d=a*b*c**
Banco De Oro Universal Bank	**0.00%**	**79.16%**	**₱**	**52,719,900**	**₱**	**-**
Philippine Bank of Communications	**0.00%**	**100.00%**		**10,276,292**		**-**
Bank of Commerce	**0.00%**	**100.00%**		**116,874**		**-**
Land Bank of The Philippines	**0.00%**	**100.00%**		**1,996,090**		**-**
Union Bank of The Philippines	**0.00%**	**100.00%**		**562,605**		**-**
Bank of The Phil. Island	**0.00%**	**100.00%**		**228**		**-**
			₱	**65,671,989**	**₱**	**-**
December 31, 2020						
Banco De Oro Universal Bank	0.00%	84.39%	₱	3,190,381	₱	-
Philippine Bank of Communications	0.00%	100.00%		12,334,526		-
Bank of Commerce	0.00%	100.00%		109,528		-
Bank of The Phil. Island	0.00%	100.00%		65,726		-
Land Bank of The Philippines	0.00%	100.00%		994,742		-
Union Bank of The Philippines	0.00%	100.00%		1,123,094		-
			₱	17,817,997	₱	-

Contracts and Other Receivable

	PD rate	LGD rate		ED		ECL
December 31, 2021	**a**	**b**		**c**		**d=a*b*c**
Contracts and other receivable	**10.96%**	**0.00% to 100%**	**₱**	**308,059,995**	**₱**	**33,786,548**
December 31, 2020						
Contracts and other receivable	10.84%	0.00% to 100%	₱	339,637,113	₱	36,814,862

Due from Related Parties

	PD rate	LGD rate		ED		ECL
December 31, 2021	**a**	**b**		**c**		**d=a*b*c**
Due from related parties	**52.46%**	**100%**	**₱**	**18,797,300**	**₱**	**9,861,417**
December 31, 2020						
Due from related parties	0.00%	100%	₱	27,691,903	₱	-

Cash in Banks

The Group determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of Banking Industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Group estimated the probability of default to be nil.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 79.16% and 84.39% in 2021 and 2020.

Exposure at default is equal to the gross carrying amount of cash in banks.

Contracts and Other Receivable

The Group determined the probability of default rate by considering the following: the aging schedules of contracts and other receivables for the past three years; the breakdown of receivables per year; and the past, current, and forecast macro-economic factors that may affect the Group's clients.

For contracts and other receivables from sale of house and lots, loss given default rate is calculated by taking into consideration the receivables from Home Development Mutual Fund (HDMF) after receipt of Notice of Take-out.

For contracts and other receivables from sale of condominium units, loss given default rate is calculated by taking into consideration the fair value of the real properties.

For other receivables, loss given default rate is based on the carrying amount of the receivable. No collateral or security is attached to the receivables.

Based on the considerations above, loss given default rate is estimated it to be 0.00% to 100% in both years.

The Group estimated the probability of default to be 10.96% and 10.84% for all receivable from clients in 2021 and 2020, respectively.

Due from Related Parties

The Group determined the probability of default rate by considering the following: the aging schedules of due from related parties for the past three years; the breakdown of receivables per year; and the past, current, and forecast macro-economic factors that may affect the Group's clients.

Loss given default is estimated to be 100% in both years.

The Group estimated the probability of default to be 52.46% and nil for all due from related parties in 2021 and 2020, respectively.

Deposits

In 2021 and 2020, this financial asset represents 0.17% in both years. Hence, Management believes that the effect of provision for expected credit loss is immaterial to the consolidated financial statements as a whole.

30.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted Average Effective Interest Rate	**On demand**	**Within one (1) year**	**One (1) – Five (5) years**	**Total**
December 31, 2021					
Trade and other payables		**₱ -**	**₱ 904,941,193**	**₱ -**	**₱ 904,941,193**
Due to related parties	**4%-18%**	**379,677,068**	**-**	**-**	**379,677,068**
Loans payable	**6%**	**-**	**60,765,417**	**-**	**60,765,417**
		₱ 379,677,068	**₱ 965,706,610**	**₱ -**	**₱ 1,345,383,678**
December 31, 2020					
Trade and other payables		₱ -	₱ 929,027,390	₱ -	₱ 929,027,390
Due to related parties	4%-18%	328,458,126	-	-	328,458,126
Loans payable	6%	-	-	105,139,150	105,139,150
		₱ 328,458,126	₱ 929,027,390	₱ 105,139,150	₱ 1,362,624,666

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		On demand		Within one (1) year		One (1) – Five (5) Years		Total
December 31, 2021									
Cash on hand	-	₱	**457,108**	₱	-	₱	-	₱	**457,108**
Cash in banks	Floating		**66,659,458**		-		-		**66,659,458**
Contracts and other receivable	-		-		**274,273,447**		-		**274,273,447**
Due from related parties	-		**8,935,883**		-		-		**8,935,883**
Deposits	-		-		**6,222,755**		-		**6,222,755**
		₱	**76,052,449**	₱	**280,496,202**	₱	-	₱	**356,548,651**
December 31, 2020									
Cash on hand	-	₱	362,699	₱	-	₱	-	₱	362,699
Cash in banks	Floating		18,817,997		-		-		18,817,997
Contracts and other receivable	-		-		302,822,251		-		302,822,251
Due from related parties	-		26,940,766		-		-		26,940,766
Deposits	-		-		6,176,473		-		6,176,473
		₱	46,121,462	₱	308,998,724	₱	-	₱	355,120,186

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group manages its capital to ensure that the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of net debt and equity of the Group (comprising capital stock, additional paid-in up capital, and deficit).

The Group considers the following as its core capital aggregating as follows:

		2021		2020
Capital stock	₱	**436,700,000**	₱	436,700,000
Additional paid-in capital		**1,089,000,000**		1,089,000,000
Deficit		**(1,873,520,914)**		(1,789,878,894)
	₱	**(347,820,914)**	₱	(264,178,894)

The Group is not subject to externally imposed capital requirements. The Group, however, is subject to loan covenants, as disclosed in Note 14.

32. CORRECTION OF PRIOR PERIOD ERRORS

During the year, the Management decided to correct prior period errors in trade and other payables, due to related parties and contingencies through restatement. Details are as follows:

32.01 Trade and other payables

In 2021, the Parent Company corrected the trade and other payables due to unrecorded titling fees payable, under accrual of interest and overstatement of accrued expenses and trade and retention payable in the prior years.

As a result, the amount of trade and other payables was restated beginning January 1, 2019. Deficit was adjusted to reflect the impact of under accrual of interest in prior years.

32.02 Due to related parties

Due to related parties was adjusted this year due to overstatement of advances. The error was incurred before 2019 and as a result, due to related parties was restated beginning January 1, 2019.

32.03 Project development commitment

The Parent Company has entered into development commitment on Tagaytay Heights and Woodlands project which will be fulfilled during the rehabilitation period. It was not recorded as provision in the prior years. During the year, the Management decided to recognize the unrecorded provision.

Below are the prior period errors which Management decided to correct through restating the retained earnings as of January 1, 2020:

Accounts	**January 1, 2020, as previously stated**	**Adjustments**	**January 1, 2020, as restated**
Statement of Financial Position			
Trade and other payables	807,437,667	80,779,880	**888,217,547**
Due to related parties	353,932,627	(4,266,682)	**349,665,945**
Contingencies	-	26,751,896	**26,751,896**
Deficits	(1,656,900,546)	(103,265,094)	**(1,760,165,640)**
Statement of Changes in Equity			
Deficits	(1,656,900,546)	(103,265,094)	**(1,760,165,640)**

Accounts	**January 1, 2021, as previously stated**	**Adjustments**	**January 1, 2021, as restated**
Statement of Financial Position			
Trade and other payables	850,617,014	80,779,880	**931,396,894**
Due to related parties	332,724,808	(4,266,682)	**328,458,126**
Contingencies	-	26,751,896	**26,751,896**
Deficits	(1,686,613,800)	(103,265,094)	**(1,789,878,894)**
Statement of Changes in Equity			
Deficits	(1,686,613,800)	(103,265,094)	**(1,789,878,894)**

33. NON - CASH TRANSACTIONS

The Group entered into the following non-cash financing activities which are not reflected in the statements of cash flows:

- The Group paid the loan with United Coconut Planters Life Assurance Corporation through share in the proceeds of JVA amounting nil, ₱7,624,692 and ₱17,579,961 in 2021, 2020 and 2019, respectively, as disclosed in Note 14.01.

- The Group paid the loan with Holiday Homes, Inc. through buyers' takeout from PDS Sophia amounting to nil, ₱3,321,238 and ₱8,666,762 in 2021, 2020 and 2019, respectively, as disclosed in Note 14.03

34. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities as shown in the statements of cash flows is as follows:

		2021		2020
January 1	₱	**469,872,020**	₱	506,330,622
Change from financing cash flow				
Advances received from related parties		**96,543,254**		32,568,572
Finance cost incurred		**-**		49,667
Noncash transaction		**-**		10,945,930
Finance cost paid		**(34,402,331)**		(25,272,116)
Payments of loan through cash		**(44,373,733)**		(974,264)
Advances paid to related parties		**(45,324,312)**		(53,776,391)
	₱	**442,314,898**	₱	469,872,020

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on January 16, 2023.

SUPPLEMENTAL INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
3rd Floor, BJS Building, BJS Compound
1869 P. Domingo Street, Makati

We have audited the consolidated financial statements of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES** (the "Group") for the years ended December 31, 2021 and 2020 on which we have rendered the attached report dated January 16, 2023.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Group.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. 0300-IC
Valid until 2026 audit period

REAN G. ABALOS
Partner
CPA Certificate No. 126203
SEC Group A Accredited
Accreditation No. 126203-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 126203-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-002-2020
Valid from October 20, 2020 until October 19, 2023
Tax Identification No. 271-226-260
PTR No. 9567812
Issued on January 4, 2023 at Makati City

January 16, 2023

REPORT ON THE INDEX AND SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
3rd Floor, BJS Building, BJS Compound
1869 P. Domingo Street, Makati

We have issued our report dated January 16, 2023 on the consolidated financial statements of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES** as of and for the year ended December 31, 2021. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES** taken as a whole. The information in the index and supplementary schedules as of and for the year ended December 31, 2021, which is not a required part of the consolidated financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of Management of **PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES**. The information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. 0300-IC
Valid until 2026 audit period

REAN G. ABALOS
Partner
CPA Certificate No. 126203
SEC Group A Accredited
Accreditation No. 126203-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 126203-BSP
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PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
December 31, 2021 and 2020

PHILTOWN PROPERTIES, INC.
INDEX II
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2021 and 2020

Unappropriated retained earnings (deficit), beginning	₱	(1,673,645,097)
Add/(Deduct) net income/(loss) actually earned during the period		(80,343,357)
Less cash dividends declared		-
Retained earnings available for dividend declaration (deficit)	**₱**	**(1,753,988,454)**

SCHEDULE II

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
For the Years Ended December 31, 2021 and 2020

	2021	2020
A. SHORT-TERM LIQUIDITY RATIO		
CURRENT RATIO	0.76	0.89
Current Assets	1,067,738,569	1,176,050,566
Current Liabilities	1,407,770,699	1,327,227,444
ACID - TEST RATIO	0.24	0.24
(Cash and Cash equivalents + Current Receivables + Short term investments)	341,390,013	322,002,947
Current Liabilities	1,407,770,699	1,327,227,444
WORKING CAPITAL TO ASSETS	(0.31)	(0.13)
(Current Assets - Current Liabilities)	(340,032,130)	(151,176,878)
Total Assets	1,088,574,094	1,196,812,009
B. LONG-TERM SOLVENCY		
ASSET TO EQUITY	(3.13)	(4.53)
Total Asset	1,088,574,094	1,196,812,009
Shareholders' Equity	(347,820,914)	(264,178,894)
DEBT TO EQUITY	(4.13)	(5.53)
Total Liabilities	1,436,395,008	1,460,990,903
Shareholders' Equity	(347,820,914)	(264,178,894)

LONG-TERM DEBT TO EQUITY	(4.130)	(5.530)
Long-Term Debt	1,436,395,008	1,460,990,903
Shareholders' Equity	(347,820,914)	(264,178,894)
FIXED ASSETS TO EQUITY	(0.00)	(0.00)
(Fixed Assets - Accumulated Depreciation)	355,929	281,847
Shareholders' Equity	(347,820,914)	(264,178,894)
CREDITORS EQUITY TO TOTAL ASSETS	1.32	1.22
Total Liabilities	1,436,395,008	1,460,990,903
Total Assets	1,088,574,094	1,196,812,009
FIXED ASSETS TO LONG-TERM DEBT	0.00	0.00
(Fixed Assets - Accumulated Depreciation)	355,929	281,847
Long-Term Debt	1,436,395,008	1,460,990,903
C. RETURN ON INVESTMENTS		
RATE OF RETURN ON TOTAL ASSETS	(0.07)	(0.05)
Net Income (Loss)	(83,642,020)	(29,713,254)
Average Total Assets	1,142,693,052	598,406,005
RATE OF RETURN ON EQUITY	0.27	0.08
Net Income (Loss)	(83,642,020)	(29,713,254)
Average Stockholders' Equity	(305,999,904)	(381,411,713)

D. PROFITABILITY RATIOS		
GROSS PROFIT RATIO	0.30	0.36
Gross Income	100,433,475	100,449,134
Revenues	338,360,725	280,873,910
OPERATING INCOME TO REVENUES	0.31	0.39
Income from Operations	103,954,631	108,643,732
Revenues	338,360,725	280,873,910
PRETAX INCOME TO REVENUES	(0.22)	(0.05)
Pretax Income	(75,632,179)	(13,205,118)
Revenues	338,360,725	280,873,910
NET INCOME TO REVENUE	(0.25)	(0.11)
Net Income	(83,642,020)	(29,713,254)
Revenues	338,360,725	280,873,910
E. INTEREST COVERAGE RATIO		
INTEREST COVERAGE RATIO	-	(264.87)
Earnings Before Interest and Tax	(75,632,179)	(13,155,451)
Interest Expense	-	49,667

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE A
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
December 31, 2021

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statements of Financial Position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
December 31, 2021				
Cash	₱ -	₱ 67,116,566	₱ 67,116,566	₱ -
Contracts and other receivables	-	274,273,447	274,273,447	-
Due from related parties	-	8,935,883	8,935,883	-
Deposits	-	6,222,755	6,222,755	-
	₱ -	₱ 356,548,651	₱ 356,548,651	₱ -

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE B
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2021

	Amounts owed by Related Parties						
Name and designation of debtor *	Balance at beginning of period	Additions	Amounts collected**	Amounts Written Off ***	Current	Not Current	Balance at the end of the period
Officers and employees							
Various	₱ 9,037,280	₱ 5,135,388	₱ (1,356,750)	₱ -	₱ 12,815,918	₱ -	₱ 12,815,918

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE C
SUPPLEMENTARY SCHEDULE OF AMOUNTS OF RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
December 31, 2021

Receivables from related parties which are eliminated during the consolidation							
Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amount collected**	**Amount written off**	**Current**	**Not current**	**Balance at end of period**
Due from related parties	**342,362,638**	**26,151,349**	**(8,146,466)**	**-**	**360,367,521**	**-**	**360,367,521**

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE D
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
December 31, 2021

Long-term Debt				
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related Statement of Financial Position	Amount shown under caption “long-term debt” in related Statement of Financial Position	Total
December 31, 2021				
Loan Payable	Not Applicable	-	-	-

Note: The terms, interest rate, collaterals and other relevant informations are shown in Note 14 of the Consolidated Financial Statements

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE E

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

December 31, 2021

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	**Balance at beginning of period**	**Balance at end of period**
	----- Nothing to Report ------	

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE F
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2021

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	**Title of issue of each class of securities guaranteed**	**Total amount guaranteed and outstanding**	**Amount owned by person for which statement is filed**	**Nature of guarantee**
		----- Nothing to Report ------		

PHILTOWN PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE G
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
December 31, 2021 and 2020

Capital Stock						
Title of Issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under related Statement of Financial Position caption**	**Number of shares reserved for options warrants, conversion and other rights**	**Number of shares held by related parties**	**Number of shares held by directors, officers and employees**	**Others**
December 31, 2021						
Common Shares	780,150,005	218,350,005	-	-	40,519	218,309,486
Preferred Class A	1,000,000	-	-	-	-	
Preferred Class B	218,349,995	218,349,995	-	-	-	218,349,995
	999,500,000	436,700,000	-	-	40,519	436,659,481