COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	9	0	0	9	1	7

COMPANY NAME

ITALPINAS DEVELOPMENT CORPORATION

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

UNIT 28C BPI PHILAMLIFE BUILDING, 6811
AYALA AVE, MAKATI, METRO MANILA
PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@italpinas.com	(02) 893-0328	N/A
No. of Stockholders	**Annual Meeting (Month / Day)**	**Calendar Year (Month / Day)**
11	Last Monday of March	December 31

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
Mary Ann Lopez	ann@italpinas.com	(02) 893-0328	N/A

CONTACT PERSON'S ADDRESS

Unit 28C, BPI Philamlife Building, 6811 Ayala Ave., Makati, 1226, Metro Manila, Philippines

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.*

ITALPINAS DEVELOPMENT CORPORATION

INDEX TO THE SEPARATE FINANCIAL STATEMENTS
AUDITED SEPARATE FINANCIAL STATEMENTS (AFS)
DECEMBER 31, 2023

IDC™ Italpinas Development Corporation
LIVING BY DESIGN
EST. 2009

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR SEPARATE FINANCIAL STATEMENTS

The Management of **Italpinas Development Corporation** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements, including the schedules attached therein, as at and for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ROMOLO NATI
Chairman/
Chief Executive Officer
TIN: 415-349-516

JOSE D. LEVISTE III
President
TIN: 302-901-118

MARY ANN B. LOPEZ
VP for Finance and Admin
TIN: 103-092-794

Signed this 12th day of April 2024.

MOORE Roxas Tabamo & Co.

Roxas Tabamo & Co.

2nd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue, Makati City 1226 Philippines

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INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
Italpinas Development Corporation
Unit 28C, BPI Philamlife Building
6811 Ayala Avenue., Makati 1226
Metro Manila, Philippines

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **Italpinas Development Corporation** ("the Company"), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended and notes to the separate financial statements, including a summary of material accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2023 and 2022, and its separate financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC), as described in Note 2 to the separate financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the separate financial statements which indicates that the separate financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2023 separate financial statements are discussed in detail in Note 3. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Real Estate Revenue Recognition

The Company recognized revenue amounting to ₱294.83 million from real estate sales using the percentage of completion (POC) method for the year ended December 31, 2023.

We focused our audit on the real estate revenue recognition as significant judgment is required when estimating total project costs and the estimated costs to complete the real estate projects that are used to determine POC at the end of the reporting period and recognition of cost to obtain a contract. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2023 is material to the separate financial statements. The significant judgments applied, and estimates used by management related to revenue recognition are disclosed in Note 4 to the separate financial statements.

Our procedures include an understanding of the relevant processes and controls over the accounting for customer contracts and project reviews performed by management. We examined revenue reported to supporting documentations on a sample basis, validated estimates of costs to complete, and tested the mathematical accuracy of calculations and the adequacy of project accounting. For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Valuation of Investment Properties

As at December 31, 2023, the Company owns a portfolio of investment properties amounting to ₱1.11 billion, comprising of mixed-use residential and commercial development projects. Investment properties are stated at their fair values based on independent external valuations.

This area is significant to our audit because the determination of fair values of these properties involves significant judgment and estimations. The valuation also requires the assistance of external appraiser whose calculations also depend on certain assumptions such as sales and listing of comparable properties registered within the vicinity, adjustments to sales price, market rent levels, forecast period based on internal and external factors.

We evaluated the qualifications of the external appraiser by considering its qualifications, experience and reporting responsibilities. We considered the valuation methodologies used against those applied by other appraisers for similar property types. We also considered other alternative valuation methods. We tested the reliability of inputs used in the valuation to supporting documents. We corroborated the inputs such as the capitalization rate, discount rate and price, taking into consideration comparability and market factors.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the separate financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Warren M. Urriza.

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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information as disclosed in Note 35 to the separate financial statements is presented for purposes of filing with the BIR and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

ROXAS TABAMO & CO.

Warren M. Urriza

Warren M. Urriza
Partner
CPA Certificate No. 0106419
Tax Identification No. 246-618-368
BIR Accreditation No. 08-001682-017-2022, issued on January 5, 2022,
effective until January 4, 2025
PTR No. 10079596, issued on January 5, 2024, Makati City

April 12, 2024
Makati City

ITALPINAS DEVELOPMENT CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	Note	**2023**	2022
ASSETS			
Current Assets			
Cash	*5*	**₱168,729,821**	₱75,757,688
Contract assets	*6*	**848,790,926**	790,641,788
Trade and other current receivables	*7*	**345,457,506**	217,674,970
Real estate for sale	*8*	**712,949,935**	671,954,287
Advances to related parties	*21*	**148,163,848**	40,772,813
Other current assets	*9*	**286,305,969**	207,893,472
Total Current Assets		**2,510,398,005**	2,004,695,018
Noncurrent Assets			
Property and equipment	*10*	**12,316,637**	12,789,128
Right-of-use asset	*11*	**-**	1,667,051
Investment properties	*13*	**1,105,016,416**	882,431,071
Deferred tax assets	*28*	**16,129,665**	13,265,113
Investments in an associate and subsidiaries	*12*	**4,266,205**	4,719,991
Other noncurrent assets	*15*	**33,312,404**	36,751,778
Total Noncurrent Assets		**1,171,041,327**	951,624,132
		₱3,681,439,332	₱2,956,319,150
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current payables	*16*	**₱941,423,753**	₱954,582,435
Contract liabilities	*6*	**184,525,907**	50,513,441
Lease liabilities	*17*	**-**	1,707,221
Borrowings, current portion	*18*	**431,308,336**	317,690,493
Advances from related parties	*21*	**16,000,000**	16,356,490
Total Current Liabilities		**1,573,257,996**	1,340,850,080
Noncurrent Liabilities			
Borrowings, net of current portion	*18*	**556,232,933**	336,308,402
Deferred tax liabilities	*28*	**264,738,895**	204,229,043
Retirement benefit obligation	*19*	**15,349,863**	11,036,090
Total Noncurrent Liabilities		**836,321,691**	551,573,535
Total Liabilities		**2,409,579,687**	1,892,423,615
Equity			
Share capital	*20*	**314,784,398**	314,784,398
Additional paid-in capital	*20*	**157,129,244**	157,129,244
Retained earnings	*20*		
Appropriated		**300,000,000**	300,000,000
Unappropriated		**499,124,249**	289,307,080
Other comprehensive income	*19*	**821,754**	2,674,813
Total Equity		**1,271,859,645**	1,063,895,535
		₱3,681,439,332	₱2,956,319,150

See Notes to the Separate Financial Statements.

ITALPINAS DEVELOPMENT CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Note	**2023**	2022
NET SALES	*22*	**₱294,830,591**	₱189,017,777
COST OF SALES	*23*	**(132,564,634)**	(89,495,491)
GROSS PROFIT		**162,265,957**	99,522,286
GENERAL AND ADMINISTRATIVE EXPENSES	*24*	**(127,594,336)**	(105,365,407)
FINANCE COSTS	*18*	**(4,745,527)**	(16,997,108)
SHARE IN NET LOSS FROM AN INVESTMENT IN AN ASSOCIATE	*14*	**(1,391,286)**	(1,126,940)
FINANCE INCOME	*25*	**526,731**	493,292
OTHER OPERATING INCOME, NET	*26*	**251,347,031**	183,761,555
INCOME BEFORE INCOME TAX		**280,408,570**	160,287,678
INCOME TAX EXPENSE	*28*	**(70,591,401)**	(41,572,503)
NET INCOME		**209,817,169**	118,715,175
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss –			
Remeasurement gain (loss) on retirement liability (net of tax)	*19*	**(1,853,059)**	1,034,879
TOTAL COMPREHENSIVE INCOME		**₱207,964,110**	₱119,750,054
BASIC AND DILUTED EARNINGS PER SHARE	*30*	**₱0.33**	₱0.19

See Notes to the Separate Financial Statements.

ITALPINAS DEVELOPMENT CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Note	**2023**	2022
SHARE CAPITAL	*20*	**₱314,784,398**	₱314,784,398
ADDITIONAL PAID-IN CAPITAL	*20*	**157,129,244**	157,129,244
RETAINED EARNINGS	*20*		
Unappropriated			
Balance at beginning of year		**289,307,080**	470,591,905
Appropriation		**-**	(300,000,000)
Net income		**209,817,169**	118,715,175
Balance at end of year		**499,124,249**	289,307,080
Appropriated			
Balance at beginning of year		**300,000,000**	-
Appropriation		**-**	300,000,000
Balance at end of year		**300,000,000**	300,000,000
		799,124,249	589,307,080
OTHER COMPREHENSIVE INCOME			
Remeasurement gain on retirement liability	*19*		
Balance at beginning of year		**2,674,813**	1,639,934
Remeasurement gain (loss) for the year		**(1,853,059)**	1,034,879
Balance at end of year		**821,754**	2,674,813
TOTAL EQUITY		**₱1,271,859,645**	₱1,063,895,535

See Notes to the Separate Financial Statements.

ITALPINAS DEVELOPMENT CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED December 31, 2023 AND 2022

	Note	**2023**	2022
Cash flows from operating activities			
Income before tax		**₱280,408,570**	₱160,287,678
Adjustments for:			
Gain on change in fair value of investment properties	*13*	**(236,270,101)**	(101,785,299)
Cost to obtain amortization	*15*	**14,895,074**	4,930,525
Gain on sale of investment properties	*13*	**(10,064,737)**	(47,761,760)
Finance costs	*18*	**4,745,527**	16,997,108
Depreciation and amortization	*10*	**4,163,312**	5,380,599
Retirement benefit cost	*19*	**1,843,027**	1,700,864
Share in net loss from an investment in an associate	*14*	**1,391,286**	1,126,940
Finance income	*25*	**(526,731)**	(493,292)
Reversal of expected credit loss on trade receivables	*7*	**-**	(5,698,770)
Operating income before working capital changes		**60,585,227**	34,684,593
Decrease (increase) in:			
Contract assets		**(58,149,138)**	7,621,897
Trade and other current receivables		**(14,586,683)**	177,622,556
Real estate for sale		**(83,896,227)**	(178,202,793)
Advances to related parties		**(108,328,535)**	3,208,004
Prepayments and other current assets		**(90,740,911)**	(69,491,156)
Other noncurrent assets		**(11,455,700)**	(10,296,305)
Increase (decrease) in:			
Contract liabilities		**134,012,466**	25,203,124
Trade and other current payables		**(13,158,682)**	53,181,786
Cash generated from (used for) operations		**(185,718,183)**	43,531,706
Finance income received		**526,731**	493,292
Net cash provided by (used in) operating activities		**(185,191,452)**	44,024,998
Cash flow from investing activity			
Acquisitions of property and equipment	*10*	**(2,023,770)**	(7,534,438)
Cash flows from financing activities			
Proceeds from borrowings	*18*	**895,668,194**	365,732,450
Repayments of borrowings	*18*	**(562,125,820)**	(350,145,862)
Finance costs paid		**(51,284,929)**	(27,637,058)
Payment of lease liabilities	*17*	**(1,713,600)**	(1,713,600)
Increase (decrease) in advances from related parties		**(356,490)**	49,716
Net cash provided by (used in) financing activities		**280,187,355**	(13,714,354)
Net increase in cash		**92,972,133**	22,776,206
Cash			
January 1		**75,757,688**	52,981,482
December 31	*5*	**₱168,729,821**	₱75,757,688
NONCASH FINANCIAL INFORMATION:			
Transfer of units previously classified as “Real estate for Sale” to “Investment Properties”	*8,13*	**₱73,152,899**	₱109,374,701

See Notes to the Separate Financial Statements.

ITALPINAS DEVELOPMENT CORPORATION

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Italpinas Development Corporation ("the Company") was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 26, 2009 primarily to engage in the development and construction of real estate projects.

The Company's common shares are listed in the Philippines Stock Exchange (see Note 20).

The subsidiaries of the Company follow (see Note 12):

		Percentage of Ownership	
Subsidiaries	**Principal Activities**	**2023**	2022
Prima Management Corporation (Prima)	Real estate	**99.00%**	99.00%
IDC Homes Inc. (Homes)	Real estate	**99.92%**	99.92%
IDC Prime Inc. (Prime)	Real estate	**99.92%**	99.92%

PMC was registered with the SEC on February 23, 2022. The Company's primary business activity is to provide management and technical advice for commercial, industrial, manufacturing and other kinds of enterprises; and to undertake, carry on, assist or participate in the promotion, organization, management, liquidation or reorganizations or corporations, partnerships and other entities, except the management of funds, securities, portfolio or similar assets of the managed entities or corporations.

Homes was registered with the SEC) on August 19, 2019. The Company's primary business activities are to engage in the business of real estate development.

Prime was registered with the SEC on August 19, 2019. The Company's primary business activities are to engage in the business of real estate development.

The registered principal office of the Company is located at Unit 28C BPI Philamlife Building, 6811, Ayala Avenue, Makati City, Philippines.

PMC, Homes and Prime's registered office address Unit 28C, BPI Philamlife Bldg., Ayala Avenue, Makati City.

<u>Approval of separate financial statements</u>
The separate financial statements were approved and authorized for issuance in accordance with a resolution by the Company's Board of Directors (BOD) on April 12, 2024.

2. Basis of Preparation

<u>Statement of Compliance</u>
The separate financial statements of the Company have been prepared in compliance 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. PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

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

In December 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extended the deferral of application of the following provisions of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 until December 31, 2023:

a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04), discussed in PIC 1&A No. 2018-12-D;

b. Exclusion of land in the calculation of the percentage-of-completion (POC); and
c. IFRIC Agenda Discussion on over time transfers of constructed goods under PAS 23, *Borrowing Cost,* for another period of three years or until 2023 for Real Estate Industry

The Company opted to avail the relief in connection with the accounting for significant financing component, exclusion of land in the calculation of POC and accounting for borrowing costs. The impact of the application of such financial reporting relief is discussed in "Adoption of Amendments to PFRS and PIC Issuances Issued but Not Yet Effective or Adopted" section of the notes to the separate financial statements.

The Company also prepares, and issues consolidated financial statements for the same period in which it consolidates its investments in subsidiaries. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries (collectively referred to as the "Group") of which the Company is the Parent Company.

<u>Basis of Measurement</u>
The separate financial statements of the Company have been prepared on a historical cost basis, except for investment properties which are measured at fair value on each reporting date.

<u>Functional and Presentation Currency</u>
The separate financial statements are presented in Philippine Peso (₱), which is the functional currency of the Company. All values are rounded off to the nearest peso except when otherwise indicated.

3. Summary of Material Accounting Policies

The material accounting policies that have been used in the preparation of the separate financial statements are set below.

<u>Adoption of New and Amended PFRS</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.* The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules.* The amendments introduced in response to the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD) include:

  (i) A Company within the scope of Pillar Two legislation shall disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  (ii) An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

  Due to the uncertain nature of the tax reforms, the Company cannot quantify the impact on the amount of deferred tax assets and liabilities not recognized on the balance sheet in the current period. No amounts were recognized in the prior period in relation to the Pillar Two Model Rules, to which these amendments would apply.

The foregoing relevant amended PFRS did not have impact on the separate financial statements of the Company. Additional disclosures were applied as applicable.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2023 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

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

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

  Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the separate financial statements of the Company.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation on issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

  a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E
  c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PICQ&A 2020-02)
  d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H

  The Company availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Company assessed that the impact would have been as follows:

  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Company believes that the mismatch for its contract to sell does not constitute a significant financing component based on the examples provided in the PIC letter dated November 11, 2020.

  b. The exclusion of land in the determination of POC would have reduced the percentage of completion of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contracts receivable; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry

  In March 2019, the IFRIC issued an Agenda Decision clarifying the criteria for the capitalization of borrowing costs in relation to the construction of residential multi-unit real estate development which are sold to customers prior to the start of construction or completion of the development.

  Paragraph 8 of PAS 23 allows the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Paragraph 5 of PAS 23 defines a qualifying asset as an asset that takes a substantial period of time to get ready for its intended use or sale. The IFRIC Agenda Decision clarified that the related assets namely, installment contracts receivable, contract asset or real estate inventory, are not considered qualifying assets and therefore the corresponding borrowing cost may not be capitalized.

  On February 11, 2020, the Philippine SEC issued MC No. 4-2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023. Effective January 1, 2024, real estate companies shall adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The Company opted to avail of the relief as provided by the SEC. Had the Company adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is:

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

A liability is current when it is:

(a) expected to be settled in the normal operating cycle;
(b) held primarily for trading;
(c) due to be settled within 12 months after the reporting period; or
(d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Fair value measurements
The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Financial assets and financial liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2023 and 2022, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Trade receivables that are factored out to the bank with recourse to the Company are not derecognized until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the bank is recognized as borrowings.

As at December 31, 2023 and 2022, the Company's cash, contract assets, trade and other current receivables, advances to related parties and other noncurrent assets (e.g. security deposits and escrow funds) are included under this category.

Impairment of Financial Assets at Amortized Cost. The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2023 and 2022, the Company's liabilities arising from its trade and other payables, excluding government liabilities, advances from related parties and borrowings are included under this category.

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Derecognition of financial assets and liabilities

Financial assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

*Offsetting of Financial Assets and Liabilities***.** Financial assets and financial liabilities are offset and the net amount reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

*Classification of Financial Instrument between Liability and Equity***.** A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date.

NRV is the estimated selling price in the ordinary course of business, based on the market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and estimated cost of sale. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to date of completion.

Land for future development. Upon commencement of development, the real estate properties held for future development is transferred to real estate for sale.

Other Current Assets

Other assets are recognized when the Company expects to receive future economic benefit from it and the amount can be measured reliably. Other assets are classified in the separate statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Other current assets include prepayments, prepaid taxes, input value-added tax (VAT) and deferred input VAT.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments 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 statement of financial position as current assets when the expense related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayment is classified as non-currents.

Prepaid Taxes. Prepaid taxes represent taxes withheld by the Company's customers required under the Philippine taxation laws and regulations. If at the end of the financial reporting period, the Company has current income tax due, the prepaid tax shall be applied as payment for the tax due, and any excess shall be carried over to the succeeding period. Prepaid tax is stated at their estimated net realizable values and is included as part of "Prepayments and other current assets" in the separate statements of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

Transportation equipment	5 years
Office space	5 years
Leasehold improvements	5 years
Office software and equipment and furniture and fixtures	2-5 years

Leasehold improvements are amortized over the term of the lease, or the estimated useful life of the leasehold improvements whichever is shorter.

An asset is depreciated when it is available for use until it is derecognized even if during that period the item is idle. Fully depreciated assets and fully amortized assets still in use are retained in the separate financial statements.

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of comprehensive income in the period of retirement and disposal.

Investment Properties

Investment properties comprise completed property that are held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in the separate statements comprehensive of income in the period of retirement and disposal.

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

For a transfer from investment property to owner-occupied property or real estate for sale, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Transfers are made to (or from) investment property only when there is a change in use. For transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from real estate for sale to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss. The treatment of transfer from inventories to investment property that will be carried at fair value is consistent with the treatment of sale of real estate for sale.

Investment in an Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Investment in an associate is accounted for using the equity method of accounting.

Under the equity method of accounting, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of the profit or loss and other comprehensive income of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The separate statements of comprehensive income reflect the Company's share in the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share in profit or loss of the associate is shown in the separate statements of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiary of the associate.

The separate financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss in its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value, and then recognizes the loss as "Equity share in net loss of an associate" in the separate statement of comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI is reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the separate statements of comprehensive income.

Impairment of Non-financial Assets
The carrying amounts of investments, property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investment in Subsidiaries
Subsidiaries are entities over which the Company has control. The Company controls a subsidiary when it has power over the subsidiary; it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Company carries its investment in subsidiaries at cost.

The Company annually reassess whether it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control.

If the Company loses control over a subsidiary, it shall (i) derecognize the carrying value of the investment; (ii) recognize the fair value of the consideration received that resulted in the loss of control, distribution of shares of the subsidiary to owners in their capacity as owners or any investment retained in the former subsidiary at its fair value at the date the control is lost; (iii) reclassify to profit and loss or transfer to retained earnings, the amounts recognized in OCI in relation to the subsidiary; and (iv) recognize any resulting difference as gain or loss in the separate statements of comprehensive income in the year the control was lost.

Other Noncurrent Assets
Other noncurrent assets mainly include cost to obtain a contract, refundable deposits and escrow funds.

Security deposits. Security deposits represent deposits made in relation to installation of transformer for Primavera Residences and Primavera City utility.

Security deposits and escrow funds are classified as financial asset at amortized cost.

Cost to obtain a contract is discussed under contract balances policy.

Borrowings
Borrowings are initially recognized at fair value, net of any transaction costs, directly attributable to the issue of the instrument. Such liability is subsequently measured at amortized cost using the EIR method, which ensures that any finance cost over the period of repayment is at a constant rate on the balance of the liability carried in the separate statements of financial position.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as prepayment for liquidity services and amortized over the period of the facility to which it relates.

The Company classifies its borrowings as current liability if settlement is expected within one year or less, and the Company does not have unconditional right to defer settlement of the liability, and does not breach any loan provisions on or before the end of the reporting period. If not, these are presented as noncurrent liability.

Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Equity
Share Capital. Share capital includes common shares and preferred shares.

Common shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Preferred shares. Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the separate statements of comprehensive income as accrued.

Additional paid-in capital. When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained earnings. Retained earnings represent the cumulative balances of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as a reduction from equity.

Appropriated retained earnings. The appropriation of retained earnings is the designation of a portion of the unrestricted retained earnings for a stated and specific future purpose as determined and approved by the Company's BOD. The appropriation of retained earnings is presented separately in the separate statements of changes in equity and the specific details of the purpose of the appropriation are disclosed in the notes to the separate financial statements. The appropriated retained earnings may not be used for dividends.

When the objective of the appropriation is consummated, the appropriation is reversed.

Dividends. Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and approved by the Company's BOD.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense, including items previously presented under the separate statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to remeasurement gain (loss) on retirement benefits.

Revenue recognition

Revenue from Contract with Customers. The Company primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements. The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

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

In measuring the progress of its performance obligation over time, the Company uses the input method. The Company's revenue from real estate sales is recognized over time in proportion to the progress of the development. The Company measures its progress based on actual costs incurred to date relative to the total expected costs of the related real estate project.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "Contract asset" account in the asset section of the separate statements of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "Contract liabilities" account in the liabilities section of the statement of financial position.

The Company opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 (relief granted by SEC under Memorandum Circular No. 14 Series of 2018 and Memorandum Circular No. 3 Series of 2019) with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC.

Rental income. Revenue from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Other income. Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Forfeitures and cancelation of real estate contracts. Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contract sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act,* upon prescription of the period for the payment of required amortizations from defaulting buyers.

Cost and Expense Recognition

Cost of real estate sales. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold units being recognized as cost of sales while the portion allocable to the unsold units being recognized as part of real estate for sale.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

General and administrative expenses. General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Contract Balances

Installment contract receivable. An installment contract receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced and payments in excess of percentage of completion.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a buyer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to sales personnel on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the profit or loss.

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

Amortization and derecognition of capitalized costs to obtain a contract. The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Employee benefits

a. *Short-term benefits.* The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plan if the Company has present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

b. *Compensated absences.* Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and other payables account in the separate statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

c. *Retirement benefits.* Retirement benefit costs are determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

   The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

   Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

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

   The retirement liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as lessee. The Company enters into lease agreements as a lessee with respect to its office, parking space and staff house.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to the lease of the building and parking space. The lease liability is initially measured at the present value of the minimum lease payment at the commencement date, discounted by using the lessee's incremental borrowing rate (IBR) in the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The amortization period for the right-of-use asset is 2 years. The Company applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The lease liability and right-of-use asset are presented as a separate line in the separate statement of financial position.

Short-term leases. The Company also leases staff house which qualifies for a short-term lease (i.e., lease term of less than 12 months from the commencement date and do not contain a purchase option). The Company has elected the exemption under PFRS 16 for short-term lease. As a practical expedient, PFRS 16 permits the Company not to apply the new lessee accounting model to leases for which the lease term ends within 12 months after the date of initial application. For this lease, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the separate statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference 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, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company 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 measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Value-added Tax (VAT). Input VAT is the indirect tax paid by the Company on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted from the output VAT in arriving at the VAT due and payable. Claims for input VAT are stated at face value less provision for impairment, if any. Allowance for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Deferred input VAT. Deferred input VAT represents input VAT pertaining to unpaid purchases of services. This will be classified as input VAT upon payment and receipt of the official receipt.

<u>Provisions</u>
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

<u>Contingencies</u>
Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment information is disclosed in Note 29 of the financial statements.

Earnings per share (EPS)
Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income, and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Classifying financial instruments. The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

Classifying real estate for sale, investment properties and property and equipment. The Company determined whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgement, the Company considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes.

Determining the highest and best use of investment properties. The Company determines the highest and best use of its investment properties when measuring fair value. In making its judgement, the Company takes into account the use of the investment properties that is physically possible, legally permissible, and financially feasible. The Company has determined that the highest and best use of the investment properties is their current use.

Determination whether an arrangement contains a lease. At inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract gives the right to control the use of an identified asset (‘underlying asset’) for a period of time in exchange for consideration. The right to control the use of an identified asset can be split into: (1) the right to obtain substantially all of the economic benefits from use of an identified asset and (2) the right to direct the use of an identified asset.

Company as lessee. The Company has entered into operating lease agreements as a lessee.

Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Note 11.

The rent expense recognized from short-term lease for December 31, 2023 and 2022 amounted to ₱46,161 and ₱391,537, respectively (see Note 24).

Determining the lease term of contracts with renewal and termination options. Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company does not include the renewal period as part of the lease term for leases of office space with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

Existence of a contract. The Company’s primary document for a contract with a customer is a signed contract to sell, which contain all the criteria to qualify as contract with the customer under PFRS 15. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers’ computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer’s initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age of receivables and contract assets and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers’ equity before commencing revenue recognition.

Revenue recognition method and measure of progress. The Company concluded that revenue for real estate sales is to be recognized over time because (a) the Company’s performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company’s ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer’s continuing commitment and the probability that economic benefits will flow to the Company.

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

In addition, the Company exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the completed real estate assets to customers is satisfied over time or at a point in time. In making this judgment, the Company considers the delivery to and acceptance by the buyer of the completed property as a transfer of control at specific point in time since the Company does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Company's enforceable right for payment becomes due upon transfer of control over the real estate asset.

Identifying performance obligation. The Company has various contracts to sell covering its sale of condominium units and other real estate properties. The Company concluded that there is one performance obligation in each of these contracts. For the contract covering condominium unit, the developer has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included in this performance obligation is the Company's service to transfer the title of the real estate unit to the buyer.

Evaluating deferred tax. In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Incorporation of forward-looking information. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Definition of default and credit-impaired financial assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria

  The borrower is more than 90 days past due on its contractual payments, i.e., principal and/or interest, which is consistent with the regulatory definition of default.

- Qualitative criteria

  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenant(s);
  - An active market for that financial assets has disappeared because of financial difficulties;
  - Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty;
  - It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization; and
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default and exposure at default throughout the Company's expected loss calculation.

An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

Accounting Estimates and Assumptions
The key estimates and assumptions used in the separate financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Determining the timing of revenue recognition - Revenue recognition on real estate projects. The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenue. The Group's revenue from real estate is recognized based on the percentage of completion using input method. Apart from involving estimates in determining the quantity of materials, labor and equipment needed, the assessment process for the POC includes the technical determination by management's specialists (project engineers). This is also recognized overtime.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g., commission), is determined using the percentage of completion.

Determining the timing of revenue recognition - Revenue recognition on sale of investment properties. The Company assessed that the sale of investment properties are recognized at a point in time when the properties are fully completed and accepted by the buyer.

Sale of trade receivables. The Company has entered into an arrangement with a bank wherein it discounted its trade receivables with recourse. The Company believes that the sale transactions are not more than infrequent and that the receivables discounted is insignificant both individually and in aggregate. The Company continue with the objective of collecting contractual cash flows until maturity.

Estimating fair value of investment properties. The Company carries its investment properties at fair value, with changes in fair value being recognized in profit or loss except for investment properties under construction. The Company determined that its investment properties under construction is to be measured at cost. During its construction phase, fair value of the investment properties is not reliably measurable. Once the construction is complete, the Company engages annually independent qualified valuers to determine the fair value using appropriate valuation techniques. The appraiser used comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life.

The unrealized gain on fair value valuation measurement of investment properties recognized to profit or loss amounted to ₱236,270,101 and ₱101,785,299 in 2023 and 2022, respectively (see Note 26).

Fair value measurements. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Evaluation of impairment of financial assets under PFRS 9. The Company uses a matrix to calculate ECLs for trade receivables other than ICRs. The ECL rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The Company defines a financial instrument as in default when a customer is more than 90 days past due on its contractual obligations. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

As of December 31, 2023 and 2022, the allowance for ECL on financial assets and contract assets of the Company amounted to nil (see Note 7).

Management assessed and concluded that there is no impairment loss required to be recognized in 2023 and 2022.

Estimating NRV of real estate for sale. The Company reviews the NRV of real estate for sale and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate for sale amounted to ₱712,949,935 and ₱671,954,287 as at December 31, 2023, and 2022, respectively (see Note 8).

Impairment of nonfinancial assets. The Company assesses impairment on its nonfinancial assets (e.g., property and equipment and investment in associate) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Company's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Company is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

No impairment was recognized for the Company's nonfinancial assets as of December 31, 2023 and 2022.

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

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. It is possible, however, that future financial performance 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 property and equipment and would increase the recorded costs and expenses and decrease noncurrent assets.

There was no change in the useful life of property and equipment 2023 and 2022.

Estimation of retirement liability and costs. The determination of the Company's obligation and cost of retirement and other retirement benefits is dependent on the selection of certain assumptions used in calculating such amounts. The assumptions as described in Note 19 to the separate financial statements include, among others, discount rates, and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Company's retirement liability amounted to ₱15,349,863 and ₱11,036,090 as at December 31, 2023 and 2022, respectively (see Note 19).

Determination of the incremental borrowing rate used to measure lease liabilities. The measurement of the Company's lease liabilities depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to lessee's IBR which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Realizability of deferred tax assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods (see Note 28).

5. Cash

This account consists of:

	2023	2022
Cash on hand	**₱800,000**	₱622,881
Cash in banks	**167,929,821**	75,134,807
	₱168,729,821	₱75,757,688

Cash in banks earn interest at the prevailing bank deposit rates. Finance income earned from bank deposits amounted to ₱202,387 and ₱159,293 in 2023 and 2022, respectively (see Note 25).

There is no restriction on the Company's cash balances as at December 31, 2023 and 2022.

6. Contract Assets and Contract Liabilities

This account consists of:

	2023	2022
Contract assets	**₱848,790,926**	₱790,641,788
Contract liabilities	**(184,525,907)**	(50,513,441)
	₱664,265,019	₱740,128,347

Contract liabilities consists of excess collections over recognized receivables and contract assets based on percentage of completion. In 2023 additional contract liabilities amounted to ₱134.42 million, and revenue recognized amounted to ₱0.47 million. In 2022, additional contract liabilities amounted to ₱27.22 million, and revenue recognized amounted to ₱1.96 million.

7. Trade and Other Current Receivables

This account consists of:

	2023	2022
Trade receivables	**₱313,535,019**	₱194,250,249
Advances to officers and employees	**14,671,387**	15,863,520
Advances to suppliers and contractors	**5,810,128**	4,286,142
Others	**11,440,972**	3,275,059
	₱345,457,506	₱217,674,970

Trade receivables pertain to receivables from sale of condominium units. These receivables are interest-bearing and generally collectible in monthly installments over a period of 5 years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Finance income earned from receivables amounted to ₱324,344 and ₱333,999 in 2023 and 2022, respectively (see Note 25).

As of December 31, 2023 and 2022, trade receivables with carrying values of ₱89,419,244 and ₱99,983,341, respectively (the "assigned assets"), were assigned to a local bank as collateral for loans with outstanding balance of ₱78,990,000 and ₱87,525,000, respectively (see Note 18). These receivables will be assigned to the local bank in case of default by the Company.

Cash advances made to officers and employees are subject to liquidation upon utilization.

Advances to suppliers and contractors pertain to supply of goods and services in relation to the development activities of the Company. These advances are unsecured and non-interest bearing.

Movements in allowance for expected credit loss follow:

	Note	**2023**	2022
Beginning		**₱-**	₱5,698,770
Reversal	*26*	**-**	(5,698,770)
		₱-	₱-

Market value of real estate properties sold were considered as collateral for purposes of determining expected credit loss and its effect on amounts of ECL. No provision for expected credit loss was recognized in 2023 and 2022.

8. Real Estate for Sale

This account consists of:

	2023	2022
Raw land	**₱45,176,645**	₱45,176,645
Condominium units for sale	**94,308,386**	65,937,600
Assets under construction	**573,464,904**	560,840,042
Balance at end of year	**₱712,949,935**	₱671,954,287

The movements of this account are as follows:

	Note	**2023**	2022
Balance at beginning of year		**₱671,954,287**	₱596,969,195
Construction cost		**186,585,153**	224,960,548
Capitalized borrowing costs	*18*	**18,396,320**	15,246,053
Cost of real estate sales		**(102,688,926)**	(62,003,808)
Transfers to investment properties	*13*	**(73,152,899)**	(109,374,701)
Transfers to common areas		**11,856,000**	-
Transfer from investment properties	*13*	**-**	6,157,000
Balance at end of year		**₱712,949,935**	₱671,954,287

Raw land
Raw land pertains to parcels of land acquired by the Company for future development projects that are intended for sale.

Land for future developments are free from any liens and were not pledged as a security for borrowings.

Condominium units for sale
Condominium units for sale pertain to unsold and completed units of *Primavera City Phase 1*. *Primavera City* is a complex of mixed-use residential and commercial building composed of seven (7) towers with passive and active green features and utilizing a massive solar panel array at the building's rooftop located at Macapagal Corner Materson Avenue, Pueblo de Oro Business Park, Brgy. Upper Carmen, Cagayan de Oro City, Islands of Mindanao. The land for Primavera City project consists of seven (7) lots with a total lot area of 6,558 square meters. The construction will be divided into four (4) phases, of which Primavera City Phase 1 was 100% completed and ready for occupancy. Primavera City Phase 1 is partially financed by loan from Development Bank of the Philippines, collateralized by lot 6 and 7 as at December 31, 2023 and 2022.

Assets under construction
Assets under construction consist of land and project development cost of ongoing real estate project of the Company. As at December 31, 2023, this account includes the land and development costs of *Primavera City Phase 2 and Miramonti Phase 1*. *Miramonti* is a nature-inspired development derived from sponges, an integrated mixed-use development dedicated for commercial areas, parking, offices, and residential spaces. Miramonti project will offer multifunctional room, fitness center, swimming pool, sky garden, playground and a 24/7 hour reception to its residents. Miramonti project is strategically located adjacent to the Manila-Batangas Expressway, the Southern Tagalog Arterial Road ("STAR") Tollway, and direct access by the existing expressway exit.

Miramonti project is partially financed by the loan from Land Bank of the Philippines amounting to ₱572.04 million for 2023. The loan is collateralized by real estate mortgage on the Company's land in Cagayan de Oro with total land area of 2,057 sqm (see Note 18).

Primavera City Phases 1 and 2 are partially financed by the loan from Development Bank of the Philippines amounting to ₱295.15 million for 2022. The loan is collateralized by real estate mortgage on the Company's land in Cagayan de Oro with total land area of 1,874 sqm (see Note 18).

Miramonti is financed by a ₱256.87 million loan from Land Bank of the Philippines, collateralized by real estate mortgage on the Company's land with total area of 2,057 sqm (see Note 18).

The Company has no purchase commitments pertaining to its real estate inventories as at December 31, 2023 and 2022. As at December 31, 2023 and 2022, real estate for sale is stated at cost which is lower than its NRV.

9. Other Current Assets

The account consists of:

	2023	2022
Input VAT	**₱176,616,858**	₱139,553,950
Deferred input VAT	**56,436,175**	34,874,414
Prepaid tax	**47,024,861**	27,380,827
Prepaid rent	**4,634,316**	4,559,316
Others	**1,593,759**	1,524,965
	₱286,305,969	₱207,893,472

10. **Property and Equipment**

The roll forward analysis of this account follows:

	Note	**Office space**	**Furniture and fixtures**	**Transportation equipment**	**Office software and equipment**	**Leasehold improvements**	**Computer Equipment**	**Total**
Costs								
At December 31, 2021		₱7,323,240	₱5,819,932	₱8,555,342	₱10,293,299	₱1,982,124	₱-	₱33,973,937
Additions		-	151,761	5,715,498	1,667,179	-	-	7,534,438
Disposal		-	-	(444,697)	(625,234)	-	-	(1,069,931)
At December 31, 2022		7,323,240	5,971,693	13,826,143	11,335,244	1,982,124	-	40,438,444
Additions		-	650,559	-	1,170,561	8,929	193,721	2,023,770
At December 31, 2023		7,323,240	6,622,252	13,826,143	12,505,805	1,991,053	193,721	42,462,214
Accumulated depreciation and amortization								
At December 31, 2021		7,323,240	4,947,018	5,447,860	5,737,137	1,550,444	-	25,005,699
Depreciation and amortization		-	184,127	842,111	2,442,770	244,540	-	3,713,548
Disposal		-	-	(444,697)	(625,234)	-	-	(1,069,931)
At December 31, 2022		7,323,240	5,131,145	5,845,274	7,554,673	1,794,984	-	27,649,316
Depreciation and amortization			122,286	1,159,884	1,163,071	51,020	-	2,496,261
At December 31, 2023		7,323,240	5,253,431	7,005,158	8,717,744	1,846,004	-	29,187,262
Carrying amount								
At December 31, 2022		₱-	₱840,548	₱7,980,869	₱3,780,571	₱187,140	₱-	₱12,789,128
At December 31, 2023		**₱-**	**₱1,368,821**	**₱6,820,985**	**₱3,788,061**	**₱145,049**	**₱193,721**	**₱12,316,637**

The Company's transportation equipment with carrying amounts of ₱6,820,985 and ₱7,980,869 as at December 31, 2023 and 2022, respectively, were subjected to chattel mortgages for the loans obtained from a local bank (see Note 18).

The cost of fully depreciated property and equipment still in use amounted to ₱7,323,240 as at December 31, 2023 and 2022. Except for the assets subjected to chattel mortgage above, no other property and equipment is restricted nor pledged as security for the Company's liabilities.

All of the Company's property and equipment have been reviewed for impairment. Based on management's evaluation, there was no indication of impairment on property and equipment as at December 31, 2023 and 2022.

Depreciation and amortization is composed of the following:

	Note	2023	2022
Property and equipment		**₱2,496,261**	₱3,713,548
Right of use assets	11	**1,667,051**	1,667,051
	24	**₱4,163,312**	₱5,380,599

11. **Right-Of-Use Asset**

Details of this account follow:

Cost	**2023**	2022
Balance at beginning of the year	**₱7,197,369**	₱3,863,267
Additions	**-**	3,334,102
Balance, end of year	**7,197,369**	7,197,369
Accumulated Depreciation		
Balance at beginning of the year	**5,530,318**	3,863,267
Depreciation	**1,667,051**	1,667,051
Balance, end of year	**7,197,369**	5,530,318
Net carrying amount, December 31	**₱-**	₱1,667,051

In 2018, the Company entered lease contract with Terrace 28 Corporation for the Company's office and parking space. The term of the lease is for three (3) years starting March 1, 2018 until February 28, 2021. Monthly rental for the Office Space and Parking Space is ₱250,000 and ₱16,050, respectively. This is subject to escalation of 5% commencing on the 3rd year of the lease contract. The lease was renewed for one year until February 28, 2022.

On March 1, 2022, the Company renewed the lease contract for two years commencing from March 1, 2022 to February 28, 2024 with quarterly rental of ₱428,200.

Amount recognized in profit and loss:	Note	**2023**	2022
Interest expense of lease liabilities	17	**₱6,379**	₱86,719
Depreciation expense of right-of-use assets	24	**1,667,051**	1,667,051
Expense relating to short term lease	24	**46,161**	391,537
		₱1,719,591	₱2,145,307

12. **Investments in Subsidiaries and an Associate**

This account consists of:

	Note	Financial year-end	**Carrying amount** 2023	2022
IDC Homes Inc.		December 31	**₱1,000,000**	₱1,000,000
IDC Prime Inc.		December 31	**1,000,000**	1,000,000
Prima Management Corporation		December 31	**1,000,000**	62,500
			3,000,000	2,062,500
Investment in an associate	14		**1,266,205**	2,657,491
			₱4,266,205	₱4,719,991

The Company holds 99.92% ownership interest in common shares in IDC Homes Inc. and IDC Prime Inc. These entities were incorporated in the Philippines and registered with Philippine SEC on August 19, 2019, which are engaged in the development of real estate, mass community and low-cost housing, townhouses and row houses development, residential subdivision, condominiums, buildings and other massive horizontal and vertical developments, hotels, shopping malls and leisure parks, resorts, and property management.

Prima Management Corporation (PMC), wholly owned by the Company, was also incorporated, and registered with the SEC on February 23, 2022. PMC is engaged in providing management and technical advice for commercial, industrial, manufacturing, and other kinds of enterprises; and to undertake, carry on, assist or participate in the promotion, organization, management, liquidation or reorganizations or corporations, partnerships and other entities.

The management concluded that there is no impairment required as the recoverable amount is higher than the carrying amount.

The subsidiaries registered principal office is located at Unit C BPI-Philamlife Building, 6811 Ayala Avenue, Makati City Philippines.

The subsidiaries are not yet operating, but project development costs have started as of December 31, 2023.

13. Investment Properties

This account consists of:

	2023	2022
Primavera Properties:		
Residential	**₱69,497,029**	₱13,167,000
Office	**535,135,158**	479,495,314
Commercial	**145,783,353**	150,138,031
Parking space	**20,350,000**	20,350,000
Miramonti Properties:		
Residential	**105,090,426**	-
Commercial	**229,160,450**	219,280,726
Total	**₱1,105,016,416**	₱882,431,071

The movements of this account are as follows:

	Note	2023	2022
At January 1		**₱882,431,071**	₱725,004,701
Transfers from real estate inventories	*8*	**73,152,899**	109,374,701
Transfers to common area		**(11,856,000)**	-
Transfer to real estate inventories	*8*	**-**	(6,157,000)
Capitalized borrowing cost	*18*	**28,149,461**	10,726,669
Unrealized gain from fair market value measurement	*26*	**236,270,101**	101,785,299
Investment property sold		**(103,131,116)**	(58,303,299)
At December 31		**₱1,105,016,416**	₱882,431,071

On August 18, 2023 and October 19, 2022, the Company's BOD approved the reclassification in the books and separate financial statements of the Company of the inventory consisting of office and commercial units previously classified as real estate for sale to investment properties.

Investment properties consist of residential converted to commercial units, commercial and parking space which are held for leasing.

As at December 31, 2023, the fair value of the properties is based on the valuation performed by an accredited independent valuer. The valuation technique adopted for the measurement of fair value of the investment properties is the sales comparison approach. This is a comparative approach that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market.

Movements of the cumulative gain on change in fair value are as follows:

	Note	**2023**	2022
At January 1		**₱526,410,043**	₱501,540,560
Remeasurement recognized in profit or loss	*26*	**236,270,101**	101,785,299
Realized gain due to disposal		**(79,059,630)**	(76,915,816)
At December 31		**₱683,620,514**	₱526,410,043

The fair value hierarchy measurement of the investment properties are as follows:

2023	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
Investment properties			
Date of valuation: **December 31, 2023**	**₱-**	**₱-**	**₱1,037,720,000**

2022	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
Investment properties			
Date of valuation: December 31, 2022	₱-	₱-	₱839,627,000

There were no transfers between level 1, level 2, and level 3 during the year.

The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are as follows:

Property	Valuation technique	Significant unobservable inputs	Range **2023**	Range 2022	Relationship of unobservable input to fair value
Primavera Project	Sales Comparison Approach	Unit value (price per square meter)	**₱74,000 to 143,000**	₱74,000 to 143,000	The higher the price per square meter, the higher the fair value

Property	Valuation technique	Significant unobservable inputs	Range **2023**	Range 2022	Relationship of unobservable input to fair value
Miramonti Project	Sales Comparison Approach	Unit value (price per square meter)	**₱122,000 to 137,000**	₱122,000 to 137,000	The higher the price per square meter, the higher the fair value

In 2023 and 2022, the Company sold investment properties with carrying value of ₱103,131,116 and ₱58,303,299, respectively, which resulted in gain on sale amounting to ₱10,064,737 and ₱47,761,760, respectively (see Note 26).

Rental income on investment properties amounted to ₱282,150 and ₱2,642,923 in 2023 and 2022, respectively (see Note 26).

Expenses incurred in relation to investment properties amounted to ₱11.09 million and ₱9.10 million in 2023 and 2022, respectively.

The Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

14. Investment in an Associate

The movements in investment are as follows:

	Note	**2023**	2022
Balance, beginning of year		**₱2,657,490**	₱3,784,430
Share in net loss for the year		**(1,391,286)**	(1,126,940)
Balance, end of year	*12*	**₱1,266,204**	₱2,657,490

The Company holds a 25% ownership in common shares of Constellation Energy Corporation (CEC) acquired at total costs of ₱5,000,000. CEC was incorporated in the Philippines on June 24, 2008. It is engaged in the development of renewable energy facilities to provide clean sources of power and assure a stable supply of electricity. CEC's portfolio of projects currently includes projects in Oriental Mindoro and Negros Oriental, some of which are held 100% by Constellation and some under development with key partners.

The associate's registered principal office is located at Unit 28C BPI-Philamlife Building, 6811, Ayala Avenue, Makati City, Philippines.

The separate financial statements of CEC are prepared for the same reporting period as that of the Company.

The Company's share interest in CEC is accounted for using the equity method.

The summarized financial information of CEC as at and for the years ended December 31, 2023 and 2022 are as follows:

<u>Separate statements of financial position</u>

	2023	2022
Current assets	**₱1,601,336**	₱5,544,631
Noncurrent assets	**5,242,784**	6,574,822
Current liabilities	**(1,779,302)**	(1,489,489)
Net assets	**₱5,064,818**	₱10,629,964

<u>Separate statements of comprehensive income</u>

	2023	2022
Income	**₱74,295**	₱273,002
Expenses, net	**(2,923,202)**	(4,780,761)
Loss after tax	**(₱2,848,907)**	(₱4,507,759)

<u>Reconciliation of summarized financial information</u>

Reconciliation of the summarized financial information presented to the carrying amount of the Company's interest in an associate, is as follows:

	2023	2022
Net asset	**₱5,064,818**	₱10,629,965
Company's share of net asset (25% equity interest)	**1,266,205**	2,657,491

15. Other Noncurrent Assets

The account consists of:

	2023	2022
Cost to obtain a contract	**₱19,887,301**	₱23,447,402
Security deposits	**7,906,243**	7,906,243
Escrow funds	**5,315,103**	5,194,377
Others	**203,757**	203,756
	₱33,312,404	₱36,751,778

Security deposits pertain mainly to deposit to CEPALCO for installation of 6x250 kilovolt-Ampere (kVA) transformer for Primavera Residences and Primavera City utility and rentals.

Escrow funds pertain to trust fund held for condominium corporations.

The movements of cost to obtain a contract are as follows:

	Note	2023	2022
Balance at the beginning of the year		**₱23,447,402**	₱23,280,017
Additions		**11,334,973**	5,097,910
Amortization	*23*	**(14,895,074)**	(4,930,525)
Balance at the end of the year		**₱19,887,301**	₱23,447,402

16. Trade and Other Current Payables

The account consists of:

	2023	2022
Trade payables	**₱737,050,870**	₱783,750,139
Government liabilities	**114,371,864**	87,253,092
Miscellaneous fees payable	**43,617,734**	35,279,004
Accruals and other payables	**46,383,285**	48,300,200
	₱941,423,753	₱954,582,435

Trade payables primarily consist of liabilities to contractors for the costs of development and construction of the Company's real estate projects. Trade and other payables are non-interest bearing and are generally on a 30-60 days term.

Government liabilities pertain to the Company's expanded withholding tax, output tax, deferred output tax, and statutory contributions payable including SSS, HDMF and PHIC.

Miscellaneous fees payable represents amounts collected in advance by the Company from the unit owners which will be used to settle the taxes and fees that will be incurred in the transfer of the condominium title under the name of the unit owners.

Accruals and other payables include advances from buyers and advance rental from leasing services and revolving fund.

17. Lease Liabilities

Movements and details of this account are as follows:

	Note	2023	2022
Balance at the beginning of the year		**₱1,707,221**	₱-
Additions		**-**	3,334,102
Accretion of interest	*18*	**6,379**	86,719
Payments		**(1,713,600)**	(1,713,600)
Balance at end of the year		**-**	1,707,221
Noncurrent portion		**-**	-
Current portion		**₱-**	₱1,707,221

Maturity Analysis	**2023**	2022
Year 1	**₱-**	₱1,713,600
Less: Unearned interest	**-**	(6,379)
	₱-	₱1,707,221

Analyzed as:	**2023**	2022
Noncurrent	**₱-**	₱-
Current	**-**	1,707,221
	₱-	₱1,707,221

The Company leases office building and parking space with Terrace 28 Corporation located in BPI Philamlife Building, 6811 Ayala Ave, Makati, Metro Manila without a purchase option. The Company's obligations are secured by the lessors' assets for such leases.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities:

Lease liabilities	**2023**	2022
At beginning of the year	**₱1,707,221**	₱-
Noncash changes (i)	**6,379**	3,420,821
Financing cash flows (ii)	**(1,713,600)**	(1,713,600)
At end of the year	**₱-**	₱1,707,221

(i) Non-cash changes represent the recognition of lease liabilities corresponding to right-of-use assets
(ii) Financing cash flow comprises the lease payment made during the year

18. **Borrowings**

This account consists of outstanding loans as at December 31, 2023 and 2022.

Movements of this account are as follows:

	2023	2022
Balance at beginning of year	**₱653,998,895**	₱638,412,307
Availments	**895,668,194**	365,732,450
Payments	**(562,125,820)**	(350,145,862)
Balance at end of year	**987,541,269**	653,998,895
Less: Current portion of loans payable	**431,308,336**	317,690,493
Long term portion of loans payable	**₱556,232,933**	₱336,308,402

Details and outstanding balances of loans from local banks as at December 31 follow:

Banking Institution	Purpose	Terms/Maturities	Security/Covenant	Effective interest rate (per annum)	**2023**	2022
Development Bank of the Philippines (DBP)	Construction of Primavera Twin Tower Project	Interest and principal payable quarterly	Real estate properties	5.5% - 7.5%	**₱358,394,811**	₱295,149,734
Land bank of the Philippines (LBP)	Construction project	Interest and principal payable quarterly	Real estate properties	6% - 6.5%	**572,041,458**	256,874,355
Security Bank	Car Loan	Interest and principal payable monthly	Secured by a chattel mortgage and auto loan	8.17% -8.81%	**57,105,000**	52,769,626
United Coconut Planters Bank (UCPB)	Working capital requirement	Interest payable monthly, principal payable upon maturity	Entered under suretyship	6.0%	**-**	46,255,050
Banco De Oro (BDO)	Car Loan	Interest and principal payable monthly	Secured by a chattel mortgage	8.96%	**-**	2,950,130
					₱987,541,269	₱653,998,895

Loans from LBP were used to partially finance the Miramonti project. These loans are secured by real estate mortgage on the Group's land with total area of 2,057 sqm (see Note 8) and assigned receivables (see Note 7).

Loans from UCPB were obtained to augment working capital requirements. These loans are secured by office units, residential units, and commercial units of Primavera Residences. On March 1, 2022, the merger of LBP and UCPB, with LBP as the surviving entity, took effect. Accordingly, in 2023, the UCPB loan was transferred to LBP.

Loans from DBP were used to partially finance the development and construction of Primavera City project Phase 1 and 2. These loans are secured by real estate mortgage on the Company's land for Primavera City Project with total area of 1,874 sqm (see Note 8).

The Company has neither incurred any default nor were the terms of the loans renegotiated for the years ended December 31, 2023 and 2022.

The loan agreements contain some or all of the following debt covenants/restrictions: maintenance of current ratios, debt to equity ratios, guarantees or advances; encumbrance for borrowed money, and sale of assets. The debt covenants, restrictions and requirements were complied with by the Company as of December 31, 2023 and 2022.

Details of borrowing cost follow:

	Note	**2023**	2022
Capitalized as real estate for sale	*8*	**₱18,396,320**	₱15,246,053
Capitalized as investment properties	*13*	**28,149,461**	10,726,669
Charge to finance cost		**4,738,998**	16,870,788
		₱51,284,779	₱42,843,510

Details of borrowing cost charged to profit or loss follow:

	Note	**2023**	2022
Borrowing cost charge to finance cost		**₱4,738,998**	₱16,870,788
Interest expense of lease liabilities	*24*	**6,379**	86,719
Others		**150**	39,601
		₱4,745,527	₱16,997,108

19. **Retirement Benefit Obligation**

The Company's retirement benefit obligation is computed based on the provision of Republic Act (RA) No. 7641. RA No. 7641 shall apply to all employees of at least five (5) years minimum service in the private sector, regardless of their position, designation, or status and irrespective of the method by which their wages are paid.

Pursuant to this provision, a covered employee who retires 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. The Company's accrual of retirement fund is non-trusteed and is unfunded.

The movements in retirement benefit obligation are as follow:

	2023	2022
Balance at January 1	**₱11,036,090**	₱10,715,065
Current service cost	**1,175,429**	911,818
Interest cost	**667,598**	789,046
Remeasurement loss (gain)	**2,470,746**	(1,379,839)
Balance at December 31	**₱15,349,863**	₱11,036,090

The components of retirement benefits charged to operations are as follows:

	2023	2022
Current service cost	**₱1,175,429**	₱911,818
Net interest cost	**667,598**	789,046
	₱1,843,027	₱1,700,864

The cumulative remeasurement gain recognized in other comprehensive income follows:

	2023		
	Accumulated remeasurement gain	**Deferred tax asset (liability)** *(Note 28)*	**Net**
Balance at January 1	**₱3,566,418**	**(₱891,605)**	**₱2,674,813**
Remeasurement loss	**(2,470,746)**	**617,687**	**(1,853,059)**
Balance at December 31	**₱1,095,672**	**(₱273,918)**	**₱821,754**

	2022		
	Accumulated remeasurement gain	Deferred tax asset (liability) *(Note 28)*	Net
Balance at January 1	₱2,186,579	(₱546,645)	₱1,639,934
Remeasurement gain	1,379,839	(344,960)	1,034,879
Balance at December 31	₱3,566,418	(₱891,605)	₱2,674,813

The assumptions used to determine retirement liability are as follows:

	2023	2022
Discount rate	**7.29%**	7.36%
Salary increase rate	**5.00%**	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions are as follows:

	Increase (Decrease)	**Effect on retirement liability**	
		2023	2022
Discount rate	+1	**₱1,958,745**	**(₱1,400,739)**
	-1	**(2,400,566)**	**1,663,573**
Salary increase rate	+1	**(2,875,764)**	**1,720,807**
	-1	**(4,433,340)**	**(1,466,404)**

The Company does not expect to pay retirement benefits within 1-10 years.

20. Equity

a) Share capital

	2023		2022	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized				
Common Shares - ₱0.50 par value per share	**1,300,000,000**	**₱650,000,000**	1,300,000,000	₱650,000,000
Preferred Shares - ₱0.50 par value per share	**100,000,000**	**50,000,000**	100,000,000	50,000,000
	1,400,000,000	**₱700,000,000**	1,400,000,000	₱700,000,000
Issued and outstanding				
Common Shares - ₱0.50 par value per share	**629,578,795**	**314,789,398**	629,568,795	314,784,398
Preferred Shares - ₱0.50 par value per share	**-**	**-**	-	-
	629,578,795	**₱314,789,398**	629,568,795	₱314,784,398

b) Additional paid-in capital

Additional paid-in capital arises when the amount subscribed for share capital is in excess of the par value.

The issuance of 57,622,000 shares by way of an IPO on December 7, 2015 resulted to an increase in share premium. Details are as follows:

Gross proceeds		₱207,440,000
Offer expenses		
Underwriting and selling fees for the offer shares	**749,456**	
Taxes to be paid by the Company	**9,742,930**	
Philippine SEC filling and legal research fees	**41,076**	
PSE listing and processing fees inclusive of VAT	**3,052,119**	
Professional fees	**837,996**	
Out-of-pocket and other expenses	**1,804,644**	(16,228,221)
Net proceeds		191,211,779
Share capital		(28,811,000)
		162,400,779
Expenses related to IPO		(5,271,535)
Net share premium		**₱157,129,244**

c) *Retained earnings*

On November 26, 2021, following the Company's application for the increase in authorized share capital, the SEC approved and authorized the issuance of 195,383,420 common shares to cover the stock dividends declared on September 25, 2020. Payment date is on January 14, 2022.

On September 28, 2022, the BOD approved the appropriation of retained earnings amounting to ₱300,000,000 for future development.

d) *Details and movements of shares listed with PSE*

The Company has issued and outstanding common share capital of 629,578,795 amounting to ₱314,784,398 for December 31, 2023 and 2022.

The details and movement of the shares listed with PSE follows:

Date of SEC approval	Type of issuance	No. of shares issued	Issue/Offer Price
2015	Initial public offering	57,622,000	3.6
2017	Stock dividends	26,000,502	0.5
2019	Stock dividends	29,267,876	0.5
2021	Stock dividends	195,383,420	0.5

21. Related Party Transactions

The details of the Company's related parties are summarized as follows:

Name of related party	Relationship	Country of incorporation
IDC Homes Inc.	Subsidiary	Philippines
IDC Prime Inc.	Subsidiary	Philippines
Prima Management Corporation	Subsidiary	Philippines
Constellation Energy Corporation (CEC)	Associate	Philippines
Primavera Residences Condominium Corporation (PRCC)	Affiliate	Philippines
Individuals	Key management personnel/shareholders	-

PRCC was initially incorporated and registered with SEC to be the Condominium Corporation for the Primavera Residences project. The Company owns certain units at the Primavera residences and participates as a member of the affiliate's BOD.

Outstanding balances and significant transactions with related parties are as follows:

	Advances to related parties		Transactions	
	2023	2022	**2023**	2022
Subsidiaries				
IDC Homes Inc.	**₱23,422,749**	₱101,434	**₱23,321,315**	₱41,469
IDC Prime Inc.	**96,181,228**	250,711	**95,930,517**	14,436
Prima Management Corporation	**6,153,863**	792,104	**5,361,759**	792,104
Individuals				
Shareholders	**22,406,008**	39,628,564	**(17,222,556)**	(5,983,914)
	₱148,163,848	₱40,772,813		

	Advances from related parties		Transactions	
	2023	2022	**2023**	2022
Associate				
CEC	**₱16,000,000**	₱16,356,490	**(₱356,490)**	₱49,716

The outstanding balances of advances to and from related parties are unsecured, has no collateral and will be settled through cash or subject to liquidation.

Advances to subsidiaries are intended for property development costs. The balance of advances to PRCC and CEC as at December 31, 2023 and 2022 pertain to expenses paid by the Company on behalf of PRCC and CEC. The Company also made advances to a major stockholder for the purpose of installing facilities in the Company's projects and providing services that would help achieve the Company envisioned project design. These cash advances are non-interest bearing, unsecured and are subject to liquidation upon utilization. Based on management's assessment, there is no indication of impairment and the carrying values of these advances to shareholders are deemed realizable as at December 31, 2023 and 2022.

Key management compensation amounted to ₱28.48 million and ₱26.7 million in 2023 and 2022, respectively. The retirement benefit expense for key management personnel amounted to ₱1.09 million and ₱0.78 million in 2023 and 2022, respectively.

22. **Net Sales**

The Company derives revenue from transfer of goods over time and at a point in time in different geographical locations. The Company's disaggregation of each sources of revenue from contracts with customers are presented below:

Geographical location	**2023**	2022
Cagayan De Oro	**₱270,096,597**	₱148,026,961
Batangas	**24,733,994**	40,990,816
	₱294,830,591	₱189,017,777

Revenue recognized from sale of real estate as at December 31:

	2023	2022
Overtime	**₱265,449,708**	₱116,466,379
Point in time	**29,380,883**	72,551,398
	₱294,830,591	₱189,017,777

The transaction price allocated to the remaining performance obligations are expected to be recognized within three to five years, from start of construction.

23. **Cost of Sales**

The account consists of:

	2023	2022
Cost of sales – completed units	**₱109,333,669**	₱55,837,198
Cost of sales – uncompleted units	**23,230,965**	33,658,293
	₱132,564,634	₱89,495,491

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus full development costs, which include estimated costs for future development as determined by the Company.

Amortization of cost to obtain a contract amounting to ₱14,895,074 and ₱4,930,525 was charged to Cost of sales in 2023 and 2022, respectively (see Note 15).

24. General and Administrative Expenses

This account consists of:

	Note	2023	2022
Salaries and other employee benefits		**₱48,443,115**	₱17,814,629
Taxes and licenses		**19,054,588**	8,281,825
Legal and professional fees		**15,791,860**	12,895,366
Commission		**7,040,003**	14,689,201
Advertising and marketing		**7,033,702**	9,388,405
Depreciation and amortization	*10*	**4,163,312**	5,380,599
Communication, light and water		**3,567,133**	3,829,070
Representation and entertainment		**3,171,108**	6,999,854
Transportation and travel		**2,800,146**	3,652,781
SSS, Philhealth and HDMF contributions		**1,780,587**	2,521,761
Dues and subscription		**1,530,126**	1,442,116
Repairs and maintenance		**1,093,211**	2,388,078
Insurance		**1,011,767**	1,242,634
Office supplies		**893,535**	838,033
Donations		**762,629**	309,908
Bank charges		**396,321**	4,001,641
Contractual service fees		**153,500**	1,359,452
Rental	*27*	**46,161**	391,537
Trainings and seminars		**44,991**	107,772
Miscellaneous		**8,816,541**	7,830,745
		₱127,594,336	₱105,365,407

Miscellaneous pertain mainly to penalties for the buyback loan agreement.

25. Finance Income

The account consists of:

	Note	2023	2022
Cash in banks	*5*	**₱202,387**	₱159,293
Trade receivables	*7*	**324,344**	333,999
		₱526,731	₱493,292

26. Other Operating Income, Net

The account consists of:

	Note	2023	2022
Unrealized gain from fair market value measurement	*13*	**₱236,270,101**	₱101,785,299
Gain on sale of investment properties	*13*	**10,064,737**	47,761,760
Rental income	*13*	**282,150**	2,642,923
Others		**4,730,043**	31,571,573
		₱251,347,031	₱183,761,555

Others pertain mainly to forfeited collections from cancelled sales. Also in 2022, the Company recorded reversal of expected credit loss under other income (Note 7).

27. Commitments and Contingencies

Leases. Company as lessee

The Company rents its office located at Unit 28C, 28th Floor, BPI Philam-Life Building, 6811 Ayala Avenue, Makati City together with two parking slots in the building.

The lease is for a period of two years commencing from March 1, 2022 to February 28, 2024 with quarterly rent of ₱428,200.

The Company's future minimum lease payment are as follows:

	2023	2022
Within one year	**₱-**	₱1,713,600
After one year but not more than five years	**-**	-
	₱-	₱1,713,600

Right of use assets and lease liabilities recognized are disclosed in Notes 11 and 17, respectively.

Short-term and leases of low-value assets

The Company leases staff houses with average term of one to three months. Rent expense from this lease amounted to ₱46,161 and ₱391,537 in 2023 and 2022, respectively (see Note 24).

Leases. Company as Lessor

The Company entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Rental income on these operating leases for the years ended December 31, 2023 and 2022 are disclosed in Note 26.

Subcontractors

The Company entered into various subcontractors agreement for the supply of goods and services related to the development and construction of its real estate projects. The Company made advances to its suppliers to mobilize the construction activities.

28. Income Taxes

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act
On March 26, 2021, the President signed into law Republic Act No. 11534 or the CREATE Act. The law, which became effective on April 11, 2021, introduces reforms to corporate income taxes and incentive systems in the country by implementing certain changes to the current tax regulations.

The CREATE Act resulted to the reduction of the Company's tax rate from 30% to 25% and MCIT from 2% to 1% of gross income for 3 years effective July 1, 2020.

Effective July 1, 2023, the MCIT rate returned to its old rate of Two Percent (2%) based on the gross income of the corporation.

The income tax expense consists of:

	2023	2022
Current	**₱12,328,414**	₱31,422,875
Deferred	**58,262,987**	10,149,628
	₱70,591,401	₱41,572,503

The current provision for corporate income tax in 2023 and 2022 represents regular corporate income tax.

Reconciliation between the provision for income tax at the statutory tax rate and the actual provision for income tax for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Income before income tax	**₱280,408,570**	₱160,287,678
Statutory income tax at statutory tax rate	**₱70,102,143**	₱40,071,920
Tax effects of:		
Equity share in net loss of an associate	**347,821**	281,735
Non-deductible expenses	**192,034**	1,258,671
Income subject to final tax	**(50,597)**	(39,823)
	₱70,591,401	₱41,572,503

The components of deferred tax assets (liabilities) as at December 31, 2023 and 2022 are as follow:

	2023	Credited (charged) to profit or loss	Credited (charged to OCI)	2022	Credited (charged) to profit or loss	Credited (charged to OCI)
Deferred tax assets						
Capitalized commission net of amortization	**₱12,016,920**	**₱1,796,151**	**₱-**	₱10,220,769	(₱204,502)	₱-
Retirement benefit obligation	**3,837,467**	**460,757**	**617,687**	2,759,023	425,216	(344,960)
Gross profit on advances	**275,278**	**-**	**-**	275,278	-	-
Difference between cash paid over interest and depreciation – PFRS 16	**-**	**-**	**-**	10,043	10,043	-
MCIT	**-**	**-**	**-**	-	-	-
Allowance for expected credit loss	**-**	**-**	**-**	-	(1,424,692)	-
NOLCO	**-**	**-**	**-**	-	(398,248)	-
	16,129,665	**2,256,908**	**617,687**	13,265,113	(1,592,183)	(344,960)
Deferred tax liabilities						
Unrealized gain on fair value of investment properties	**(170,905,128)**	**(39,302,617)**	**-**	(131,602,511)	(6,217,371)	-
Difference between tax and book basis for real estate transactions	**(72,182,676)**	**(12,368,347)**	**-**	(59,814,329)	2,870,291	-
Capitalized interest (borrowing cost)	**(21,651,091)**	**(8,838,888)**	**-**	(12,812,203)	(5,210,365)	-
Difference between cash paid over interest and depreciation – PFRS 16	**-**	**(10,043)**	**-**	-	-	-
	(264,738,895)	**(60,519,895)**	**-**	(204,229,043)	(8,557,445)	-
	(₱248,609,230)	**(₱58,262,987)**	**₱617,687**	(₱190,963,930)	(₱10,149,628)	(₱344,960)

29. Operating Segment

The Company is organized into one reportable segment which is the development and sale of real estate. The Company also has one geographical segment and derives all its revenues from domestic operations. All the Company's activities are interrelated, and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial information about the sole business segment is equivalent to the separate financial statements of the Company.

30. Earnings per Share

The financial information pertinent to the derivation of the basic and diluted earnings per share for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Net income for the year	**₱209,817,169**	₱118,715,175
Weighted average number of shares outstanding used for computation of diluted income per share	**629,568,795**	629,568,795
Basic earnings per share	**₱0.33**	₱0.19
Diluted earnings per share	**₱0.33**	₱0.19

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the period.

The Company has no dilutive potential ordinary shares for the years ended December 31, 2023 and 2022.

Average number of shares outstanding used for the computation of basic earnings per share and diluted earnings per share:

	Number of shares outstanding		Weighted average number of shares	
	2023	2022	2023	2022
December 31, 2022 and 2023	**629,568,795**	629,568,795	**629,568,795**	629,568,795

31. Supplemental Information on the Computation of Earnings Before Interests, Taxes, Depreciation, and Amortization (EBITDA)

Computation of EBITDA for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Net income	**₱209,817,168**	₱118,715,175
Add:		
Provision for income tax	**70,591,401**	41,572,503
Finance cost	**4,745,527**	16,997,108
Depreciation and amortization	**4,163,310**	5,380,599
Finance income	**(526,731)**	(493,292)
	₱288,790,675	₱182,172,093

32. Supplemental Disclosure on Cash Flow Information

Reconciliation of liabilities arising from financing activities:

	2023	2022
Borrowings		
At January 1	**₱653,998,895**	₱638,412,307
Loan acquisition	**895,668,194**	365,732,450
Repayments	**(562,125,820)**	(350,145,862)
At December 31	**₱987,541,269**	₱653,998,895

33. **Financial Instruments**

The following table shows the classification, carrying values and fair values of the Company's financial assets and financial liabilities as at December 31:

	2023		2022	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Financial assets at amortized costs				
Cash	**₱168,729,821**	**₱168,729,821**	₱75,757,688	₱75,757,688
Contract assets	**848,790,926**	**848,790,926**	790,641,788	790,641,788
Trade and other receivables*	**324,072,820**	**324,072,820**	196,622,137	196,622,137
Advances to related parties	**148,163,848**	**148,163,848**	40,772,813	40,772,813
Other noncurrent assets**	**13,221,346**	**13,221,346**	13,100,620	13,100,620
	₱1,502,978,761	**₱1,502,978,761**	₱1,116,895,046	₱1,116,895,046
Financial liabilities				
Financial liabilities at amortized costs				
Trade and other payables***	**₱827,051,889**	**₱827,051,889**	₱867,329,343	₱867,329,343
Advances from related parties	**16,000,000**	**16,000,000**	16,356,490	16,356,490
Borrowings	**987,541,269**	**987,541,269**	653,998,895	653,998,895
	₱1,830,593,158	**₱1,830,593,158**	₱1,537,684,728	₱1,537,684,728

** Exclusive of advances subject to liquidation, advances to suppliers and contractors, advances to employees, and advances for land acquisition*
*** Pertains to security deposits and escrow funds*
**** Exclusive of government liabilities*

The table below shows the fair value measurement hierarchy of financial instruments which are not measured at fair value but for which carrying amounts are disclosed as close approximation of fair values:

	December 31, 2023		
	Quoted prices in active market (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable input (Level 3)**
Financial assets			
Financial assets at amortized costs			
Cash	**₱-**	**₱-**	**₱168,729,821**
Contract assets	-	-	**848,790,926**
Trade and other receivables	-	-	**324,072,820**
Advances to related parties	-	-	**148,163,848**
Other noncurrent assets	-	-	**13,221,346**
	₱-	**₱-**	**₱1,502,978,761**

	December 31, 2023		
	Quoted prices in active market (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable input (Level 3)**
Financial liabilities			
Financial liabilities at amortized costs			
Trade and other payables	**₱-**	**₱-**	**₱827,051,889**
Advances from related parties	-	-	**16,000,000**
Borrowings	-	-	**987,541,269**
	₱-	**₱-**	**₱1,830,593,158**

	December 31, 2022		
	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
Financial assets			
Financial assets at amortized costs			
Cash	₱-	₱-	₱75,757,688
Contract assets	-	-	790,641,788
Trade and other receivables	-	-	196,622,137
Advances to related parties	-	-	40,772,813
Other noncurrent assets	-	-	13,100,620
	₱-	₱-	₱1,116,895,046
Financial liabilities			
Financial liabilities at amortized costs			
Trade and other payables	₱-	₱-	₱867,329,343
Advances from related parties	-	-	16,356,490
Borrowings	-	-	653,998,895
	₱-	₱-	₱1,537,684,728

The fair value of financial instruments is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

Cash, contract assets, trade and other receivables, other noncurrent assets, advances to related parties, advances from related parties, and trade and other payables. The carrying amounts approximate their fair values due to the short-term maturities of these financial instruments.

Borrowings. The carrying amount approximates the fair value because these are interest-bearing loans at market rate.

34. Financial and Capital Risk Management, Objectives and Policies

General objectives, policies and processes
The BOD has overall responsibility and authority for the determination of the Company's risk management objectives and policies and designing and operating processes that ensure the effective implementation of such objectives and policies. The BOD has constituted certain committees to effectively manage the operations of the Company. The Company's principal committees of the BOD include the Audit Committee, the Nomination Committee, and the Compensation and Remuneration Committee.

Financial risk management objectives and policies
The Company is exposed through its operations to market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The policies for managing specific risks are summarized below:

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as the Company's borrowings are subject to quarterly repricing scheme based on market rates.

Interest rate sensitivity analysis

The outstanding balances and closing interest rates of the Company's borrowings maturing on the succeeding financial period as at December 31, 2023 and 2022 are as follows:

	2023	2022
Borrowings	**₱431,308,336**	₱317,690,493
Interest rate	**6.67%**	6.31%

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings, with all other variables held constant, of the Company's profit before tax.

	Change in interest rates	Effect on profit before tax
December 31, 2023	-3%	**₱863,048**
	+3%	**(863,048)**
December 31, 2022	-3%	(₱601,388)
	+3%	601,388

The assumed movement in interest rates for the interest rate sensitivity analysis is based on the management's assessment of the reasonably possible change in interest rates during the years presented.

ii. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

Customer credit risk is managed by managing and analyzing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. The Company's policy is to deal only with creditworthy customers, tenants and counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk. Outstanding receivables are regularly monitored.

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. Credit risk for installment contracts receivable is mitigated as the Company has the right to cancel the sales contract without need for any court action and take possession of the condominium unit in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the condominium units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of the buyers. The credit quality of the Company's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

The following table provides information regarding the maximum credit risk exposure of the Company arising from its principal financial assets as at December 31, 2023 and 2022:

	2023	2022
At amortized cost		
Cash in banks	**₱167,929,821**	₱75,134,807
Contract assets	**848,790,926**	790,641,788
Trade and other receivables*	**324,072,820**	196,622,137
Advances to related parties	**148,163,848**	40,772,813
Other noncurrent assets**	**13,221,346**	13,100,620
	₱1,502,178,761	₱1,116,272,165

** Exclusive of advances subject to liquidation, advances to suppliers and contractors, advances to employees, and advances for land acquisition*
*** Pertains to security deposits and escrow funds*

The following table provides information regarding the Company's analysis of the age of financial assets by class as at the reporting date:

	At December 31, 2023					
	Cash in banks	**Contract Assets**	**Trade and other receivables***	**Other noncurrent assets****	**Advances to related parties**	**Total**
Neither past due nor impaired	**₱167,929,821**	**₱736,860,306**	**₱261,654,511**	**₱13,221,346**	**₱22,406,008**	**₱1,253,952,500**
Past due but not impaired						
1-30 days	**-**	**31,609,860**	**1,004,315**	**-**	**-**	**31,609,860**
31-60 days	**-**	**39,188,398**	**987,168**	**-**	**-**	**39,188,398**
Over 60 days	**-**	**41,132,362**	**61,329,997**	**-**	**-**	**41,132,362**
Impaired	**-**	**-**	**-**	**-**	**-**	**-**
	₱167,929,821	**₱848,790,926**	**₱324,975,991**	**₱13,221,346**	**₱22,406,008**	**₱1,365,883,120**

	At December 31, 2022					
	Cash in banks	Contract Assets	Trade and other receivables*	Other noncurrent assets**	Advances to related parties	Total
Neither past due nor impaired	₱75,134,807	₱683,859,811	₱196,622,137	₱13,100,620	₱40,772,813	₱1,009,490,188
Past due but not impaired						
1-30 days	-	53,306,375	-	-	-	53,306,375
31-60 days	-	10,322,822	-	-	-	10,322,822
Over 60 days	-	43,152,780	-	-	-	43,152,780
Impaired	-	-	-	-	-	-
	₱75,134,807	₱790,641,788	₱196,622,137	₱13,100,620	₱40,772,813	₱1,116,272,165

** Exclusive of advances subject to liquidation, advances to suppliers and contractors, advances to employees, and advances for land acquisition*
*** Pertains to security deposits and escrow funds*

Credit quality per class of financial assets

The Company's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on receivables are readily enforceable).

Standard grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard grade - These are receivables that can be collected provided the Company makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Company based on their historical experience with the corresponding third parties:

	At December 31, 2023					
	Cash in banks	**Contract assets**	**Trade and other receivables**	**Other noncurrent assets**	**Advances to related parties**	**Total**
High grade	**₱167,929,821**	**₱736,860,306**	**₱324,975,991**	**₱13,221,346**	**₱22,406,008**	**₱1,253,952,500**
Standard grade	**-**	**-**	**-**	**-**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**-**	**-**
	₱167,929,821	**₱736,860,306**	**₱324,975,991**	**₱13,221,346**	**₱22,406,008**	**₱1,253,952,500**

	At December 31, 2022					
	Cash in banks	Contract assets	Trade and other receivables	Other noncurrent assets	Advances to related parties	Total
High grade	₱75,134,807	₱683,859,811	₱196,622,137	₱13,100,620	₱40,772,813	₱1,009,490,188
Standard grade	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	₱75,134,807	₱683,859,811	₱196,622,137	₱13,100,620	₱40,772,813	₱1,009,490,188

The credit quality of the Company's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

The Company has no financial assets whose terms have been renegotiated.

iii. Liquidity risk

This represents the risk or difficulty in raising funds to meet the Company's commitment associated with financial obligation and daily cash flow requirement. The Company is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Company's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. Also, the Company addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Company likewise regularly evaluates other financing instruments to broaden the Company's range of financing sources.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact on netting arrangements, if any.

	As at December 31, 2023			
	On demand	**Within 1 year**	**More than 1 year but not more than 5 years**	**Total**
Trade and other payables*	**₱827,051,889**	**₱-**	**₱-**	**₱827,051,889**
Advances from related parties	**16,000,000**	**-**	**-**	**16,000,000**
Borrowings	**-**	**431,308,336**	**556,232,933**	**987,541,269**
Future interest on borrowing	**-**	**8,946,786**	**50,698,454**	**59,645,240**
	₱843,051,889	**₱440,255,122**	**₱606,931,387**	**₱1,890,238,398**

	As at December 31, 2022			
	On demand	Within 1 year	More than 1 year but not more than 5 years	Total
Trade and other payables*	₱867,329,343	₱-	₱-	₱867,329,343
Advances from related parties	16,356,490	-	-	16,356,490
Borrowings	-	317,690,493	336,308,402	653,998,895
Future interest on borrowing	-	19,901,038	19,473,035	39,374,073
	₱883,685,833	₱337,591,531	₱355,781,437	₱1,577,058,801

** Exclusive of government liabilities*

The contractual undiscounted payments related to borrowings consist of the principal amount and future interests, details of which are as follows:

	2023	2022
Principal of loan	**₱987,541,269**	₱653,998,895
Current portion	**(431,308,336)**	(317,690,493)
Net of current portion	**₱556,232,933**	₱336,308,402
Future interest	**59,645,240**	₱39,374,073
Current portion	**(8,946,786)**	(19,901,038)
Net of current portion	**₱50,698,454**	₱19,473,035
Cash flow from principal of loan	**987,541,269**	₱653,998,895
Cash flow from future interest	**59,645,240**	39,374,073
	₱1,047,186,509	₱693,372,968

Capital management

The Company's capital management objectives are as follows:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders; and
- to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future business developments.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company is subject to externally imposed capital requirement due to loan covenants. No changes were made in the objectives, policies, or processes for managing capital during the years ended December 31, 2023, 2022 and 2021.

35. **Supplemental Information Required by the BIR**

Revenue Regulation (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements in addition to the disclosures mandated under PFRS. Presented below is the supplementary information required under RR 15-2010:

a. Value added tax (VAT)

Output VAT

Output VAT declared in 2023 and the revenue upon which the same was based consist of:

	Net Sales/Receipts	Output VAT
Vatable sales	₱292,361,699	₱35,083,404
Exempt sales	-	-
	₱292,361,699	₱35,083,404

Input VAT

As of December 31, 2023, the details of the input VAT are as follows:

Balance at beginning of the year	₱139,553,950
Add: Current year's domestic purchases/payments for:	
Purchase of Capital Goods not exceeding P1Million (Goods)	308,313
Domestic purchase of goods other than capital goods	65,514,535
Importation of goods other than capital goods	-
Domestic purchase of services	244,818,872
Purchases not qualified for input tax	-
Total available input VAT	450,195,670
Less: Claims for tax credit	(47,024,861)
Less: Input tax allocable to exempt sales	(42,023,503)
Balance at end of year	₱361,147,306

b. Other taxes and licenses

Details of the Group's other taxes and licenses and permits in 2023 are as follows:

a. Local	
CTC and Business Permit	₱13,459,016
DST	1,895,826
Others	3,698,246
b. National	
BIR annual registration	1,500
	₱19,054,588

c. Withholding taxes

Details of withholding taxes paid/payable in 2023 are as follows:

Withholding tax on compensation	₱5,341,336
Expanded withholding taxes	6,466,813
	₱11,808,149

d. Tax assessment and cases

The Group has no unpaid deficiency tax assessments as at December 31, 2022 nor does it have any pending tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

Revenue Regulation (RR) No. 34-2020

BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Group is covered under Section 2 of the RR 34-2020, hence the requirements and procedures for related party transactions provided under the said RR is applicable.

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INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT

The Shareholders and the Board of Directors
Italpinas Development Corporation
Unit 28C, BPI Philamlife Building
6811 Ayala Avenue., Makati, 1226
Metro Manila, Philippines

We have audited the separate financial statements of **Italpinas Development Corporation** ("the Company") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 12, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has a total number of ten (10) shareholders owning one hundred (100) or more shares each.

ROXAS TABAMO & CO.

Warren M. Urriza
Partner
CPA Certificate No. 0106419
Tax Identification No. 246-618-368
BIR Accreditation No. 08-001682-017-2022, issued on January 5, 2022,
effective until January 4, 2025
PTR No. 10079596, issued on January 5, 2024, Makati City

April 12, 2024
Makati City

MOORE Roxas Tabamo & Co.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Shareholders and the Board of Directors
Italpinas Development Corporation
Unit 28C, BPI Philamlife Building,
6811 Ayala Avenue., Makati, 1226,
Metro Manila, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of **Italpinas Development Corporation** ("the Company") as at December 31, 2023 and for the year then ended and have issued our report thereon dated April 12, 2024. Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The schedule listed in the Index to the Separate Financial Statements and Supplementary Schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and is not part of the basic separate financial statements. Such schedule is the responsibility of management. The schedule has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

ROXAS TABAMO & CO.

Warren M. Urriza

Warren M. Urriza
Partner
CPA Certificate No. 0106419
Tax Identification No. 246-618-368
BIR Accreditation No. 08-001682-017-2022, issued on January 5, 2022,
effective until January 4, 2025
PTR No. 10079596, issued on January 5, 2024, Makati City

April 12, 2024
Makati City

ANNEX A

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the reporting period ended December 31, 2023

ITALPINAS DEVELOPMENT CORPORATION

Unit 28C BPI Philamlife Building, 6811 Ayala Ave., Makati
Metro Manila

Unappropriated Retained Earnings, beginning of reporting period			**(₱44,688,129)**
Add:	**Category A: Items that are directly credited to Unappropriated Retained Earnings**		
	Reversal of Retained Earnings Appropriation/s	-	
	Effect if restatements or prior-period adjustments	-	
	Others	-	-
Less:	**Category B: Items that are directly debited to Unappropriated Retained Earnings**		
	Dividend declaration during the reporting period	-	
	Retained earnings appropriated during the reporting period	-	
	Effect of restatement or prior-period adjustments	-	
	Others	-	-
Unappropriated Retained Earnings, as adjusted			**(44,688,129)**
Add/Less: Net income for the current year			**209,817,169**
Less:	**Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
	Equity in net loss (income) of associate/joint venture, net of dividends declared	**1,391,286**	
	Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
	Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
	Unrealized fair value gain of Investment Property	**(236,270,101)**	
	Other unrealized transactions accounted for under the PFRS	-	
	Sub-total		**(234,878,815)**
Add:	**Category C. 2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to cash and cash equivalents	-	
	Realized fair value adjustments (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
	Realized fair value gain of Investment property	-	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	**79,059,630**	
	Sub-total		**79,059,630**

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	**-**	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents		
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	**-**	
Reversal of previously recorded fair value gain of investment property	**-**	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	**-**	**-**
Sub-total		**(155,819,185)**
Adjusted Net Income		**53,997,984**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	**-**	
Sub-total		**-**
Add/Less: Category E: Adjustment related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	**-**	
Total amount of reporting relief granted during the year	**-**	
Others	**-**	
Sub-total		**-**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	**-**	
Net movement of deferred tax assets not considered in the reconciling items under the previous categories	**58,262,987**	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of assets and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession of payable	**-**	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	**-**	
Others	**-**	
Sub-total		**58,262,987**
Total Retained Earnings, end of the reporting period available for dividend		**₱67,572,842**