SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Mary Irish De Castro
Receipt Date and Time: April 18, 2023 02:26:57 PM

Company Information

SEC Registration No.: CS200321240
Company Name: CEBU LANDMASTERS, INC.
Industry Classification: K70110
Company Type: Stock Corporation

Document Information

Document ID: OST10418202381021411
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 2 1 2 4 0

Company Name

CEBU LANDMASTERS, INC.

(A Subsidiary of AB Soberano Holdings Corp.)

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

10TH FLOOR, PARK CENTRALE TOWER, JOSE MA. DEL MAR ST., B2 L3, CEBU IT PARK, BRGY. APAS, CEBU CITY, PHILIPPINES 6000

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS22	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
jggarde@cebulandmasters.com	(032) 231 4870	0966 410 9807

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	June 01	12/31

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
Jose R. Soberano III	ceo@cebulandmasters.com	(032) 231 4870	

Contact Person's Address

10th Floor, Park Centrale Tower, Jose Ma. del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines 6000

Note: 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.

Gmail

Mark Anthony Yu <myucliacctg@gmail.com>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Mon, Apr 17, 2023 at 4:50 PM
To: MYUCLIACCTG@gmail.com
Cc: MYUCLIACCTG@gmail.com

Hi CEBU LANDMASTERS INC,

Valid file

- EAFS227599320AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-9D87HFJL0NXVPVRV2Q24W1NRZ04XZPYM1W**
Submission Date/Time: **Apr 17, 2023 04:50 PM**
Company TIN: **227-599-320**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

CEBULANDMASTERS
We Build with You in Mind

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cebu Landmasters, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the fiscal years ended **December 31, 2022, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the 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.

Jose R. Soberano III
Chairman of the Board, Chief Executive Officer and President
TIN: 108-729-320-000

Ma. Rosario B. Soberano
Executive Vice President and Treasurer
TIN: 106-129-910-000

Beauregard Grant L. Cheng
Chief Finance Officer
TIN: 205-557-510-000

Signed this ____ day of 28 MAR 2023 2023.

SUBSCRIBED AND SWORN to before me this 28 MAR 2023 at Cebu City, affiants exhibiting to me their respective Tax Identification Nos.

Doc No. 12 ;
Page No. 4 ;
Book No. 1 ;
Series of 2023

ATTY. EDELINE O. COSICOL
ROLL NO. 82445
NOTARY PUBLIC
CEBU CITY, PHILIPPINES

ATTY. EDELINE O. COSICOL
Notary Public
Notarial Commission No. 040-23, Cebu City
Valid until December 31, 2024
Roll of Attorneys No. 82445
MCLE Compliance No. VIII-0000258, issued on 08-30-2022
PTR No. 10031144 ; 12-01-2023 ; Cebu City
IBP No. 242039 ; 01-03-2023 ; Cebu Chapter
19th Flr. Park Centrale Tower, J.M. Del Mar St.,
Cebu I.T. Park, Apas, Cebu City

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

Cebu Landmasters, Inc.

December 31, 2022, 2021 and 2020

P&A
Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy. Apas
Cebu City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cebu Landmasters, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the financial statements are disclosed in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 9566627, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 3, 2023

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 465,354,066**	P 333,090,459
Receivables	5	**2,497,006,115**	3,858,553,483
Contract assets	17	**14,063,209,951**	4,197,781,332
Due from related parties	25	**1,481,499,405**	1,009,485,690
Real estate inventories	6	**8,591,824,122**	9,948,060,927
Deposits on land for future development	7	**121,996,729**	-
Prepayments and other current assets	8	**2,802,500,412**	3,165,580,633
Total Current Assets		**30,023,390,800**	22,512,552,524
NON-CURRENT ASSETS			
Receivables	5	**106,500,219**	161,127,276
Contract assets	17	**11,323,558,221**	12,058,377,792
Investments in subsidiaries and associates	9	**6,865,126,687**	5,878,006,728
Property and equipment - net	10	**4,076,726,251**	393,883,159
Right-of-use assets - net	11	**910,749,954**	880,257,377
Investment properties - net	12	**9,937,376,563**	6,278,133,219
Other non-current assets - net	13	**797,003,684**	385,106,174
Total Non-current Assets		**34,017,041,579**	26,034,891,725
TOTAL ASSETS		**P 64,040,432,379**	P 48,547,444,249
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 7,521,349,177**	P 7,529,549,385
Trade and other payables	16	**12,202,834,640**	7,804,074,512
Contract liabilities	17	**289,366,657**	353,200,147
Customers' deposits	17	**76,996,569**	57,469,700
Total Current Liabilities		**20,090,547,043**	15,744,293,744
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**21,932,094,231**	19,380,660,006
Bonds payable	15	**4,930,582,631**	-
Lease liabilities	11	**948,091,184**	834,573,823
Trade and other payables	16	**176,234,971**	142,482,853
Post-employment defined benefit obligation	23	**9,390,095**	4,753,329
Deferred tax liabilities - net	24	**2,333,833,716**	1,517,640,834
Total Non-current Liabilities		**30,330,226,828**	21,880,110,845
Total Liabilities		**50,420,773,871**	37,624,404,589
EQUITY	26		
Capital stock		**3,623,451,997**	3,623,451,997
Additional paid-in capital		**1,608,917,974**	1,608,917,974
Share options outstanding		**2,195,991**	-
Treasury stock, at cost		**(732,664,604)**	(748,171,901)
Revaluation reserves - net		**(13,910,501)**	(13,477,472)
Retained earnings		**9,131,667,651**	6,452,319,062
Total Equity		**13,619,658,508**	10,923,039,660
TOTAL LIABILITIES AND EQUITY		**P 64,040,432,379**	P 48,547,444,249

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES	17			
Sale of real estates		**P 11,628,922,857**	P 9,399,697,717	P 6,518,964,748
Rental		**75,752,573**	67,989,495	61,528,393
Management fees		**141,931,941**	110,519,689	58,390,712
		11,846,607,371	9,578,206,901	6,638,883,853
COST OF SALES AND SERVICES	18, 19	**(6,302,292,611)**	(4,839,619,063)	(3,353,969,666)
GROSS PROFIT		**5,544,314,760**	4,738,587,838	3,284,914,187
OPERATING EXPENSES	19	**(1,869,225,902)**	(1,631,230,305)	(1,053,445,876)
OTHER OPERATING INCOME	20	**158,898,108**	206,723,560	52,800,123
OPERATING PROFIT		**3,833,986,966**	3,314,081,093	2,284,268,434
SHARE IN NET PROFIT OF SUBSIDIARIES AND ASSOCIATES	9	**430,697,764**	24,587,593	149,794,695
FINANCE COSTS	22	**(265,764,622)**	(153,469,616)	(65,579,462)
FINANCE INCOME	21	**70,675,962**	30,505,137	44,847,361
OTHER LOSSES - Net	20	**(6,252,156)**	(90,966,879)	(685,956)
PROFIT BEFORE TAX		**4,063,343,914**	3,124,737,328	2,412,645,072
TAX EXPENSE	24	**(857,526,279)**	(520,938,437)	(546,670,500)
NET PROFIT		**P 3,205,817,635**	P 2,603,798,891	P 1,865,974,572

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		**P 3,205,817,635**	P 2,603,798,891	P 1,865,974,572
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	**(577,372)**	435,092	(8,991,642)
Tax income (expense)	24	**144,343**	(1,029,189)	2,697,492
Other Comprehensive Loss - Net of tax		**(433,029)**	(594,097)	(6,294,150)
TOTAL COMPREHENSIVE INCOME		**P 3,205,384,606**	P 2,603,204,794	P 1,859,680,422

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	Capital Stock	Additional Paid-in Capital	Share Options Outstanding	Treasury Stock, at Cost	Revaluation Reserves	Retained Earnings Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total
Balance at January 1, 2022		P 3,623,451,997	P 1,608,917,974	P -	(P 748,171,901)	(P 13,477,472)	P 172,049,912	P 6,280,269,150	P 6,452,319,062	P 10,923,039,660
Transactions with owners:	26									
Cash dividend		-	-	-	-	-	-	(519,780,221)	(519,780,221)	(519,780,221)
Stock option granted		-	-	3,005,840	-	-	-	-	-	3,005,840
Stock option exercised		-	-	(809,849)	15,507,297	-	-	(6,688,825)	(6,688,825)	8,008,623
		-	-	2,195,991	15,507,297	-	-	(526,469,046)	(526,469,046)	(508,765,758)
Appropriation of retained earnings	26									
Appropriations during the year							3,931,475,893	(3,931,475,893)	-	-
Reversal of appropriations during the year		-	-	-	-	-	(172,049,912)	172,049,912	-	-
		-	-	-	-	-	3,759,425,981	(3,759,425,981)	-	-
Total comprehensive income for the year:										
Net profit for the year		-	-	-	-	-	-	3,205,817,635	3,205,817,635	3,205,817,635
Other comprehensive loss		-	-	-	-	(433,029)	-	-	-	(433,029)
		-	-	-	-	(433,029)	-	3,205,817,635	3,205,817,635	3,205,384,606
Balance at December 31, 2022		P 3,623,451,997	P 1,608,917,974	P 2,195,991	(P 732,664,604)	(P 13,910,501)	P 3,931,475,893	P 5,200,191,758	P 9,131,667,651	P 13,619,658,508
Balance at January 1, 2021		P 1,714,000,000	P 1,608,917,974	P -	(P 732,851,016)	(P 12,883,375)	P 3,949,504,623	P 2,197,217,445	P 6,146,722,068	P 8,723,905,651
Transactions with owners:	26									
Issuance of shares through stock dividend		1,909,451,997	-	-	-	-	-	(1,909,451,997)	(1,909,451,997)	-
Cash dividend		-	-	-	-	-	-	(388,749,900)	(388,749,900)	(388,749,900)
Acquisition of treasury stock		-	-	-	(15,320,885)	-	-	-	-	(15,320,885)
		1,909,451,997	-	-	(15,320,885)	-	-	(2,298,201,897)	(2,298,201,897)	(404,070,785)
Reversal of appropriations during the year	26	-	-	-	-	-	(3,777,454,711)	3,777,454,711	-	-
Total comprehensive income for the year:										
Net profit for the year		-	-	-	-	-	-	2,603,798,891	2,603,798,891	2,603,798,891
Other comprehensive loss		-	-	-	-	(594,097)	-	-	-	(594,097)
		-	-	-	-	(594,097)	-	2,603,798,891	2,603,798,891	2,603,204,794
Balance at December 31, 2021		P 3,623,451,997	P 1,608,917,974	P -	(P 748,171,901)	(P 13,477,472)	P 172,049,912	P 6,280,269,150	P 6,452,319,062	P 10,923,039,660

	Note	Capital Stock	Additional Paid-in Capital	Share Options Outstanding	Treasury Stock, at Cost	Revaluation Reserves	Retained Earnings Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total
Balance at January 1, 2020		P 1,714,000,000	P 1,608,917,974	P -	(P 247,193,811)	(P 6,589,225)	P 3,050,000,000	P 1,645,542,496	P 4,695,542,496	P 7,764,677,434
Transactions with owners:	26									
Acquisition of treasury stock		-	-	-	(485,657,205)	-	-	-	-	(485,657,205)
Cash dividend		-	-	-	-	-	-	(414,795,000)	(414,795,000)	(414,795,000)
		-	-	-	(485,657,205)	-	-	(414,795,000)	(414,795,000)	(900,452,205)
Appropriation for the year	26									
Appropriations during the year		-	-	-	-	-	3,300,000,000	(3,300,000,000)	-	-
Reversal during the year		-	-	-	-	-	(2,400,495,377)	2,400,495,377	-	-
		-	-	-	-	-	899,504,623	(899,504,623)	-	-
Total comprehensive income for the year:										
Net profit for the year		-	-	-	-	-	-	1,865,974,572	1,865,974,572	1,865,974,572
Other comprehensive loss		-	-	-	-	(6,294,150)	-	-	-	(6,294,150)
		-	-	-	-	(6,294,150)	-	1,865,974,572	1,865,974,572	1,859,680,422
Balance at December 31, 2020		P 1,714,000,000	P 1,608,917,974	P -	(P 732,851,016)	(P 12,883,375)	P 3,949,504,623	P 2,197,217,445	P 6,146,722,068	P 8,723,905,651

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 4,063,343,914**	P 3,124,737,328	P 2,412,645,072
Adjustments for:				
Share in net profit of subsidiaries and associates	9	**(430,697,764)**	(24,587,593)	(149,794,695)
Interest expense on interest-bearing loans and borrowings	22	**188,308,333**	100,246,234	8,677,442
Depreciation and amortization	19	**115,405,442**	102,154,493	91,358,352
Interest income on banks and advances to related parties	21	**(70,675,962)**	(29,344,200)	(13,840,200)
Interest expense on lease liabilities	22	**61,205,859**	52,757,989	56,727,264
Interest expense on bonds	22	**15,444,620**	-	-
Share option benefits expense	23, 26	**3,005,840**	-	-
Loss on disposal of property and equipment - net	20	**128,364**	16,577	-
Operating profit before working capital changes		**3,945,468,646**	3,325,980,828	2,405,773,235
Decrease in receivables		**1,416,174,425**	730,401,253	1,075,813,783
Increase in contract assets		**(9,130,609,048)**	(6,785,502,849)	(5,263,600,977)
Decrease in real estate inventories		**2,362,573,519**	122,960,973	441,661,946
Increase in deposits on land for future development		**(121,996,729)**	(376,327,882)	(677,234,005)
Decrease (increase) in prepayments and other current assets		**498,698,775**	(1,174,101,494)	(253,494,359)
Decrease (increase) in other non-current assets		**(417,664,812)**	41,354,133	(271,102,327)
Increase in trade and other payables		**2,518,197,107**	2,435,396,433	1,945,623,105
Decrease in contract liabilities		**(63,833,490)**	(8,520,478)	(24,638,820)
Increase (decrease) in customers' deposits		**19,526,869**	(33,782,415)	56,538,698
Increase (decrease) in post-employment defined benefit obligation		**4,059,395**	4,567,238	(2,446,874)
Cash generated from (used in) operations		**1,030,594,657**	(1,717,574,260)	(567,106,595)
Cash paid for taxes		**(176,807,609)**	(91,100,985)	(107,386,967)
Net Cash From (Used in) Operating Activities		**853,787,048**	(1,808,675,245)	(674,493,562)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	12	**(3,989,896,837)**	(2,389,976,164)	(1,977,270,448)
Acquisitions of property and equipment	10	**(1,014,909,274)**	(86,121,567)	(123,134,453)
Acquisitions of equity interest in subsidiaries and associates	9	**(650,822,195)**	(1,303,891,928)	(1,106,003,518)
Advances to related parties	25	**(625,983,003)**	(800,124,927)	(302,555,425)
Collections of advances to related parties	25	**153,969,288**	118,069,803	1,044,613
Dividends received	9	**94,400,000**	72,000,000	45,800,000
Interest received		**70,675,962**	29,344,200	13,840,200
Acquisitions of computer software	13	**(3,064,324)**	(10,242,943)	(8,960,023)
Proceeds from disposal of property and equipment		**786,310**	567,519	-
Net Cash Used in Investing Activities		**(5,964,844,073)**	(4,370,376,007)	(3,457,239,054)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of interest-bearing loans and borrowings - net	14, 32	**9,978,618,073**	12,999,276,695	11,389,408,689
Repayments of interest-bearing loans and borrowings	14, 32	**(7,524,170,278)**	(5,288,736,576)	(5,369,429,420)
Proceeds from issuances of bonds - net	15, 32	**4,926,627,631**	-	-
Interest paid on interest-bearing loans and borrowings		**(1,546,828,245)**	(1,210,229,172)	(956,361,706)
Cash dividends paid	26	**(519,780,221)**	(388,749,900)	(414,795,000)
Interest paid on bonds		**(78,592,408)**	-	-
Proceeds from reissuance of treasury stock	26	**8,008,623**	-	-
Interest paid on lease liabilities	11, 32	**(562,543)**	(5,452,222)	(56,727,264)
Acquisition of treasury stock	26	**-**	(15,320,885)	(485,657,205)
Repayments of lease liabilities		**-**	-	(103,564,542)
Net Cash From Financing Activities		**5,243,320,632**	6,090,787,940	4,002,873,552
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**132,263,607**	(88,263,312)	(128,859,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**333,090,459**	421,353,771	550,212,835
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 465,354,066**	P 333,090,459	P 421,353,771

Supplemental Information for Non-cash Operating, Investing and Financing Activities:

1) The Company recognized right-of-use assets and lease liabilities amounting to P52.9 million in 2022 (see Note 11). There were no additions in 2021.

2) In 2022, the Company reclassified investment properties to property and equipment amounting to P1,301.0 million and reclassified real estate inventories to investment properties amounting to P12.6 million while in 2021, the Company reclassified investment properties to property and equipment amounting to P8.0 million and to real estate inventories amounting to P91.8 million (see Notes 6, 10 and 12).

3) In 2022 and 2021, borrowing costs that were capitalized as part of Real Estate Inventories, Property and Equipment and Investment Properties amounted to P1,514,4 million and P1,110.0 million, respectively (see Notes 6, 10, 12, 14 and 15).

4) In 2022 and 2021, the Company recognized unpaid construction costs of P1,914.3 million and P1,115.3 million, respectively, for the construction of Property and Equipment and Investment Properties (see Notes 10 and 12).

See Notes to the Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (CLI or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 26, 2003. The Company is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. The Company's real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of the Company's stockholders, assumed control of the Company by acquiring additional 400,000,000 shares of the Company and became its parent company.

On January 6, 2017, the Board of Directors (BOD) approved the Company's application for the registration of 1,714,000,000 of its common stocks with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering of 430,000,000 unissued common stocks of the Company. The Company's shares were listed in the Philippine Stock Exchange on June 2, 2017.

ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street, Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The Company's registered office address, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

The Company holds ownership interests in the following subsidiaries and associates.

Entities	Note	Effective Percentage of Ownership	
		2022	2021
Subsidiaries			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	**100%**	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	**100%**	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	**100%**	100%
CLI Hotels and Resorts Inc. (CHR)	(d)	**100%**	-
CLI-LITE Panglao Inc. (CLI-LITE)	(e)	**88%**	88%
Ming-mori Development Corporation (MDC)	(f)	**78%**	78%
Sugbo Prime Estate, Inc. (SPE)	(g)	**64%**	64%
BL CBP Ventures, Inc. (BL Ventures)	(h)	**50%**	50%

Forward

Entities	Note	Effective Percentage of Ownership 2022	2021
Subsidiaries			
Yuson Excellence Soberano, Inc. (YES)	(i)	**50%**	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(j)	**50%**	50%
YHEST Realty and Development Corporation (YHEST)	(k)	**50%**	50%
CCLI Premier Hotels, Inc. (CCLI)	(l)	**50%**	50%
Cebu Homegrown Developers, Inc. (CHDI)	(m)	**50%**	50%
YHES Premier Hotels Inc. (YHESPH)	(n)	**50%**	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(o)	**50%**	50%
GGTT Realty Corporation (GGTT)	(p)	**50%**	50%
Mivesa Garden Residences, Inc. (MGR)	(q)	**45%**	45%
El Camino Developers Cebu, Inc. (El Camino)	(r)	**35%**	35%
Associates			
ICOM Air Corporation (ICOM)	(s)	**33%**	33%
Magspeak Nature Park, Inc. (Magspeak)	(t)	**25%**	25%

All of the subsidiaries and associates of the Company are incorporated in the Philippines, and except CPM, CPH, YHESPH, CCLI and ICOM are in the same line of business as the Company. A brief description of these entities follows:

(a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.

(b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located in Cebu City.

(c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.

(d) CHR was incorporated in 2022 as a wholly owned subsidiary of the CLI. CHR is engaged in the real estate, and hotel and resorts management. The principal place of business of CHR is located in Cebu City.

(e) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.

(f) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.

On June 22, 2021, CLI acquired additional 6,379,980 common shares of MDC from nine other stockholders, resulting to an increased ownership interest from 20% to 77.69%. Such acquisition was considered as a business combination achieved in stages, otherwise known as step-up acquisition.

(g) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.

(h) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.

(i) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.

(j) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.

(k) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.

(l) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2021, CCLI has yet to start commercial operations.

(m) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu, which commenced commercial operations in 2021. Its principal place of business is in Cebu City.

(n) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. As at December 31, 2021, YHESPH has yet to start commercial operations.

(o) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.

(p) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.

(q) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.

(r) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.

(s) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City. As at December 31, 2021, ICOM has yet to start its commercial operations.

(t) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2022 (including the comparative financial statements for the years ended December 31, 2021 and 2020, were authorized for issue by the BOD on April 3, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) SEC Financial Reporting Reliefs Availed by the Company

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

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

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

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until December 31, 2023

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will have a retrospective effect the retained earnings, real estate sales, and profit or loss in 2022 and prior years.	Until December 31, 2023

(c) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents statement of comprehensive income separate from the statement of profit or loss.

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

(d) Functional and Presentation Currency

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

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

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

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

Discussed below are the relevant information about these pronouncements

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

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

Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

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

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

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

(b) Effective in 2022 that is not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

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

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

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

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

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

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Separate Financial Statements and Investments in Subsidiaries and Associates

These financial statements are prepared as the Company's separate financial statements. It also prepares consolidated financial statements which is available to the public through the disclosures section of the PSE Edge and Company's website.

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

It does a reassessment whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

An associate is an entity over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture.

Investments in subsidiaries and associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of subsidiary and associate are recognized on the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the subsidiary and associate are credited or charged against the equity and is presented as Share in Net Profit (Loss) of Subsidiaries and Associates in the statement of profit or loss. Items that have been directly recognized in the subsidiaries' and associates' equity are recognized in the equity of the Company. Distributions received from the subsidiary and associate are accounted for as reduction from the carrying value of the investment.

When the Company's share of losses in a subsidiary or an associate equals or exceeds its interests in the subsidiary or associate, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.4 Current versus Non-current classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

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

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

(a) Financial assets

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

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the Company's financial assets are all categorized as financial assets at amortized cost.

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

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

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

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

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Receivables (excluding Advances to officers and employees), Due from Related Parties and as part of Other Non-current Assets in respect of the Refundable deposits included therein.

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of profit or loss as part of Finance Income.

(ii) Impairment of Financial Assets

The Company assesses and recognizes an allowance for ECL on its financial assets measured at amortized cost. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Company assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition.

In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Company considers both quantitative and qualitative criteria as further discussed in Note 29.2.

The amount of allowance for 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, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Company determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For other credit exposures such as due from related parties and refundable deposit, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). For deposits in cash and cash equivalents, the Company applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

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

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default* – It is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Company expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, *Realty Installment Buyer Protection Act* or *Maceda Law*.

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

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

(iii) Derecognition of Financial Assets

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

(b) Financial liabilities

Financial liabilities, which include interest-bearing loans and borrowings, bonds payable and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT)], are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument.

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

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

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

All interest-related charges are recognized as expense in profit or loss under the caption Finance Costs in the statement of profit or loss.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

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

2.6 Real Estate Inventories

This pertains to cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. Interest incurred during the development of the project is capitalized (see Note 2.17).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date.

Real estate inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Company but title over the properties have not yet been transferred to the Company. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either the Real Estate Inventories or Investment Property account.

The Company present land for future development that are intended for subdivision and condominium for sale under current assets while those that are intended for commercial leasing or with no definite plans as non-current assets in the statement of financial position.

2.8 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period are classified as part of non-current assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

2.9 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortization, and any impairment in value. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see Note 2.17).

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

Buildings	20 years
Transportation equipment	5 years
Operating equipment	3-5 years
Furniture and fixtures	2-5 years

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

Construction-in-progress is not depreciated until the completion of the constructed asset.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see Note 2.17).

Investment properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation. Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.17) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.16).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Provisions and Contingencies

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

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

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

2.12 Revenue and Expense Recognition

Revenue of the Company arises mainly from the sale of real estate units, lease of property and rendering of management services. However, lease of property is accounted for separately (see Note 2.13).

The Company follows the five-step process below when it recognizes revenue:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

A contract with a customer is identified when the following five gating criteria are present:

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

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

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

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

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1*(b)*. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1*(b)*]:

(a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Company and the buyer. When the collectability of the contract price is not yet assured, the cash collections from buyers are accounted as Customers' Deposits which is presented under current liabilities in the statement of financial position.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the statement of financial position.

Subsequent cancellations of prior year sales are accounted for as contract modification on the year of cancellation. Cumulative revenues and costs recognized on cancelled contracts are deducted from the real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

(b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

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

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

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Prepayments and Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.17).

2.13 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

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

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

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

(b) Company as Lessor

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

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

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

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

(b) Post-Employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (e.g., Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

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

(d) Performance Bonus

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

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

2.15 Share-based Employee Remuneration

The Company grants share options to qualified employees eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any.
The share-based remuneration is recognized as an expense in the profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the statement of financial position.

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

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

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to additional paid-in capital.

2.16 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, investments in subsidiaries and associates, computer software and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are Company at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

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

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

2.17 Borrowing Costs

Borrowing costs are recognized in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

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

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

2.19 Related Party Relationships and Transactions

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

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

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

For purposes of reporting of material related party transactions of publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Company's total assets based on the latest audited financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

2.20 Equity

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

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Share options outstanding represents unexercised and unexpired share options granted to employees.

Treasury shares represent the shares that are reacquired by the Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from the revaluation of fair value through other comprehensive income financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the for specific purpose and are not available for dividend declarations.

2.21 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determining Existence of a Contract with Customer

In a sale of real estate properties, the Company's primary document for a contract with a customer is a signed contract to sell which is executed when the real estate property sold is completed and ready for use by customer. In rare cases wherein contract to sell are not executed by both parties, management has determined that the combination of other signed documentations with the customers such as reservation agreement, official receipts, computation sheets and invoices, would contain all the elements to qualify as contract with the customer (i.e., approval of the contract by the parties, which has commercial substance, identification of each party's rights regarding the goods or services and the related payment terms).

Moreover, as part of the evaluation, the Company assesses 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, the Company considers the significance of the customer's downpayment in relation to the total contract price [see Note 3.1*(d)*].

Collectability is also assessed by considering factors such as past history with the customer and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

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

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

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

(c) Determination of Collection Threshold for Revenue Recognition

The Company uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. The Company uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Company determines that collection of the transaction price is reasonably assured. 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 considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price. Management is confident that when the collections received from the buyers exceed a certain threshold, it would be unlikely for the buyer to default and therefore, cancel the contract. Accordingly, as discussed in Note 2.11 under identification of contract, the Company will not recognize the whole contract and no revenue will be recognized when the collection threshold is not yet reached.

(d) Assessment Involving Right of Return

The Company's sale of real estate under pre-completed contracts has variable consideration which is the right of return when a buyer defaulted the equity payments. Moreover, R.A. No. 6552, provides a statutory obligation to the Company to refund the buyer the cash surrender value of the collections received on the property equivalent to 50% of the total collected amount, and, after five years of installments, an additional 5% every year but not to exceed 90% of the total collections received.

(e) Determination of ECL on Receivables and Contract Assets

The Company uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Company has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations. On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

Details about the ECL on the Company's trade and other receivables and contract assets are disclosed in Note 29.2.

(f) Distinction Between Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

(g) Distinction Between Operating and Finance Leases for Contracts where the Company is the Lessor

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Currently, its leases are all operating leases.

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

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

For leases of land, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

(i) Accounting for Equity in Ownership Interest in Subsidiaries and Associates

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Company evaluates whether control or significant influence exists. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

The Company was able to demonstrate control over the operations of CLI-LITE and GGTT (since 2021), CBLRV (since 2020), CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino and YES (since 2016), from the time of their incorporation, as indicated in Note 1.2. It had been able to demonstrate control over the operations of the foregoing investees despite having 50% or less equity ownership interest in them by virtue of a formal agreement with the respective other shareholders of the investees and the Company's actual role in the investees' operations. Accordingly, said entities are accounted for as subsidiaries.

(f) Distinguishing Between Business Combination and Asset Acquisition

The Company determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. The Company evaluates whether an acquired entity is capable of being conducted and managed as a business by assessing the integrated set of activities and assets based on at least two essential elements – inputs and processes applied to those inputs, which together are or will be used to create outputs. Otherwise, the transaction is accounted for as an asset acquisition. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition for Performance Obligations Satisfied Over Time

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

(b) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Company would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 29.2.

(d) Determination of Net Realizable Value of Real Estate Inventories

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventories as presented in Note 6 is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's real estate inventories within the next financial reporting period.

Considering the Company's pricing policy, the net realizable values of real estate inventories for sale are determined to be higher than their related costs.

(e) Estimation of Useful Lives of Property and Equipment, Right-of-use Asset and Investment Properties

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

The carrying amounts of property and equipment, right-of-use asset and investment properties are analyzed in Notes 10, 11 and 12 respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, especially property and equipment and investment properties, as at December 31, 2022, 2021 and 2020.

(g) Valuation of Post-employment Defined Benefit Obligation

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 23.3.

(h) Fair Value Measurement of Share Options

The Company estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 26.3 which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of employee share option plan and the amount of fair value recognized is presented in Note 26.3.

(i) Fair Value Measurement for Investment Properties

Investment properties are measured using the cost model. The fair value of investment property held for rental or capital appreciation disclosed in the financial statements is determined by the Company based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which 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. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair values of the Company's investment properties as at December 31, 2022 and 2021 are disclosed in Notes 12 and 30.3*(c)*.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2022	2021
Cash on hand	**P 2,487,619**	P 2,297,221
Cash in banks	**419,008,956**	288,860,700
Short-term placements	**43,857,491**	41,932,538
	P 465,354,066	P 333,090,459

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 60 to 62 days and earn effective interest ranging from 2.50% to 3.00%, 0.75% to 1.90% and 1.19% to 2.20% per annum for 2022, 2021 and 2020, respectively.

Interest income earned from cash and cash equivalents amounted to P11,881,039, P2,819,951 and P7,379,290 in 2022, 2021 and 2020, respectively, and is presented as part of Finance Income in the statements of profit or loss (see Note 21).

5. RECEIVABLES

This account includes the following:

	Notes	2022	2021
Contract receivables			
Third parties		**P 1,965,297,209**	P3,571,247,723
Related parties	25.4, 25.5	**129,796,291**	125,769,892
Receivable from insurance claims		**142,791,495**	27,571,382
Retention receivable		**106,529,324**	81,429,356
Rent receivable	27.1	**46,369,378**	66,283,466
Charges to contractors and suppliers		**41,212,041**	3,335,238
Advances to officers and employees		**20,582,391**	23,262,286
Receivable from buy-back transactions		**12,394,628**	2,858,469
Management fee receivable		**9,733,183**	8,575,987
Receivables from move in fees		**5,618,942**	4,887,206
Receivable from water income		**4,228,016**	3,490,253
Other receivables		**118,953,436**	100,969,501
		P2,603,506,334	P4,019,680,759

Receivables are presented in the statements of financial position as follows.

	2022	2021
Current	**P 2,497,006,115**	P3,858,553,483
Non-current	**106,500,219**	161,127,276
	P 2,603,506,334	P4,019,680,759

Buyers of real estate properties are given two to three years to complete the amortization of their down payment which ranges from 10% to 20% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the total transaction price is reasonably assured. Generally, full payment by buyers of their equity payments is made within 24 to 36 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P1,557,409 and P1,300,077 as at December 31, 2022 and 2021, respectively.

In 2022, the Company has day one loss on noninterest-bearing contract receivables, net of amortization of day one loss, amounting to P257,332, and is presented as part of Finance Costs in the 2022 statement of profit or loss (see Note 22). On the other hand, the amortization of day one loss of noninterest-bearing contract receivables, net of day one loss, amounted to nil, P1,160,937, and P30,761,436 in 2022, 2021, and 2020, respectively, are presented as part of Finance Income in the statements of profit or loss (see Note 21).

Receivable from insurance pertains to outstanding claims filed with various insurance companies in relation to damages incurred to the insured properties of the Company.

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Company, which will be received three to four months after release of loan.

Advances to officers and employees are composed of advances intended for the Company's operations and are subject to liquidation.

The Company assesses an ECL when the receivables from contract with customers and other counterparties are initially recognized and updates the assessment at each reporting date based on the analysis determined by management. No allowance for ECL need to be recognized in 2022, 2021 and 2020 (see Note 29.2)

6. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	Note	2022	2021
Subdivision units		**P 723,515,775**	P 255,741,685
Condominium units		**195,654,846**	481,000,844
		919,170,621	736,742,529
Construction-in-progress (CIP):			
Land development costs		**4,365,318,179**	4,756,876,805
Condominium building costs		**1,692,159,086**	1,202,816,678
Housing costs		**1,330,557,606**	1,790,067,469
		7,388,034,871	7,749,760,952
Raw land inventory	7	**284,618,630**	1,461,557,446
		P8,591,824,122	P9,948,060,927

An analysis of the cost of real estate inventories included in cost of sales for the year is presented in Note 18.

Land development costs pertain to the cost of acquisition of land and site development costs of subdivision projects and other future site projects of the Company.

Housing costs pertain to the cost of house construction for the horizontal projects of the Company.

Condominium building costs consist of the cost of acquisition of land and the cost to construct the units of the vertical projects of the Company.

Raw land inventory consists of parcels of land owned by the Company that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2022 and 2021, the Company reclassified deposits on land for future development amounting to nil and P1,076,100,742, respectively, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated (see Note 7).

Borrowing costs that are capitalized as part of real estate inventories amounted to P1,018,896,316 and P1,353,220,387 in 2022 and 2021, respectively, which represents the specific borrowing costs incurred on bank loans, corporate notes and bonds obtained to fund the construction projects (see Notes 14 and 15). Capitalization rate used for specific borrowings ranges from 4.00% to 7.50% and 4.25% to 7.25% in 2022 and 2021, respectively.

The Company reclassified real estate inventories to investment properties amounting to P12,559,602 in 2022 and reclassified investment properties to real estate inventories amounting to P91,750,220 in 2021 (see Note 12).

Certain real estate inventories amounting to P4,976,334,244 and P3,905,625,167 as at December 31, 2022 and 2021, respectively, are used as collateral for certain interest-bearing loans of the Company (see Note 14).

7. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

Deposits on land for future development pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable real estate projects (see Note 2.6). A reconciliation of the deposits on land for future development is presented below.

	Note	2022	2021
Balance at beginning of year		**P -**	P 699,772,860
Additions		**121,996,729**	376,327,882
Transferred to raw land inventory	6	**-**	(1,076,100,742)
Balance at end of year		**P 121,996,729**	P -

The deposits on land for future development is presented as current assets in the statements of financial position.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	2022	2021
Advances to subcontractors	**P 968,438,203**	P1,358,166,117
Deferred commissions and incentives	**650,746,260**	803,048,682
Input VAT and deferred input VAT	**591,692,464**	429,650,081
Prepaid income tax	**269,493,001**	131,398,431
Advances to suppliers	**205,941,986**	261,844,092
Short-term investments	**101,034,408**	149,901,854
Prepaid expenses	**15,080,589**	31,497,875
Others	**73,501**	73,501
	P2,802,500,412	P3,165,580,633

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid on behalf of subcontractors. These are applied against the billings of subcontractors.

Deferred commissions and incentives pertain to sales commissions and incentives incurred and capitalized by the Company upon execution of contracts to sell real properties to customers. These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. In 2022, 2021 and 2020, the Company expensed deferred commissions and incentives of P627,869,052, P600,232,618 and P321,417,987, respectively based on the POC of the related real estate contract and is presented as Commissions and incentives under the Operating Expenses account in the statements of profit or loss (see Note 19).

Short-term investments pertain to escrow funds that are required to be set up in relation to the Company's compliance with the regulatory requirements for issuance of license to sell and are restricted for use in the Company's operations. The escrow funds is significantly comprised of investments in treasury bills with maturity dates of up to 12 months, earning effective interest ranging from 2.50% to 3.00% per annum in 2022 and ranging from 1.20% to 1.90% per annum in 2021.

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

This account comprises the following as at December 31:

	Note	**2022**	2021
Investment in subsidiaries	9.1	**P6,731,567,105**	P5,743,093,372
Investments in associates	9.2	**133,559,582**	134,913,356
		P6,865,126,687	P5,878,006,728

A reconciliation of the carrying amounts of investments in subsidiaries and associates at the beginning and end of 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	**P5,878,006,728**	P4,621,527,207
Investments during the year	**650,822,195**	1,303,891,928
Equity in net profit during the year	**430,697,764**	24,587,593
Dividends received	**(94,400,000)**	(72,000,000)
Balance at end of year	**P6,865,126,687**	P5,878,006,728

9.1 Investments in Subsidiaries

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

	Note	**2022**	2021
Balance at beginning of year		**P5,743,093,372**	P4,491,674,543
Investments during the year		**642,822,195**	1,064,031,747
Equity in net profit during the year		**440,051,538**	28,968,346
Dividends received		**(94,400,000)**	(72,000,000)
Reclassification	9.2	**-**	230,418,736
Balance at end of year		**P6,731,567,105**	P5,743,093,372

On June 22, 2021, the Company assumed control of the MDC by acquiring additional 6,379,980 common shares of MDC from nine other stockholders. The Company became MDC's parent company with a 77.69% ownership interest over its outstanding shares, an increase from its previously held 20% ownership interest.

9.2 Investments in Associates

A reconciliation of the carrying amounts of the investments in associates at the beginning and end of 2022 and 2021 is shown below.

	Notes	2022	2021
Balance at beginning of year		**P 134,913,356**	P 129,852,664
Equity in net loss during the year		**(9,353,774)**	(4,380,753)
Investments during the year		**8,000,000**	25,310,917
Equity in net loss during the year	9.1	**-**	(48,307,983)
Gain on remeasurement	20.1	**-**	32,438,511
Balance at end of year		**P 133,559,582**	P 134,913,356

Upon acquisition, CLI remeasured its investment in an associate to its acquisition date fair value and recognized a Gain on remeasurement of investments in associates presented under Other Operating Income in the 2021 statement of profit or loss (see Note 20.1), computed as follows.

Acquisition-date fair value of previously held interest	P 48,307,983
Acquisition-date carrying value of investment in associate	(15,869,472)
Gain on remeasurement	P 32,438,511

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Building	Operating Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
December 31, 2022							
Cost	P 373,019,225	P 111,049,218	P 52,286,882	P 35,095,811	P 4,370,139	P 3,708,701,466	P 4,284,522,741
Accumulated depreciation and amortization	(88,891,788)	(52,185,686)	(38,939,854)	(25,346,548)	(2,432,614)	-	(207,796,490)
Net carrying amount	**P 284,127,437**	**P 58,863,532**	**P 13,347,028**	**P 9,749,263**	**P 1,937,525**	**P 3,708,701,466**	**P 4,076,726,251**
December 31, 2021							
Cost	P 285,064,231	P 91,655,631	P 54,891,520	P 32,175,937	P 2,352,961	P 102,799,019	P 568,939,299
Accumulated depreciation and amortization	(73,868,573)	(40,091,131)	(37,021,957)	(21,743,468)	(2,331,011)	-	(175,056,140)
Net carrying amount	P 211,195,658	P 51,564,500	P 17,869,563	P 10,432,469	P 21,950	P 102,799,019	P 393,883,159
January 1, 2021							
Cost	P 226,721,526	P 69,921,746	P 41,478,217	P 26,567,436	P 2,330,639	P 104,849,195	P 471,868,759
Accumulated depreciation and amortization	(56,836,206)	(30,818,511)	(32,097,941)	(18,473,949)	(2,327,353)	-	(140,553,960)
Net carrying amount	P 169,885,320	P 39,103,235	P 9,380,276	P 8,093,487	P 3,286	P 104,849,195	P 331,314,799

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022, 2021 and 2020 is shown below.

	Building	Operating Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 211,195,658	P 51,564,500	P 17,869,563	P 10,432,469	P 21,950	P 102,799,019	P 393,883,159
Additions	55,888,147	19,487,678	1,587,688	2,919,875	2,017,179	2,336,934,319	2,418,834,886
Disposal	-	(94,092)	(4,192,326)	-	-	-	(4,286,418)
Reclassification	32,066,847	-	-	-	-	1,268,968,128	1,301,034,975
Depreciation and amortization charges for the year	(15,023,215)	(12,094,554)	(1,917,897)	(3,603,081)	(101,604)	-	(32,740,351)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 284,127,437**	**P 58,863,532**	**P 13,347,028**	**P 9,749,263**	**P 1,937,525**	**P 3,708,701,466**	**P 4,076,726,251**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 169,885,320	P 39,103,235	P 9,380,276	P 8,093,487	P 3,286	P 104,849,195	P 331.314.799
Additions	11,782,632	21,800,399	13,413,303	6,126,083	22,322	32,976,828	86,121,567
Disposal	-	(66,514)	-	(517,582)	-	-	(584,096)
Reclassification	43,004,043	-	-	-	-	(35,027,004)	7,977,039
Depreciation and amortization charges for the year	(13,476,337)	(9,272,620)	(4,924,016)	(3,269,519)	(3,658)	-	(30,946,150)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 211,195,658	P 51,564,500	P 17,869,563	P 10,432,469	P 21,950	P 102,799,019	P 393,883,159
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 71,432,740	P 38,226,980	P 9,407,665	P 8,822,740	P 97,701	P 16,491,703	P 144,479,529
Additions	19,542,518	8,296,859	3,161,948	2,621,700	-	89,511,428	123,134,453
Reclassification	87,256,335	-	-	-	-	(1,153,936)	86,102,399
Depreciation and amortization charges for the year	(8,346,273)	(7,420,604)	(3,189,337)	(3,350,953)	(94,415)	-	(22,401,582)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 169,885,320	P 39,103,235	P 9,380,276	P 8,093,487	P 3,286	P 104,849,195	P 331,314,799

Depreciation and amortization expenses on property and equipment is presented as part of Operating Expenses in the statements of profits or loss (see Note 19).

In 2022 and 2021, the Company reclassified certain retail building previously presented as Investment Properties with an aggregate amount of P1,301,034,975 and P7,977,039, respectively, to Property and Equipment (see Note 12) . These pertain to the ongoing construction of buildings which will be used in hotel operations. CLI also used some units as one of its offices.

Borrowing costs that are capitalized as part of property and equipment amounted to P413,771,181 in 2022, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 14). Capitalization rate used for specific borrowings ranges from 4.00% to 8.00% in 2022. No borrowing costs capitalized in 2021.

Property and equipment with a total carrying amount of P3,688,924,771 and P121,909,862 as at December 31, 2022 and 2021, respectively, are used as collateral for certain interest-bearing loans and borrowings (see Note 14).

As at December 31, 2022 and 2021, the cost of the Company's fully-depreciated property and equipment that are still used in operations amounts to P103,301,639 and P91,451,396, respectively.

11. LEASES

The Company entered into lease contracts, as lessee, for leases of land. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the statement of financial position as Right-of-use Assets and the corresponding obligation as Lease Liabilities. Variable lease payments which do not depend on an index, or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For the lease on the land, the Company must insure all the improvements made on the property.

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

	Number of right of-use asset leased	Range of remaining term	Number of leases with extension option	Number of leases with purchase option	Number of leases termination options
December 31, 2022					
Land	3	30 to 42 years	-	-	-
December 31, 2021					
Land	2	40 to 42 years	-	-	-

11.1 Right-of-use Assets

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

	2022	2021
Cost		
Balance at beginning of year	**P 927,188,591**	P 971,236,694
Additions	**52,874,044**	-
Amendment of lease contract	**-**	(44,048,103)
Balance at end of year	**980,062,635**	927,188,591
Accumulated amortization		
Balance at beginning of year	**46,931,213**	26,308,480
Amortization	**22,381,468**	20,622,734
Balance at end of year	**69,312,681**	46,931,214
Carrying amount	**P 910,749,954**	P 880,257,377

11.2 Lease Liabilities

Lease liabilities presented in the statement of financial position as at December 31, 2022 and 2021 amounted to P948,091,184 and P834,573,823, which are all non-current liabilities.

The contracts of lease do not provide for any future lease termination and extension options. The lease liabilities are secured by the related underlying asset. The undiscounted maturity analysis of lease liabilities are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
December 31, 2022							
Lease payments	P 36,716,315	P 37,527,340	P 40,463,482	P 53,991,333	P 55,067,747	P3,208,036,928	P 3,431,803,145
Finance charges	(36,716,315)	(97,202,000)	(70,335,257)	(72,065,973)	(73,304,835)	(2,134,087,582)	(2,483,711,962)
Net present values	**P -)**	**(P 59,674,660)**	**(P 29,871,775)**	**(P 18,074,640)**	**(P 18,237,088)**	**P1,073,949,346**	**P 948,091,183**
December 31, 2021							
Lease payments	P 17,709,474	P 35,418,947	P 37,189,895	P 38,190,395	P 51,055,389	P3,111,264,805	P 3,290,828,905
Finance charges	(17,709,474)	(104,279,072)	(68,510,350)	(66,479,352)	(68,162,105)	(2,131,114,729)	(2,456,255,082)
Net present values	P -	(P 68,860,125)	(P 31,320,455)	(P 28,288,957)	(P 17,106,716)	P 980,150,076	P 834,573,823

11.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of P13,212,227, P15,121,820 and P11,065,601 in 2022, 2021 and 2020, respectively, and is presented as Rent as part of Operating Expenses in the statements of profit or loss (see Note 19).

11.4 Additional Profit or Loss and Cash Flow Information

The total cash outflows in respect of leases amounted to P562,543, P5,452,222 and P160,291,806 in 2022, 2021 and 2020, respectively. The Interest expense in relation to lease liabilities amounting to P61,205,859, P52,757,989 and P56,727,264 in 2022, 2021 and 2020, respectively, which is presented as part of Finance Costs in the statements of profit or loss (see Note 22).

12. INVESTMENT PROPERTIES

The Company's investment properties include condominium units and retail building. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
December 31, 2022						
Costs	P 777,095,974	P 804,566,616	P 31,371,804	P -	P 8,525,649,180	P10,138,683,574
Accumulated depreciation	(71,367,624)	(120,839,845)	(9,099,542)	-	-	(201,307,011)
Carrying amount	**P 705,728,350**	**P 683,726,771**	**P 22,272,262**	**P -**	**P 8,525,649,180**	**P 9,937,376,563**
December 31, 2021						
Costs	P 776,845,974	P 792,007,013	P 31,371,804	P -	P 4,831,135,183	P 6,431,359,974
Accumulated depreciation	(49,310,883)	(96,384,966)	(7,530,906)	-	-	(153,226,755)
Carrying amount	P 727,535,091	P 695,622,047	P 23,840,898	P -	P 4,831,135,183	P 6,278,133,219
January 1, 2021						
Costs	P 595,061,927	P 551,960,803	P 31,371,804	P -	P 2,966,272,566	P 4,144,667,100
Accumulated depreciation	(33,635,295)	(75,583,112)	(5,962,316)	-	-	(115,180,723)
Carrying amount	P 561,426,632	P 476,377,691	P 25,409,488	P -	P 2,966,272,566	P 4,029,486,377

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2022, 2021 and 2020 is shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2022 net of accumulated depreciation	P 727,535,090	P 695,622,048	P 23,840,898	P -	P 4,831,135,183	P 6,278,133,219
Additions	250,000	-	-	-	4,995,548,972	4,995,798,972
Reclassifications	-	12,559,602	-	-	(1,301,034,975)	(1,288,475,373)
Depreciation during the year	(22,056,740)	(24,454,879)	(1,568,636)	-	-	(48,080,255)
Balance at December 31, 2022 net of accumulated depreciation	**P 705,728,350**	**P 683,726,771**	**P 22,272,262**	**P -**	**P 8,525,649,180**	**P 9,937,376,563**
Balance at January 1, 2021 net of accumulated depreciation	P 561,426,632	P 476,377,691	P 25,409,488	P -	P 2,966,272,566	P 4,029,486,377
Additions	696,786	-	-	-	2,389,279,378	2,389,976,164
Reclassifications	184,643,291	240,046,211	-	-	(524,416,761)	(99,727,259)
Depreciation during the year	(19,231,619)	(20,801,854)	(1,568,590)	-	-	(41,602,063)
Balance at December 31, 2021 net of accumulated depreciation	P 727,535,090	P 695,622,048	P 23,840,898	P -	P 4,831,135,183	P 6,278,133,219
	Retail Building	**Condominium Units**	**Parking Units**	**Land**	**Construction in Progress**	**Total**
Balance at January 1, 2020 net of accumulated depreciation	P 85,115,746	P 229,432,066	P 26,978,078	P 2,652,500	P 2,022,057,808	P 2,366,236,198
Additions	-	-	-	-	1,843,779,784	1,843,779,784
Reclassifications	494,833,922	266,547,248	-	(2,652,500)	(899,565,026)	(140,836,356)
Depreciation during the year	(18,523,036)	(19,601,623)	(1,568,590)	-	-	(39,693,249)
Balance at December 31, 2020 net of accumulated depreciation	P 561,426,632	P 476,377,691	P 25,409,488	P -	P 2,966,272,566	P 4,029,486,377

In 2022, the Company reclassified investment properties to property and equipment amounting to P1,301,034,975 (see Note 10) and reclassified real estate inventories to investment properties amounting to P12,559,602 (see Note 6). In 2021, the Company reclassified investment properties to real estate inventories and property and equipment totaling P91,750,220 and P7,977,039, respectively (see Notes 6 and 10).

Income and expenses from investment properties for the years ended December 31, 2022, 2021 and 2020 are presented below.

	Notes	**2022**	2021	2020
Rental income:				
Retail building		**P 58,487,878**	P 61,961,988	P 59,216,319
Hotel		**6,553,177**	-	-
Condominium units		**9,789,476**	3,882,427	1,837,157
Parking units		**922,042**	728,102	474,917
Others		**-**	1,416,978	-
	17.1	**P 75,752,573**	P 67,989,495	P 61,528,393
Expenses:				
Depreciation	18	**P 48,080,255**	P 41,602,742	P 39,693,249
Repairs and maintenance	19	**-**	1,549,599	509,627
Others		**-**	63,258	-
		P 48,080,255	P 43,215,599	P 40,202,876

Investment properties have a total fair value of P10,917,052,491 and P7,392,323,227 as at December 31, 2022 and 2021, respectively, based on the appraisal done by an independent expert [see Note 30.3*(c)*]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Company's investment properties as at December 31, 2022 and 2021.

Investment property with a total carrying amount of P5,614,802,742 and P4,606,708,047 and as at December 31, 2022 and 2021, respectively, are used as collateral for certain interest-bearing loans of the Company (see Note 14).

13. OTHER NON-CURRENT ASSETS

This account includes the following:

	Note	**2022**	2021
Advances to subcontractors		**P 473,134,430**	P 165,368,935
Deposits for purchased properties	25.3	**163,134,122**	50,503,033
Refundable deposits		**113,438,998**	86,691,321
Computer software – net of accumulated amortization of P31,974,998 and P23,143,372, respectively		**31,362,061**	37,129,364
Investment in equity securities		**9,375,002**	9,375,002
Deferred input VAT		**4,624,926**	4,624,926
Advance payment for future investment in equity securities		**-**	29,496,000
Others		**1,934,145**	1,917,593
		P 797,003,684	P 385,106,174

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of investment properties. These are applied against the progress billings of subcontractors.

Deposit for purchased properties pertains to the condominium units purchased by the Company under pre-completed contracts. Upon completion, the Company intends to use these properties.

Refundable deposits pertain to recoverable payments by the Company which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

Total additions to computer software amounted to P3,064,324, P10,242,943 and P8,960,023 in 2022, 2021 and 2020, respectively. The amortization expense on the computer software amounted to P8,831,626, P8,983,546 and P7,243,253 in 2022, 2021 and 2020, respectively, and is presented as part of Depreciation and amortization under Operating Expenses in the statements of profit or loss (see Note 19).

14. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the statements of financial position as follows:

	Notes	2022	2021
Current:			
Bank loans	14.1	**P 6,403,789,653**	P 3,984,311,190
Corporate notes	14.2	**1,117,559,524**	3,545,238,195
		7,521,349,177	7,529,549,385
Non-current:			
Bank loans	14.1	**10,715,107,978**	7,086,121,475
Corporate notes	14.2	**11,216,986,253**	12,294,538,531
		21,932,094,231	19,380,660,006
		P29,453,443,408	P26,910,209,391

14.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	2022	2021
Balance at beginning of year	**P11,070,432,665**	P 4,290,870,250
Proceeds and drawdowns – net	**9,978,618,073**	10,026,513,537
Repayments	**(3,978,932,183)**	(3,270,879,433)
Amortization of debt issue costs	**48,779,076**	23,928,311
Balance at end of year	**P17,118,897,631**	P11,070,432,665

The unamortized debt issue cost as at December 31, 2022 and 2021 amounts to P77,970,874 and P43,461,023, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2022 and 2021 are shown below.

	2022	2021
Balance at beginning of year	**P 43,461,023**	P 13,102,870
Debt issue costs from new loans	**83,288,927**	54,286,464
Amortization of debt issue cost	**(48,779,076)**	(23,928,311)
Balance at end of the year	**P 77,970,874**	P 43,461,023

The loans bear interest rates per annum ranging from 4.00% to 7.50% in 2022, 4.25% to 5.55% in 2021 and 4.00% to 5.25% in 2020. Certain loans are collateralized by the specific projects for which the loans were obtained. The cost of such projects aggregating to P7,331,903,009 and P8,634,243,076 as at December 31, 2022 and 2021, respectively, are included in the Real Estate Inventories, Property and Equipment, and Investment Properties accounts in the statements of financial position (see Notes 6, 10 and 12).

In 2022, the Company availed of new loans amounting to P9,978,618,073, net of debt issuance cost, which have outstanding balance totaling P8,291,623,625 as at December 31, 2022. The loans bear interest ranging from 4.125% to 7.50% with maturity dates ranging from 2023 to 2034.

In 2021, the Company availed of new loans amounting to P10,026,513,537, net of debt issuance cost, which have outstanding balance totaling P5,791,000,000 and P7,464,536,889 as at December 31, 2022 and 2021, respectively. The loans bear interest ranging from 4.00% to 6.50% with maturity dates ranging from 2023 to 2034.

Total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P798,855,982, P350,165,748 and P301,195,608 in 2022, 2021 and 2020, respectively, and of which P610,547,649, P265,810,070 and P298,657,414, respectively, were capitalized as part of construction costs (see Notes 6, 10 and 12). Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 4.00% to 7.50% and 4.25% to 7.25% in 2022 and 2021, respectively.

14.2 Corporate Notes

The Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) totalling P13,000,000,000 and two short-dated notes (SDN) amounting to P2,000,000,000 and P3,000,000,000, respectively.

	2022	2021
Balance at beginning of year	**P 15,839,776,726**	P14,844,149,018
Repayments	**(3,545,238,095)**	(2,017,857,143)
Proceeds and drawdowns - net	**-**	2,972,763,158
Amortization of debt issue cost	**40,007,146**	40,721,693
Balance at end of the year	**P 12,334,545,777**	P15,839,776,726

The NFA is composed of the following tranches:

NFA	**Date Executed**	**Tranche**	**Tenor**	**Principal Amount**
LTCN	03/05/2020	Series D	Five years	P 1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	1,000,000,000
	07/20/2018	Series A	Seven years	2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000
				P 13,000,000,000

NFA	Date Executed	Tranche	Tenor	Principal Amount
SDN	04/30/2021	SDN 2	18 months from drawdown date	P 3,000,000,000
	10/25/2019	SDN 1	18 months from drawdown date	2,000,000,000
				P 5,000,000,000

The Company made the following drawdowns from the NFA.

Year	Tranche	Interest Rate	Maturity Dates	Amount
2021	SDN 2	3.88%	November 2022	P 3,000,000,000
2020	Series D	3.46%	September 2025	P 1,300,000,000
	Series E	3.54% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	1,000,000,000
				P 8,000,000,000
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN 1	4.75%	April 2021	2,000,000,000
				P 4,000,000,000
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August – September 2028	1,000,000,000
	Series C	6.75%	October – December 2028	1,500,000,000
				P 3,000,000,000

In 2021 and 2020, the Company recognized debt issuance costs for new NFA amounting to P27,236,842 and P108,124,311, respectively, which has a carrying amount of P102,358,985 and P142,366,131 as at December 31, 2022 and 2021, respectively, in relation to the drawdowns from the NFA. No debt issuance costs were recognized for 2022. The debt issuance cost amortization in 2022 and 2021 amounted to P40,007,146 and P40,721,693, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P836,758,484, P861,785,646 and P655,265,056 in 2022, 2021 and 2020, respectively, of which P836,758,484, P861,785,646 and P649,026,850 was capitalized as part of construction costs in 2022, 2021 and 2020, respectively (see Notes 6, 10 and 12).

The Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio ranging from 2.5:1 to 3.0:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2022 and 2021, the Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the statements of profit or loss, amounted to P188,308,333, P100,246,234, and P8,677,442, in 2022, 2021 and 2020, respectively (see Note 22).

The total accrued interest on bank loans and corporate notes amounted to P124,685,521 and P127,723,403 as at December 31, 2022 and 2021, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 16).

15. BONDS PAYABLE

On September 23, 2022, CLI registered with the SEC its debt securities program of P15,000,000,000 fixed rate bonds which will be offered in one or more tranches within three (3) years.

On October 7, 2022, the Company issued the first tranche of its fixed rate bonds amounting to P5,000,000,000 and was listed with the Philippine Dealing & Exchange Corp. (PDEx). The bonds have been rated "PRS Aa plus" with a stable outlook by PhilRatings and are comprised of the following tenors:

- Series A – maturity of 3.5 years and a coupon rate of 6.4222%;
- Series B – maturity of 5.5 years and a coupon rate of 6.9884%; and,
- Series C – maturity of 7 years and a coupon rate of 7.3649%.

In 2022, the Company recognized bond issuance costs amounting to P73,372,369 in relation to the issuance of the first tranche of the bonds which has a carrying amount of P69,417,369 as at December 31, 2022. The bond issuance cost amortization in 2022 amounted to P3,955,000.

The total interest incurred related to the bonds, including amortization of bond issuance cost, amounted to P82,547,408 in 2022 of which P67,102,788 was capitalized as part of real estate inventories and investment properties and P15,444,620 was recognized as interest expense as part of Finance Costs in the statements of profit or loss.

Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 6.89% to 7.64% in 2022.

The Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2022, the Company is compliant with the requirements.

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	Notes	2022	2021
Current:			
Unbilled construction costs		**P 7,423,749,207**	P 4,186,303,731
Trade payables		**2,597,240,481**	1,699,447,711
Sales commissions payable		**1,114,048,487**	1,143,583,886
Retention payable		**633,964,617**	462,671,191
Accrued expenses	14	**249,749,996**	150,219,165
Government-related obligations		**75,997,476**	45,883,493
Due to related parties	25.2	**62,484,708**	60,614,686
Output VAT		**41,500,631**	51,939,153
Other payables		**4,099,037**	3,411,496
		12,202,834,640	7,804,074,512
Non-current:			
Retention payable		**148,726,165**	126,943,989
Advance rental		**14,269,141**	13,201,960
Other payables		**13,239,665**	2,336,904
		176,234,971	142,482,853
		P12,379,069,611	P 7,946,557,365

Unbilled construction costs pertain to obligations to contractors for services already performed but not yet billed to the Company.

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials for the Company's projects.

Sales commissions payables pertains to estimated obligations to agents.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees, and other recurring accruals in the Company's operations.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

In 2022, the Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical areas:

	2022				
	Cebu	**Visayas**	**Mindanao**	**Luzon**	**Total**
Sale of real estate units					
Over time	P 4,896,280,081	P 3,514,891,401	P 2,837,004,591	P 7,441,250	P11,255,617,323
At a point in time	270,421,612	30,553,637	29,351,185	42,979,100	373,285,534
	5,166,701,693	3,545,445,038	2,866,355,776	50,420,350	11,628,922,857
Lease of properties					
Over time	75,752,573	-	-	-	75,752,573
Render of management services					
Over time	76,944,068	11,948,758	53,039,115	-	141,931,941
	P 5,319,398,334	**P 3,557,393,796**	**P 2,919,394,891**	**P 50,420,350**	**P11,846,607,371**

	2021				
	Cebu	Visayas	Mindanao	Luzon	Total
Sale of real estate units					
Over time	P 4,981,552,014	P 2,297,929,320	P 1,943,338,200	P -	P 9,222,819,534
At a point in time	99,321,739	32,795,711	29,159,733	15,601,000	176,878,183
	5,080,873,753	2,330,725,031	1,972,497,933	15,601,000	9,399,697,717
Lease of properties					
Over time	67,989,495	-	-	-	67,989,495
Render of management services					
Over time	46,530,721	16,771,110	47,217,858	-	110,519,689
	P 5,195,393,969	P 2,347,496,141	P 2,019,715,791	P 15,601,000	P 9,578,206,901

	2020				
	Cebu	Visayas	Mindanao	Luzon	Total
Sale of real estate units					
Over time	P 2,919,088,901	P 1,910,041,688	P 1,200,353,420	P -	P 6,029,484,009
At a point in time	351,635,505	-	99,985,234	37,860,000	489,480,739
	3,270,724,406	1,910,041,688	1,300,338,654	37,860,000	6,518,964,748
Lease of properties					
Over time	61,528,393	-	-	-	61,528,393
Render of management services					
Over time	42,219,821	-	9,450,891	6,720,000	58,390,712
	P 3,374,472,620	P 1,910,041,688	P 1,309,789,545	P 44,580,000	P 6,638,883,853

17.2 Contract Balance

The breakdown of contract balances is as follows:

	2022	2021
Contract assets	**P25,386,768,172**	P16,256,159,124
Contract liabilities	**(289,366,657)**	(353,200,147)
Contract assets – net	**P25,097,401,515**	P 15,902,958,977

The Company recognizes a contract asset when the performance of property development is ahead of the collection of the consideration.

A reconciliation of the opening and closing balance of Contract Assets in 2022 and 2021 is shown in the below.

	2022	2021
Balance at beginning of year	**P16,256,159,124**	P9,470,656,275
Performance of property development	**10,115,826,001**	7,842,879,585
Transfers to contract receivables	**(985,216,953)**	(1,057,376,736)
Balance at end of year	**P25,386,768,172**	P16,256,159,124

Contract assets is presented in the statements of financial position as follows.

	2022	2021
Current	**P14,063,209,951**	P 4,197,781,332
Non-current	**11,323,558,221**	12,058,377,792
	P25,386,768,172	P16,256,159,124

A reconciliation of the carrying amounts of contract liabilities at the beginning and end of 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	**P 353,200,147**	P 361,720,625
Revenue recognized that was included in contract liability at the beginning of year	**(106,492,815)**	(147,050,564)
Increase due to cash received excluding amount recognized as revenue during the year	**42,659,325**	138,530,086
Balance at end of year	**P 289,366,657**	P 353,200,147

Contract liabilities pertains to collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted as Customers' Deposits, which amounted to P76,996,569 and P57,469,700 as at December 31, 2022 and 2021, respectively.

17.3 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as at December 31, 2022 and 2021 is P10,761,956,088 and P8,449,458,001, respectively. As at December 31, 2022 and 2021, the Company expects to recognize revenue from unsatisfied contracts as follows:

	2022	2021
Within a year	**P 5,138,616,192**	P 4,491,140,648
More than one year to three years	**5,623,339,896**	3,958,317,353
	P 10,761,956,088	P 8,449,458,001

18. COSTS OF SALES AND SERVICES

Components of costs of sales and services are analyzed below.

	Notes	**2022**	2021	2020
Cost of real estate sales:				
Materials and contracted labor	19	**P4,909,657,508**	P 3,934,382,086	P 2,908,018,467
Land cost	19	**832,338,731**	226,630,439	128,511,991
Borrowing costs	19	**353,230,629**	531,194,326	208,110,212
Other costs		**158,985,487**	105,746,892	69,635,470
		6,254,212,355	4,797,953,743	3,314,276,417
Cost of rental services:				
Depreciation		**48,080,256**	41,602,062	39,693,249
Real property taxes		**-**	63,258	-
	12	**48,080,256**	41,665,320	39,693,249
		P 6,302,292,611	P 4,839,619,063	P 3,353,969,666

Cost of real estate sales include contracted services, cost of land, capitalizable borrowing costs and other costs incidental to housing and condominium projects development as shown in Note 19. Contracted services pertain to the constructions contracts which are related to construction labor and materials for the units sold.

19. COSTS AND EXPENSES BY NATURE

The details of costs and expenses by nature are shown below.

	Notes	2022	2021	2020
Contracted services	18	**P 4,909,657,508**	P 3,934,382,086	P 2,908,018,467
Land cost	18	**832,338,731**	226,630,439	128,511,991
Commissions and incentives	8	**627,869,052**	600,232,618	321,417,987
Salaries and employee benefits	23.1	**515,728,192**	431,568,938	346,651,735
Borrowing cost	18	**353,230,629**	531,194,326	208,110,212
Taxes and licenses		**208,560,487**	176,165,566	80,697,838
Depreciation and amortization	10, 11, 12, 13	**115,405,442**	102,154,493	91,358,352
Repairs and maintenance	12	**61,972,854**	14,189,462	20,117,310
Advertising		**45,305,124**	32,367,610	38,943,763
Representation and entertainment		**30,874,801**	18,601,448	16,335,432
Security services		**22,184,525**	11,083,160	8,525,401
Professional and legal fees		**24,661,729**	25,220,118	21,976,647
Utilities		**23,937,928**	19,627,604	24,681,530
Transportation and travel		**22,685,610**	4,842,676	15,645,674
Insurance		**19,446,501**	14,083,581	10,890,647
Supplies		**16,598,691**	10,170,328	14,722,002
Rent	11.3, 27.2	**13,212,227**	15,121,820	11,065,601
Subscriptions and membership dues		**12,993,887**	12,934,117	7,017,637
Fuel and lubricants		**9,876,935**	6,373,908	2,934,419
Communications		**5,556,960**	7,384,210	5,522,883
Selling expense		**4,812,800**	1,443,463	-
Donations		**3,253,849**	106,556,752	12,412,407
Penalties		**2,874,976**	1,819,433	-
Trainings and seminars		**1,463,617**	856,107	410,711
Others		**287,015,458**	165,845,105	111,446,896
		P 8,171,518,513	P 6,470,849,368	P 4,407,415,542

The costs and expenses are classified in the statements of profit or loss as follows:

	Note	2022	2021	2020
Cost of sales and services	18	**P 6,302,292,611**	P 4,839,619,063	P 3,353,969,666
Operating expenses		**1,869,225,902**	1,631,230,305	1,053,445,876
		P 8,171,518,513	P 6,470,849,368	P 4,407,415,542

20. OTHER OPERATING INCOME AND OTHER LOSSES

20.1 Other Operating Income

This account is composed of the following:

	Note	2022	2021	2020
Administrative charges		**P 63,889,484**	P 37,634,896	P 14,499,649
Move-in fee income		**26,488,948**	33,651,002	-
Water service fee		**14,260,920**	11,150,077	9,019,740
Commitment fee		**13,716,111**	-	-
Documentation fee		**10,039,993**	8,536,557	7,323,661
Sponsorships		**7,957,554**	2,125,098	-
Late payment penalties charged to customers		**6,057,854**	2,111,708	1,447,633
Foreign exchange gains		**4,262,002**	1,410,012	-
Utilities charged to tenants		**3,902,053**	5,749,848	1,770,786
Scrap sales		**2,017,777**	2,541,366	-
Referral incentive		**1,720,250**	336,386	75,728
Reservation fees foregone		**187,047**	43,750	8,460,301
Concession income		**-**	1,733,355	1,803,088
Reversal of payables		**-**	61,690,791	6,486,587
Gain on remeasurement of investment in associates	9.2	**-**	32,438,511	-
Others		**4,398,115**	5,570,203	1,912,950
		P 158,898,108	P 206,723,560	P 52,800,123

Reversal of payables pertains to outstanding payables related to cancelled contracts with certain building contractors and suppliers which the Company is no longer required to pay. This also includes income from the write-off of long-outstanding unidentified deposits.

Move-in fee income pertain to excess fees charged to real estate buyers upon turn-over of their units over the cost of services to make the buyers' units habitable which include requisition of building insurance and fire extinguisher, processing of related taxes, utility connections and others.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

Water service fee pertains to fees charged to home or unit-owners of the turned-over units and condominium projects.

Refund from lot acquisitions pertain to the refund from seller of property for overpayments made.

20.2 Other Losses

This account is composed of the following:

	2022	2021	2020
Foreign exchange losses	**P 6,380,520**	P 1,391,339	P 685,956
Losses due to typhoon	**-**	89,558,963	-
Loss (gain) on sale of assets - net	**(128,364)**	16,577	-
	P 6,252,156	P 90,966,879	P 685,956

Losses due to typhoon pertain to the damages sustained from a typhoon Odette which affected Company's projects and properties in Cebu (see Note 33).

21. FINANCE INCOME

This is composed of the following:

	Notes	2022	2021	2020
Interest income on:				
Advances to related parties	25.1	**P 58,794,923**	P 26,524,249	P 6,460,910
Banks	4	**11,881,039**	2,819,951	7,379,290
Post-employment defined benefit obligation	23.3	**-**	-	245,725
Amortization of day one loss on non-current contract receivables - net	5	**-**	1,160,937	30,761,436
		P 70,675,962	P 30,505,137	P 44,847,361

22. FINANCE COSTS

This is composed of the following:

	Notes	2022	2021	2020
Interest expense on				
Interest-bearing loans	14	**P 188,308,333**	P 100,246,234	P 8,677,442
Lease liabilities	11	**61,205,859**	52,757,989	56,727,264
Bonds	15	**15,444,620**	-	-
Post-employment defined benefit obligation	23.3	**241,469**	24,537	-
Day one loss, net of amortization	5	**257,332**	-	-
Bank charges		**307,009**	440,856	174,756
		P 265,764,622	P 153,469,616	P 65,579,462

Interest expense on loans is the portion not capitalized as part of real estate inventories, property and equipment or investment properties (see Notes 6, 10, 12, 14 and 15).

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

	Notes	**2022**	2021	2020
Short-term employee benefits		**P 508,138,583**	P 426,966,578	P 348,852,884
Post-employment defined benefit	23.3	**4,583,769**	4,602,360	(2,201,149)
Share options	23.3, 26.3	**3,005,840**	-	-
	19	**P 515,728,192**	P 431,568,938	P 346,651,735

23.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the Operating Expenses account in the statements of profit or loss, amounted to P3,005,840 (see Note 23.1), while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the statements of financial position (see Note 26.3).

23.3 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank manages the fund in coordination with the Company's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2022 and 2021.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	2022	2021
Present value of the obligation	**P 44,024,728**	P 40,124,208
Fair value of plan assets	**(34,634,633)**	(35,370,879)
	P 9,390,095	P 4,753,329

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented as follows.

	2022	2021
Balance at beginning of year	**P 40,124,208**	P 35,484,952
Current service cost	**4,583,769**	4,602,360
Interest cost	**2,038,310**	1,401,656
Benefits paid	**(765,844)**	(59,660)
Remeasurements – actuarial losses (gains) arising from:		
Changes in demographic assumptions	**-**	2,431,649
Changes in financial assumptions	**(4,166,909)**	(2,420,116)
Experience adjustments	**2,211,194**	(1,316,633)
Balance at end of year	**P 44,024,728**	P 40,124,208

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 35,370,879**	P 34,863,768
Interest income	**1,796,841**	1,377,119
Return on plan assets (excluding amounts included in net interest)	**(2,533,087)**	(870,008)
Balance at end of year	**P 34,634,633**	P 35,370,879

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2022	2021
Cash and cash equivalents	**P 84,245**	P 58,198
Receivables	**38,919**	86,620
Unitized investment funds	**29,623,378**	28,225,300
Government securities	**4,888,091**	7,000,761
	P 34,634,633	P 35,370,879

The fair values of the above unitized investment funds and government debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized losses of P2,533,087, P870,008, and P1,040,784 in 2022, 2021, and 2020, respectively.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are presented below.

	2022	2021	2020
Recognized in profit or loss			
Current service cost - net	**P 4,583,769**	P 4,602,360	(P 2,201,149)
Net interest expense (income) on defined benefit obligation	**241,469**	24,537	(245,725)
	P 4,825,238	P 4,626,897	(P 2,446,874)
Recognized in other comprehensive income			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	**P 2,211,194**	(P 1,316,633)	P 44,456,648
Financial assumptions	**(4,166,909)**	(2,420,116)	2,395,087
Demographic assumptions	**-**	2,431,649	(38,900,877)
Loss (return) on plan assets (excluding amounts included in net interest expense)	**2,533,087**	870,008	1,040,784
	P 577,372	(P 435,092)	P 8,991,642

The net interest expense (income) is included in Finance Costs (Income) in profit or loss (see Notes 21 and 22).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021	2020
Discount rates	**7.22%**	5.08%	3.95%
Salary increase rates	**7.00%**	7.00%	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 24.90. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	Impact on Post-employment Defined Benefit Obligation		
	Changes in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2022			
Discount rate	**+/-1.0%**	**(P 1,499,020)**	**P 1,759,621**
Salary increase rate	**+/-1.0%**	**1,745,813**	**(1,514,962)**
December 31, 2021			
Discount rate	+/-1.0%	(P 1,758,332)	P 2,114,346
Salary increase rate	+/-1.0%	2,051,714	(1,744,371)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P64,956,547 and P84,572,943 for the years ended December 31, 2022 and 2021, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-Liability Matching Strategies

To efficiently manage the retirement plan, the Company, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The Company does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2022	2021
Within one year	**P 31,203,897**	P 23,208,680
More than one year to five years	**10,454,910**	12,449,260
More than five years to ten years	**11,154,743**	9,975,732
	P 52,813,550	P 45,633,672

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.7 years.

24. CURRENT AND DEFERRED TAXES

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Company, was lower by P6,800,285 than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as at December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P168,857,700 and such was recognized in the 2021 profit or loss and in other comprehensive income.

The Company was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Company enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Company has 10 and 15 registered projects with BOI as at December 31, 2022 and 2021, respectively.

The components of tax expense relating to profit or loss and other comprehensive income are as follows:

	2022	2021	2020
Recognized in profit or loss			
Current tax expense:			
RCIT at 25% in 2022 and 2021 and 30% in 2020	**P 38,813,545**	P 25,004,538	P 81,603,422
Final tax	**2,375,510**	547,058	1,515,795
Adjustment in 2020 income taxes due to change in income tax rates	**-**	(6,800,285)	-
	41,189,055	18,751,311	83,119,217
Deferred tax expense relating to:			
Origination and reversal of temporary differences	**816,337,224**	671,965,242	463,551,283
Effect of the change in income tax rate	**-**	(169,778,116)	-
	816,337,224	502,187,126	463,551,283
	P 857,526,279	P 520,938,437	P 546,670,500
Recognized in other comprehensive income			
Deferred tax expense (income) arising from:			
Origination and reversal reversal of temporary differences	**(P 144,343)**	P 108,773	(P 2,697,492)
Effect of the change in income tax rate	**-**	920,416	-
	(P 144,343)	P 1,029,189	(P 2,697,492)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	2022	2021	2020
Tax on pretax profit at 25% in 2022 and 2021, and 30% in 2020	**P1,015,835,979**	P 781,184,332	P 723,793,522
Adjustments for income subject to lower tax rates	**(594,750)**	(157,930)	(697,993)
Effect of the change in income tax rate	**-**	(176,578,401)	-
Tax effects of:			
Timing difference from tax exempt real estate sales	**(56,968,067)**	(90,408,481)	(136,649,789)
Non-taxable income	**(107,674,441)**	(290,234)	(54,166,839)
Non-deductible expenses	**6,927,558**	7,189,151	14,391,599
Tax expense	**P 857,526,279**	P 520,938,437	P 546,670,500

Non-taxable income primarily pertains to the tax effect of the Company's share in net profit of its subsidiaries and associates which is a permanent difference for tax purposes.

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

	2022	2021
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	**P2,438,897,120**	P1,577,664,682
Rental income	**4,600,071**	4,531,825
Others	**11,541**	330,590
	2,443,508,732	1,582,527,097
Deferred tax assets:		
Recognition of commission	**(81,631,338)**	(46,982,574)
Net lease liabilities	**(24,957,130)**	(15,883,716)
Unamortized past service cost	**(1,774,086)**	(2,046,703)
Post-employment defined benefit obligation	**(1,052,212)**	26,730
Others	**(260,250)**	-
	(109,675,016)	(64,886,263)
	P2,333,833,716	P1,517,640,834

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

	Statements of Profit or Loss			Statements of Comprehensive Income		
	2022	2021	2020	**2022**	2021	2020
Deferred tax liabilities:						
Difference between tax reporting base and financial reporting bas used in sales recognition	**(P 861,232,438)**	(P 542,147,470)	(P 463,100,881)	**P -**	P -	P -
Rental income	**(11,891,664)**	(1,158,026)	(310,207)	**-**	-	-
Others	**319,048**	54,733	783	**-**	-	-
Deferred tax assets:						
Recognition of commission	**34,648,764**	36,199,861	(8,765,328)	**-**	-	-
Net lease liabilities	**20,896,832**	5,163,596	9,260,128	**-**	-	-
Unamortized past service cost	**(272,617)**	(888,898)	(128,741)	**-**	-	-
Post-employment defined benefit obligation – net	**1,078,942**	589,078	(507,037)	144,343	(1,029,189)	2,697,492
Others	**115,909**	-	-	**-**	-	-
Deferred tax income (expense)	**(P 816,337,224)**	(P 502,187,126)	(P 463,551,283)	**P 144,343**	(P 1,029,189)	P 2,697,492

In 2022 and 2021, the Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2022 and 2021 as the RCIT was higher than MCIT in both years.

The Company opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34*(b)* of the NIRC; hence, there are no deferred taxes related to the transaction.

The Company opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2022, 2021 and 2020.

25. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent or ABS, entities under common ownership, associates, joint ventures, shareholders, the Company's key management personnel, and others as described in Note 2.18.

A summary of the Company's transactions and outstanding balances with its related parties is presented below.

		Amount of Transaction			Outstanding Balance	
	Note	**2022**	2021	2020	**2022**	2021
Ultimate Parent Company						
Sale of real estate	25.4	**P 5,902,841**	P -	P 41,538,000	**P 77,699,074**	P 71,796,233
Entities under Common Ownership						
Net advances (collections)	25.1	**2,858,969**	12,778,398	11,953,583	**37,538,367**	34,697,398
Subsidiaries						
Advances to (collections)	25.1	**450,691,824**	669,293,633	289,507,725	**1,425,465,519**	974,773,695
Purchase of property	25.3	**112,631,089**	(50,802,967)	50,433,760	**163,134,122**	50,503,033
Accommodation payment	25.2	**1,872,522**	9,007,084	2,891,501	**(62,484,708)**	(60,612,186)
Associates						
Advances to (collections)	25.1	**632,726**	(16,907)	49,504	**665,323**	32,597
Key Management Personnel						
Sale of real estate	25.5	**4,870,084**	-	39,075,750	**49,911,322**	45,041,238
Compensation	25.6	**150,137,277**	122,750,352	94,966,157	**-**	-

Based on management's assessment, no impairment loss is required to be provided on the Company's receivables from related parties as at December 31, 2022 and 2021. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period. In respect of contract receivables, it is fully secured by the units purchased, expected to be settled in cash and due based on the contract terms.

Details of the foregoing transactions follow.

25.1 Advances to Related Parties

The Company grants cash advances to shareholders, entities under common ownership, subsidiary, associates, and joint ventures. An analysis of such advances in 2022 and 2021 is presented as follows.

	Entities Under Common Ownership	Subsidiaries	Associates	Total
Balance at January 1, 2022	P 34,679,398	P 974,773,695	P 32,597	P 1,009,485,690
Advances	2,869,851	619,862,008	3,251,144	625,983,003
Collections	(10,882)	(151,339,988)	(2,618,418)	(153,969,288)
Balance at December 31, 2022	**P 37,538,367**	**P 1,443,295,715**	**P 665,323**	**P 1,481,499,405**
Balance at January 1, 2021	P 21,901,000	P 305,480,062	P 49,504	P 327,430,566
Advances	20,189,060	779,935,867	-	800,124,927
Collections	(7,410,662)	(110,642,234)	(16,907)	(118,069,803)
Balance at December 31, 2021	P 34,679,398	P 974,773,695	P 32,597	P 1,009,485,690

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest bearing, are presented as Due from related parties in the statements of financial position.

25.2 Advances from Related Parties

In 2017, the Company assumed the development of Astra Center Project and acknowledged its obligation to ASF amounting to P59,610,753 for the development cost it incurred. The outstanding balance of the Company's payable to related parties amounted to P62,484,708 and P60,614,686 as at December 31, 2022 and 2021, respectively and is presented as Due to related parties under of Trade and other payables in the statements of financial position (see Notes 16).

25.3 Purchases of Condominium Units

The Company purchased condominium units that are still under construction from GGTT in 2021 and from BL Ventures in 2017. Contract prices of the purchased units from GGTT and BL Ventures amounted to P78,308,543 and P172,711,550, respectively. In 2022, payments to GGTT and BL Ventures for such purchases amounted to nil, and P115,601,222, respectively.

As at December 31, 2022 and 2021, the outstanding balance of the deposit for purchased properties from GGTT and BL Ventures amounted to P163,134,122 and P50,503,033, respectively, which is presented, net of input VAT, as Deposits for purchased properties in the statements of financial position (see Note 13).

25.4 Sale of Real Estate to Ultimate Parent Company

In 2022, 2021 and 2020, the Company sold condominium units to the Ultimate Parent Company amounting to P5,902,641, nil and P41,538,000, respectively. The outstanding balance related to this transaction is presented as part of Contracts receivable under the Receivables account in the statements of financial position (see Note 5).

25.5 Sale of Real Estate to Key Management Personnel

In 2022, 2021 and 2020, the Company sold condominium units totaling P4,870,084, nil and P39,075,750, respectively, to key management personnel. The outstanding balance related to these transactions amounts to P49,911,322 and P45,041,238 as at December 31, 2022 and 2021, respectively. These are presented as part of Contract receivables under the Receivables account in the statements of financial position (see Note 5).

25.6 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2021, 2020 and 2019 are shown below.

	2022	2021	2020
Short-term benefits	**P 142,201,016**	P 121,082,068	P 90,246,704
Post-employment benefits	**4,930,421**	1,668,284	4,719,453
Share options	**3,005,840**	-	-
	P 150,137,277	P 122,750,352	P 94,966,157

25.7 Retirement Fund

The Company's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2022 and 2021 consists of the contributions to the plan and interest earned (see Note 23.3). The plan assets do not comprise investment in any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

26. EQUITY

26.1 Capital Stock

Details of the Company's authorized capital stock as at December 31, 2022 and 2021 are as follows:

	Shares		Amount	
	2022	2021	**2022**	2021
Preferred shares – P0.10 par value				
Authorized	**1,000,000,000**	1,000,000,000	**P 100,000,000**	P 100,000,000
Common shares – P1.00 par value				
Authorized	**10,000,000,000**	10,000,000,000	**P10,000,000,000**	P 10,000,000,000
Issued:				
Balance at beginning of year	**3,623,451,997**	1,714,000,000	**P 3,623,451,997**	P 1,714,000,000
Stock dividends		1,909,451,997		1,909,451,997
Balance at end of year	**3,623,451,997**	3,623,451,997	**3,623,451,997**	3,623,451,997
Treasury shares	**(158,250,530)**	(161,600,000)	**(732,664,604)**	(748,171,901)
Issued and outstanding	**3,465,201,467**	3,461,851,997	**P 2,890,787,393**	P 2,875,280,096

As disclosed in Note 1.1, the Company had a successful initial public offering of 430,000,000 unissued common shares at an offer price of P5.00 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Company recognized additional paid-in capital of P1,608,917,974 in the statements of financial position after deducting the related share issuance costs of P111,082,026.

On November 24, 2020, the Company's BOD approved the proposed increase in its authorized common stock from P2,400,000,000, divided into 2,400,000,000 common shares with a par value of P1.00 per share to P10,000,000,000, divided into 10,000,000,000 common shares with a par value of P1.00 per share. Relative to the increase in authorized common stock, on the same date, the Company's BOD approved to declare stock dividends, subject to the approval of the stockholders, of at least 1,900,000,000 or such number of common shares as sufficient to pay the required subscription to the increase in the authorized common stock and as necessary to avoid fractional shares. This will be issued to stockholders of record as of the record date fixed and approved by the SEC, and to be paid on such payment date as shall be fixed by the BOD after the determination of the record date. The increase in the authorized common stock and declaration of stock dividends were approved by the Company's stockholders on February 26, 2021.

On May 21, 2021, the SEC approved the Company's application for the increase of authorized capital stock and declaration of stock dividends, and subsequently approved by the PSE on July 6, 2021.

On July 14, 2021, the Company distributed stock dividends of 1,909,451,997 common shares with a par value of P1.00 or P1,909,451,997 (see Note 26.4). As at December 31, 2022 and 2021, common shares issued is 3,623,451,997 which amounts to P3,623,451,997. There is no issued preferred stock as at December 31, 2022 and 2021.

The share price of the Company's common stock closed at P2.80 and P3.00 per share on December 29, 2022 and December 31, 2021, respectively, the last trading day in the PSE for 2022 and 2021.

The Company has no other listed securities as at December 31, 2022 and 2021.

26.2 Treasury Shares

An analysis of treasury shares as at December 31, 2022 and 2021, respectively is shown below.

	Shares		Amounts	
	2022	2021	**2022**	2021
Balance at beginning of year	**161,600,000**	159,000,400	**P 748,171,901**	P 732,851,016
Re-issuance of shares	**(3,349,470)**	-	**(15,507,297)**	-
Reacquired during the year	**-**	2,599,600	-	15,320,885
Balance at end of year	**158,250,530**	161,600,000	**P 732,664,604**	P 748,171,901

On February 27, 2018, the BOD of the Company approved a P250,000,000 budget for a share buy-back program and employee stock option plan. On March 27, 2020, the BOD of the Company approved an additional P500,000,000 stock buy-back program for its valuation plans over the next two years.

In relation to this program, the Company reacquired 2,599,600 shares of its common stock in 2021 for P15,320,885 and presented them as Treasury Stock in the statements of financial position. No additional shares reacquired in 2022.

In 2022, the Company has reissued 3,349,470 treasury shares as a result of exercise of the same number of stock options (Note 26.3).

As at December 31, 2022 and 2021, total reacquired shares totals 158,250,530 and 161,600,000, respectively, which amounts to P732,664,604 and P748,171,901, respectively.

The common stock of the Company that is held under nominee accounts totaled 1,307,052,405 shares and 1,310,696,135 shares as at December 31, 2022 and 2021, respectively. This represents 36% of the Company's outstanding shares both as at December 31, 2022 and 2021.

26.3 Employee Share Option

On October 6, 2021, the BOD of the Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Company at a price of P2.25 or current market price with a 15% discount, whichever is higher. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

Pursuant to this ESOP, on January 5, 2022, the Company granted share options to qualified officers to subscribe to 31,016,200 common shares of the Company, with the following vesting period.

- The 1st 25% of the options granted can be exercised immediately upon the year of grant;
- The 2nd 25% of the options granted can be exercised one year after the options were granted;
- The 3rd 25% of the options granted can be exercised two years after the options were granted; and,

- The last 25% of the options granted can be exercised three years after the options were granted.

A total of 3,349,470 share options were exercised at a price of P2.40 per share in 2022 using the Company treasury shares (see Note 26.2).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	2.5 years
Average share price at grant date	P 2.86
Average exercise price at grant date	P 2.43
Average fair value at grant date	P 0.15
Average standard deviation of share price returns	20.17 %
Average dividend yield	14.95 %
Average risk-free investment rate	2.59 %

The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of five years.

Share option benefits expense, which is included as part of Salaries and employee benefits under the Operating Expenses account, amounting to P3,005,840 was recognized in 2022 (see Note 23.1), while the corresponding credit to Share Options Outstanding account is presented as under the Equity section of the statements of financial position.

26.4 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the statements of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	**2022**	2021	2020
Balance at beginning of year		**(P 13,477,472)**	(P 12,883,375)	(P 6,589,225)
Other comprehensive income:				
Gain (loss) on remeasurement of post-employment defined benefit obligation	23.3	**(577,372)**	435,092	(8,991,642)
Tax income (expense)	24	**144,343**	(1,029,189)	2,697,492
		(433,029)	(594,097)	(6,294,150)
Balance at end of period		**(P 13,910,501)**	(P 13,477,472)	(P 12,883,375)

26.5 Retained Earnings

a) Cash Dividends

On February 19, 2020, the BOD declared cash dividend of P0.20 per share or a total amount of P414,795,000 to stockholders on record as of April 3, 2020 and was paid on April 30, 2020.

On March 15, 2021, the BOD declared cash dividend of P0.25 per share totaling P388,749,900 to stockholders on record as of April 16, 2021 and was paid on May 10, 2021.

On March 15, 2022, the BOD declared regular and special cash dividends of P0.112 and P0.038 per share, respectively, totaling P519,780,221 to stockholders on record as of April 22, 2022 and were paid on May 17, 2022.

b) Appropriations

The movements of the appropriated retained earnings in 2022 are shown below.

Purpose	January 1, 2022	Releases	Additions	December 31, 2022
Funding of CLI's Projects				
Mivela Garden Residences	P -	P -	P 407,113,996	P 407,113,996
Casa Mira Towers Mandaue	87,799,633	(87,799,633)	-	-
Casa Mira and Velmiro Homes Davao	22,346,012	(22,346,012)	-	-
Cebu Business Park Office/ Hotel Tower	32,762,848	(32,762,848)	-	-
Abaca Resort Mactan	-	-	392,233,257	392,233,257
Mactan Lowaii Project	29,141,419	(29,141,419)	551,585,305	551,585,305
Casa Mira Towers Bacolod	-	-	567,099,274	567,099,274
Masters Tower	-	-	623,204,981	623,204,981
Patria de Cebu	-	-	338,758,725	338,758,725
Casa Mira Towers Guadalupe	-	-	274,708,994	274,708,994
Casa Mira Towers LPU	-	-	271,901,531	271,901,531
Casa Mira Towers CDO	-	-	270,133,666	270,133,666
Velmiro Tolo-tolo Consolacion	-	-	234,736,164	234,736,164
	P 172,049,912	**(P 172,049,912)**	**P 3,931,475,893**	**P 3,931,475,893**

The movements of the appropriated retained earnings in 2021 are shown below.

Purpose	January 1, 2021	Reversals	December 31, 2021
Funding of CLI's projects:			
Mivela Garden Residences	P 500,000,000	(P 500,000,000)	P -
Casa Mira Towers Mandaue	500,000,000	(412,200,367)	87,799,633
Casa Mira and Velmiro Homes Davao	400,000,000	(377,653,988)	22,346,012
Cebu Business Park Office/ Hotel Tower	364,269,107	(331,506,259)	32,762,848
Abaca Resort Mactan	148,209,601	(148,209,601)	-
Mactan Lowaii Project	72,216,550	(43,075,131)	29,141,419
Velmiro Heights Teakwood	64,809,365	(64,809,365)	-
	2,049,504,623	(1,877,454,711)	172,049,912
Distribution of stock dividends	1,900,000,000	(1,900,000,000)	-
Balance at end of year	P 3,949,504,623	(P 3,777,454,711)	P 172,049,912

In 2022 and 2021, the Company released the appropriated retained earnings in 2021 and 2010 for funding of certain projects amounting to P172,049,912 and P1,877,454,711, respectively, to unrestricted retained earnings after partial fulfillment of its intended purpose. Moreover, appropriated retained earnings of P1,900,000,000 was released to unappropriated retained earnings after the distribution of stock dividends by the Company on July 14, 2021.

On December 6, 2022, the BOD approved the appropriation of P3,931,475,893 retained earnings for various projects. Details of the appropriation are as follows:

- P567,099,274 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Casa Mira Towers Bacolod T1 & T2", an economic vertical project located in Brgy. Bata, Bacolod City, Negros Occidental, which commenced in Q1 2022 and is expected to be completed by Q3 2025;

- P551,585,305 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Costa Mira Beachtown Mactan", a high-end vertical residential project located in Mactan, Cebu, which commenced in Q3 2022 and is expected to be completed by Q2 2026;

- P623,204,981 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Masters Tower", a vertical hospitality project located in Cebu Business Park, Cebu City, which commenced in Q2 2021 and is expected to be completed by Q4 2025;

- P407,113,996 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Mivela Garden Residences", a mid-market vertical residential project located in Banilad, Cebu City, which commenced in Q2 2020 and is expected to be completed by Q2 2023;

- P392,233,257 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Abaca Resort", a vertical resort project located in Mactan, Cebu, which commenced in Q3 2021 and is expected to be completed by Q4 2024;

- P338,758,725 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Patria de Cebu", a mixed-use development project located in P. Burgos St., Cebu City, which commenced in Q4 2019 and is expected to be completed by Q2 2024;

- P274,708,994 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Casa Mira Towers Guadalupe", an economic residential vertical project composed of three (3) towers located in V. Rama Avenue, Brgy. Guadalupe, Cebu City, which commenced on Q3 2018 (Tower 1), Q4 2020 (Tower 2), and Q3 2021 (Tower 3), respectively, and are expected to be completed by Q1 2023 (Tower 1), Q3 2023 (Tower 2), and Q4 2024 (Tower 3), respectively;

- P271,901,531 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Casa Mira Towers – LPU", an economic residential vertical project located in Brgy. Sasa, Davao City, which commenced in Q2 2021 and is expected to be completed by Q2 2023;

- P270,133,666 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Casa Mira Towers CDO", an economic vertical residential project located in Brgy. Kauswagan, Cagayan de Oro City, Misamis Oriental, which commenced in Q3 2019 and is expected to be completed by Q4 2022; and

- P234,736,163 for the capital expenditures, financing costs, and other related development costs that the Corporation expects to incur next year (2023) for "Velmiro Tolo-Tolo Consolacion", a mid-market horizontal residential project located in Brgy. Tolotolo, Municipality of Consolacion, Cebu which commenced in Q1 2023 and is expected to be completed by Q1 2027.

In 2021, no appropriation has been made by the Company.

On November 24, 2020, the BOD approved the appropriation of P3,300,000,000 retained earnings for various projects. Details of the appropriation are as follows:

- P1,900,000,000 is intended for the Company's proposed increase in authorized common stock and of which portion will be issued through stock dividend (see Note 25.1).

- P1,400,000,000 for the capital expenditures, financing costs, and other related development costs of certain projects that the Company expects to incur in 2021 with details below:

  i. P400,000,000 for the on-going development of the Casa Mira and Velmiro Homes Davao projects. Project developments commenced in December 2019 and are expected to be completed by fourth quarter of 2023.

  ii. P500,000,000 for the on-going development of Mivela Garden Residences. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.

  iii. P500,000,000 for the on-going development of Casa Mira Towers Mandaue. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

27.1 Operating Lease Commitments – Company as Lessor

The Company is a lessor under several operating leases covering investment properties (see Note 12). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 3.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	2022	2021	2020
Within one year	**P 54,686,546**	P 54,346,158	P 53,712,626
After one year but not more than five years	**111,708,198**	102,938,930	71,468,344
More than five years	**92,651,746**	116,723,431	118,400,559
	P 259,046,490	P 274,008,519	P 243,581,529

Rental income amounted to P75,752,573, P67,989,495 and P61,528,393 in 2022, 2021 and 2020, respectively (see Note 12 and 17.1). None of the rental income in 2022, 2021 and 2020 are relating to variable lease payments. Outstanding rent receivables as at December 31, 2022 and 2021 and are shown as Rent receivable under the Receivables account in the statements of financial position (see Note 5).

27.2 Operating Lease Commitments – Company as Lessee

The Company entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P13,212,227, P15,121,820 and P11,065,601 in 2022, 2021 and 2020, respectively, and is shown as Rent under Operating Expenses in the statements of profit or loss (see Note 19).

As at December 31, 2022 and 2021, the expected future rentals is expected to be more or less the same with the annual rent expense recognized because of the terms of the leases, which are less than 12 months.

27.3 Completion of Sold Units

The Company is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Company recognized a contract liability, which amounts to P297,852,532 and P353,200,147 as at December 31, 2022 and 2021, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 17.2).

27.4 Purchase of Land

In 2022, the Company had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land for about P121,996,729. There were no such commitments as at December 31, 2021.

27.5 Capital Commitments

As at December 31, 2022 and 2021, the Company has capital commitments of about P3,997,304,687 and P5,829,213,416, respectively, for the construction of condominium and subdivision projects.

27.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements because the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably. As at December 31, 2022 and 2021, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

28. EVENTS AFTER THE REPORTING PERIOD

On March 20, 2023, the BOD declared regular and special cash dividends of P0.15 and P0.03 per share, respectively, totaling P623,736,264 to stockholders on record as of April 18, 2023. Such dividends will be paid on April 28, 2023.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 30. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Company is exposed to are described as follows.

29.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

The Company has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

The Company has no significant interest rate risk exposure as most of its interest-bearing financial assets and liabilities bear fixed interest rates.

29.2 Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligation. To manage credit risk, the Company maintains credit policies and monitors its exposure to credit risk on a continuous basis.

Receivables balances are being monitored on a regular basis to ensure timely execution of necessary collection intervention efforts. In addition, the credit risk for trade receivables is mitigated as the Company transfers the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces only upon full payment of the contract price.

(a) Maximum exposure to credit risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets (including contract assets), as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	4	**P 465,354,066**	P 330,793,238
Receivables*	5	**2,582,923,943**	3,996,418,473
Contract assets	17.2	**25,386,768,172**	16,256,159,124
Due from related parties	25.1	**1,481,499,405**	1,009,485,690
Short-term investments	8	**101,034,408**	149,901,854
Refundable deposits	13	**113,438,998**	86,691,321
		P 30,131,018,992	P 21,829,449,700

** Receivables - net excludes advances to officers and employees.*

The estimated fair value of collateral and other security enhancements held against contract receivables and contract assets are presented below.

	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**
2022			
Contract receivables	P 2,096,650,909	P 5,077,139,665	P -
Contract assets	25,386,768,172	44,346,182,422	-
	P 27,483,419,081	**P 49,423,322,087**	**P -**
2021			
Contract receivables	P 3,697,017,615	P 7,853,276,713	P -
Contract assets	16,256,159,124	35,539,865,028	-
	P 19,953,176,739	P 43,393,141,741	P -

(b) Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by location of the Company's receivables and contract assets, net of allowance for impairment, is shown below.

	2022	2021
Cebu	**P 13,236,787,310**	P 9,989,786,107
Visayas	**7,969,747,027**	5,641,318,497
Mindanao	**6,276,782,395**	4,321,905,769
Luzon	**102,349**	166,366
	P 27,483,419,081	P 19,953,176,739

(c) Credit quality

The Company classifies cash in banks as high grade as these are deposited with reputable banks.

Other receivables and refundable deposits are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments and are effectively collateralized by the real estate inventories which can be subject to repossession upon non-payment of customers after reasonable collection effort has been exerted by the Company.

	2022					
	Neither past due not impaired			**Past due but not impaired**	**Individually impaired**	**Total**
	High grade	**Standard grade**	**Unrated**			
Cash	P 465,354,066	P -	P -	P -	P -	P 465,354,066
Receivables						
Contract	-	2,095,093,500	-	-	-	2,095,093,500
Others	-	-	487,830,443	-	-	487,830,443
Contract assets	-	25,386,768,172	-	-	-	25,386,768,172
Due from related parties	-	-	1,481,499,405	-	-	1,481,499,405
Short-term investments	101,034,408	-	-	-	-	101,034,408
Refundable deposits	-	-	113,438,998	-	-	113,438,998
	P 566,388,474	**P27,481,861,672**	**P 2,082,768,846**	**P -**	**P -**	**P30,131,018,992**

	2021					
	Neither past due not impaired			Past due but not impaired	Individually impaired	Total
	High grade	Standard grade	Unrated			
Cash	P 330,793,238	P -	P -	P -	P -	P 330,793,238
Receivables						
Contract	-	3,697,017,615	-	-	-	3,697,017,615
Others	-	-	299,400,858	-	-	299,400,858
Contract assets	-	16,256,159,124	-	-	-	16,256,159,124
Due from related parties	-	-	1,009,485,690	-	-	1,009,485,690
Short-term investments	149,901,854	-	-	-	-	149,901,854
Refundable deposits	-	-	86,691,321	-	-	86,691,321
	P 480,695,092	P19,953,176,739	P 1,395,577,869	P -	P -	P21,829,449,700

29.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored on a week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. Management maintains enough cash to meet the Company's liquidity. Excess cash are invested in short-term placements.

As at December 31, 2022 and 2021, the Company's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
December 31, 2022				
Interest-bearing loans and borrowings	P 6,156,471,789	P 2,043,253,024	P18,696,834,007	P 6,521,406,969
Bonds payable	168,742,525	168,742,525	3,849,718,073	2,423,031,648
Trade and other payables*	6,689,182,884	5,396,153,649	161,965,830	-
	P13,014,397,198	**P 7,608,149,198**	**P22,708,517,910**	**P 8,944,438,617**
December 31, 2021				
Interest-bearing loans and borrowings	P 4,333,609,004	P 2,850,227,160	P15,516,973,294	P 7,337,372,974
Trade and other payables*	2,759,983,190	4,946,268,676	129,280,893	-
	P 7,093,592,194	P 7,796,495,836	P15,646,254,187	P 7,337,372,974

**Trade and other payables exclude output VAT, government-related obligations and advance rental.*

The foregoing contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are presented as follows.

	Notes	2022		2021	
		Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	**P 465,354,066**	**P 465,354,066**	P 333,090,459	P 333,090,459
Receivables - net[1]	5	**2,582,923,943**	**2,582,923,943**	3,996,418,473	3,996,418,473
Due from related parties	25.1	**1,481,499,405**	**1,481,499,405**	1,009,485,690	1,009,485,690
Short-term investments	8	**101,034,408**	**101,034,408**	149,901,854	149,901,854
Refundable deposits	13	**113,438,998**	**113,438,998**	86,691,321	86,691,321
		P 4,744,250,820	**P 4,744,250,820**	P 5,575,587,797	P 5,575,587,797
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowing	14	**P 29,453,443,408**	**P 27,278,278,881**	P 26,910,209,391	P 26,129,944,973
Bonds payable	15	**4,930,582,631**	**5,074,171,211**	-	-
Trade and other payables[2]	16	**12,247,302,363**	**12,247,302,363**	7,835,532,759	7,835,532,759
		P 46,631,328,402	**P 44,599,752,455**	P 34,745,742,150	P 33,965,477,732

[1] Receivables - net excludes advances to subcontractors and advances to officers and employees.
[2] Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 29.

30.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		
	Financial assets	Financial liability set off		Financial instruments	Cash collateral received	Net amount
December 31, 2022						
Cash and cash equivalents	P 473,839,940	P -	P 473,839,940	P 427,494,831	P -	P 46,345,109
Short-term investments	101,034,408	-	101,034,408	101,034,408	-	-
Total	**P 574,874,348**	**P -**	**P 574,874,348**	**P 528,529,239**	**P -**	**P 46,345,109**
December 31, 2021						
Cash and cash equivalents	P 333,090,459	P -	P 333,090,459	P 288,860,700	P -	P 44,229,759
Short-term investments	149,901,854	-	149,901,854	149,901,854	-	-
Total	**P 482,992,313**	**P -**	**P 482,992,313**	**P 438,762,554**	**P -**	**P 44,229,759**

The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
December 31, 2022						
Interest-bearing loans	**P 29,453,443,409**	**P -**	**P 29,453,443,409**	**P 528,529,239**	**P -**	**P 29,981,972,648**
December 31, 2021						
Interest-bearing loans	**P 26,910,209,391**	**P -**	**P 26,910,209,391**	**P 438,762,554**	**P -**	**P 26,471,446,837**

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30.3 Fair Value Measurements and Disclosures

(a) Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities, which are not measured at fair value in the 2021 and 2020 statements of financial position, but for which fair value is disclosed (see Note 30.1).

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	P 473,839,940	P -	P -	P 473,839,940
Receivables - net	-	-	2,582,440,663	2,582,440,663
Due from related parties	-	-	1,463,669,209	1,463,669,209
Short-term investments	101,034,408	-	-	101,034,408
Refundable deposits	-	-	113,438,998	113,438,998
	P 574,874,348	**P -**	**P 4,159,548,870**	**P 4,734,423,218**
Financial liabilities				
Interest-bearing loans	P -	P -	P29,453,443,409	P29,453,443,409
Bonds payable			4,930,582,631	4,930,582,631
Trade and other payables	-	-	12,367,954,661	12,367,954,661
	P -	**P -**	**P46,631,328,402**	**P46,631,328,402**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 333,090,459	P -	P -	P 333,090,459
Receivables - net	-	-	3,996,418,473	3,996,418,473
Due from related parties	-	-	1,009,485,690	1,009,485,690
Short-term investments	149,901,854	-	-	149,901,854
Refundable deposits	-	-	86,691,321	86,691,321
	P 482,992,313	**P -**	**P 5,092,595,484**	**P 5,575,587,797**
Financial liabilities				
Interest-bearing loans	P -	P -	P26,910,209,391	P26,910,209,391
Trade and other payables	-	-	7,835,532,759	7,835,532,759
	P -	**P -**	**P34,745,742,150**	**P34,745,742,150**

For the Company's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values because, except for interest-bearing loans, of their short-term nature.

(c) Fair Value Measurement for Non-financial Assets

The Company has no non-financial assets measured at fair value as at December 31, 2022 and 2021. However, the fair values of its investment properties are required to be disclosed, as shown in Note 12.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2022 and 2021.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Investment properties	**P -**	**P 2,249,305,000**	**P 8,667,747,491**	**P10,917,052,491**
December 31, 2021				
Investment properties	P -	P 2,509,272,000	P 4,883,051,227	P 7,392,323,227

In 2022 and 2021, the fair value of the Company's Investment Properties [see Note 3.2*(h)*] are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(i) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence.

The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Company, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2022 and 2021.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2022	2021
Total interest-bearing loans and borrowings and bonds payable	**P34,384,026,039**	P 26,910,209,391
Total equity	**13,619,658,508**	10,923,039,660
Debt-to-equity ratio	**2.52:1.00**	2.46:1.00

The Company's goal in capital management is to limit a maximum interest-bearing debts to total equity structure ratio of 75:25 on a monthly basis (see Note 14). This is in line with the Company's compliance with requirement of the BOI and banks.

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

The Company has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years ended December 31, 2022 and 2021.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (see Note 14)	Lease Liabilities (see Note 11)	Bonds Payable (see Note 15)	Total
Balance as of January 1, 2022	P26,910,209,391	P 834,573,823	P -	P27,744,783,214
Cash flows from financing activities				
Additional borrowings – net	9,978,618,073	-	4,926,627,631	14,905,245,704
Repayments	(7,524,170,278)	-	-	(7,524,170,278)
Non-cash financing activities				
Amortization of debt issue cost	88,786,222	-	3,955,000	92,741,222
Interest amortization on lease obligation	-	60,643,316	-	60,643,316
Additional lease liabilities	-	52,874,045	-	52,874,045
Balance at December 31, 2022	**P29,453,443,408**	**P 948,091,184**	**P 4,930,582,631**	**P 35,332,117,223**
Balance as of January 1, 2021	P19,135,019,268	P 828,252,812	P -	P19,963,272,080
Cash flows from financing activities				
Additional borrowings – net	12,999,276,695	-	-	12,999,276,695
Repayments	(5,288,736,576)	-	-	(5,288,736,576)
Non-cash financing activities				
Amortization of debt issue cost	64,650,004	-	-	64,650,004
Interest amortization on lease obligation	-	(6,321,011)	-	(6,321,011)
Balance at December 31, 2021	P26,910,209,391	P 834,573,823	P -	P 27,744,783,214
Balance as of January 1, 2020	P13,081,505,265	P 132,019,988	P -	P13,213,525,253
Cash flows from financing activities				
Additional borrowings	11,389,408,689	-	-	11,389,408,689
Repayments	(5,369,429,420)	(103,564,542)	-	(5,472,993,962)
Non-cash financing activities				
Additional lease liabilities	-	818,482,704	-	818,482,704
Amendment of lease contract	-	(18,685,338)	-	(18,685,338)
Amortization of debt issue cost	33,534,734	-	-	35,534,734
Balance at December 31, 2020	P19,135,019,268	P 828,252,812	P -	P 19,963,272,080

33. OTHER MATTERS

On December 14, 2021, severe tropical storm "Rai" entered the Philippine Area of Responsibility (PAR) and was named "Odette". On December 15, 2021, Odette intensified into a typhoon as it moved westward over the Philippine Sea east of Mindanao. On December 16, 2021, Odette rapidly intensified and heavily affected the areas of Surigao del Norte, Caraga region, Southern Leyte, Bohol, Cebu, Negros Oriental, Siquijor, the southern and central portions of Negros Oriental and Guimaras. Odette left the PAR on December 18, 2021.

As a result of this, the Company sustained damages in its projects and properties in Cebu and reported calamity damages, net of estimated insurance claims, amounting to P89,558,963, in the 2021 statement of profit or loss (see Note 20.2).

Pursuant to the Bureau of Internal Revenue (BIR) Revenue Memorandum Order No. 031-09, in relation to Section 34 (D)(1)(b) of the National Internal Revenue Code, as amended, the Company filed notarized declarations of casualty losses on February 23, 2022 to BIR, prior to the deadline on February 29, 2022 as extended under BIR Revenue Regulations No. 1-2022.

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Following is the supplementary information which is required by the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

a) Output VAT

In 2022, the Company declared output VAT as follows relating to sale of real estate:

	Tax Base	Output VAT
Taxable sales	P2,125,898,059	P 255,107,767
Exempt sales	2,437,166,839	-
Zero-rated services	23,908,623	-
	P4,586,973,521	**P 255,107,767**

The Company's taxable real estate sales (at 12% and 0%) and VAT exempt real estate sales were determined pursuant to Section 106, *VAT on Sale of Goods or Properties* and Section 109, *VAT-Exempt Transactions*, of the 1997 NIRC, as amended.

The tax base for the real estate sales is based on the provisions under the VAT regulations (installment plan or deferred payment basis); hence, may not be the same as the amounts reported in the 2022 profit or loss of the Company for financial reporting purposes.

b) Input VAT

The movements in input VAT for the year ended December 31, 2022 are summarized below.

Balance at beginning of year	P	306,018,967
Goods for resale/manufacture or further processing		209,372,792
Services lodged under cost of goods sold and other accounts		447,360,924
Capital goods subject to amortization		1,903,592
Capital goods not subject to amortization		22,826,351
Services rendered by non-residents		198,308
Input tax on sale to government		
Allocable to exempt sales	(	254,596,257)
Applied against output VAT	(	255,107,767)
Balance at end of year	**P**	**477,976,910**

c) Taxes on Importation

The Company does not have any landed cost, customs duties and tariff fees on importation since it does not have importations during 2022.

d) Excise Tax

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

e) Documentary Stamp Tax (DST)

For the year ended December 31, 2022, the Company paid and accrued DST amounting to P199,455,744. Details of DST in 2022 are as follows:

Loans/Bonds/Mortgage	P	118,613,221
Conveyance of properties		42,828,300
Rentals		38,014,223
	P	**199,455,744**

The Company capitalized P118,613,221 of the documentary stamp tax as deduction of the interest-bearing loans.

f) Taxes and Licenses

Details of taxes and licenses in 2022 are as follows:

DST	P	80,842,523
Business Taxes and Permits		28,920,740
City Treasurer's Office		25,230,800
Real property tax		23,641,212
Land Registration Authority		23,393,413
Registry of Deeds		6,107,675
Bureau of Internal Revenue		6,086,335
Transfer taxes		2,208,465
Securities and Exchange Commission		2,046,935
Bureau of Fire Protection		1,651,430
Pag-IBIG processing fee		417,732
Others		8,013,227
	P	**208,560,487**

g) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2022 are as follows:

Expanded	P	290,474,439
Compensation and employee benefits		71,812,334
Final		27,528,458
	P	**389,815,231**

h) Deficiency Tax Assessments and Tax Cases

As at December 31, 2022, the Company does not have any final deficiency tax assessments from BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in the open taxable years.